

### **Example 1: Date of commencement of annual allowance**

Employer's tax year ends on the last day of February 2010. Employee commences employment on 04 January 2010 and signs a three-year learnership agreement on 11 January 2010. Agreement is registered on 01 March 2010.

#### **Result**

- Employer not entitled to claim annual allowance during tax year ending February 2010.
- Employee not party to a registered learnership agreement as at 28 February 2010.

## **Example 2: Deduction of Annual Allowance**

Employer A enters into a registered learnership agreement with Learner B (not a person with a disability) on 01 January 2010, for a period of 18 months. Year of assessment of Employer A ends on 31 December.

### **Request:**

Calculate the amount of the annual allowance Employer A may deduct during the 2010 and 2011 years of assessment.

### **Result**

#### **2010 Year of Assessment**

- Employer A may deduct R30 000 as an annual allowance in terms of Section 12H(2)(a) of the Income Tax Act, 1962

#### **2011 Year of Assessment**

- Learner B party to a registered learnership agreement, with Employer B, for a period of 6 months
- Employer A may deduct R15 000 as a *pro-rata* portion of the R30 000 annual allowance
  - $R30\ 000 * 6/12 = R15\ 000$

### **Example 3: Deduction of Completion Allowance**

Learner B in Example 2 successfully completes the learnership after the 18 month period, i.e. 30 June 2011. Year of assessment of Employer A ends on 31 December.

#### **Request:**

Calculate the amount of the completion allowance Employer A may deduct during the 2011 year of assessment.

#### **Result**

##### **2011 Year of Assessment**

- Registered learnership agreement is for a period of less than 24 full months
- Employer A may deduct R30 000 as the completion allowance in terms of Section 12H(3) of the Income Tax Act, 1962

## **Example 4: Deduction of Completion Allowance**

Employer C enters into a registered learnership agreement with Learner D (person with a disability) on 01 January 2010, for a period of 2 years and 6 months. Year of assessment of Employer C ends on 31 December.

Learner D successfully completes the learnership on 30 June 2012.

### **Request:**

Calculate the amount of the completion allowance Employer C may deduct during the 2012 year of assessment.

### **Result**

#### **2012 Year of Assessment**

- Employer C may deduct R100 000 as the completion allowance in terms of Section 12H(4) of the Income Tax Act, 1962
  - $R50\,000 * 2 = R100\,000$
- No *pro-rata* deduction for the 6-month period within the 2012 year of assessment

## **Example 5: Substitution of Employers**

Employer E enters into a learnership agreement with Learner F (not a person with a disability) on 01 January 2010, for a period of 3 years. Year of assessment of Employer E ends on 31 December.

Learner F, however, leaves the employment of Employer E on 01 May 2011 and takes up employment with Employer G (30 June year-end). The substitution complies with the provisions of the Skills Development Act, 1998.

Assume Learner F successfully completes the learnership on 31 December 2012.

### **Request:**

Calculate the amounts of the annual and completion allowances that each employer may deduct during the 2010, 2011, 2012 and 2013 years of assessment.

### **Result**

#### **Employer E**

##### **2010 Year of Assessment**

- Annual allowance of R30 000 in terms of Section 12H(2)(a)

##### **2011 Year of Assessment**

- *Pro-rata* annual allowance of R10 000 in terms of Section 12H(2)(b)
- Learner F party to a registered learnership agreement for a period of 4 months during the 2011 year of assessment
  - $R30\ 000 * 4/12 = R10\ 000$

##### **2012 Year of Assessment**

- Not entitled to annual allowance, as Learner F is no longer party to a registered learnership agreement with Employer E

##### **2013 Year of Assessment**

- Not entitled to annual nor completion allowance, as Learner F is no longer party to a registered learnership agreement with Employer E

## **Employer G**

### **2010 Year of Assessment**

- Not entitled to annual allowance, as Learner F is not a party to a registered learnership agreement with Employer G

### **2011 Year of Assessment**

- *Pro-rata* annual allowance of R20 000 in terms of Section 12H(2)(b)
- Learner F party to a registered learnership agreement for a period of 2 months during the 2011 year of assessment
  - $R30\ 000 * 2/12 = R5\ 000$

### **2012 Year of Assessment**

- Annual allowance of R30 000 in terms of Section 12H(2)(a)

### **2013 Year of Assessment**

- *Pro-rata* annual allowance of R15 000 in terms of Section 12H(2)(b)
- Learner F party to a registered learnership agreement for a period of 6 months during the 2011 year of assessment
  - $R30\ 000 * 6/12 = R15\ 000$
- Completion allowance of R90 000 in terms of Section 12H(4) of the Income Tax Act, 1962
  - $R30\ 000 * 3 = R90\ 000$  (3 consecutive full 12-month periods within the duration of the agreement)