

# Greater tax incentives needed for education

By [Patricia Williams](#)

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In the past, there has been a significant increase in taxpayers voicing their belief that a tax revolt is the correct way to deal with the current crisis of confidence in government. However, despite higher taxes on individual taxpayers, it is not the quantum of tax that is of substantial concern but how tax collections are used.



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For example, the suggestion has been made that taxes be withheld from government and paid into a trust account instead. From what I understand, the objective would be to hold the taxes in a trust account until confidence in the use of tax funds has been restored. This demonstrates a willingness to pay tax, if funds are used appropriately.

Many South Africans feel that they should have more say in how their tax contributions are used. Of course, this would put strain on the ability of the state to function properly. If this approach were to be taken to the extreme, one may imagine that no politician or tax official would find a taxpayer willing to pay his or her salary. Surely, we should be looking for middle ground.

## Education could be just the right terrain

Education is not meeting Constitutional minimums.

Recently, I read reports that over 580 schools in Limpopo were still without textbooks and learner-teacher material - almost halfway through the school year. Education is the most stable and dependable manner in which to uplift the poor and the country as a whole, and the right to education is a basic Constitutional right. In spite of this, the system seems to be failing hundreds of thousands of children in government schools.

## Micro-economic solutions to macro-economic problems

One way to approach this kind of situation could be to find 'micro-economic solutions' to 'macro-economic problems'. In

the South African context, if one feels that there are government service delivery failures at a macro-economic level, amazing things can be achieved by individuals connecting with other like-minded individuals.



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In April, I received an email from the SPCA, asking for donations of pet food. Very conveniently, this could be ordered through online seller Takealot, allowing for delivery within a matter of two business days at the click of a button. In principle, there is no reason why similar options should not be available for individuals to send textbooks, stationery or other basic supplies needed by schools.

In my view, it is time for SARS and the tax legislation to 'come to the party' on these points.

## **Tax deductions for education-related contributions**

Donations to certain charitable organisations give rise to income tax deductions. In principle, this would include the funding of schools. Minor practical changes would facilitate the involvement of third party vendors, such as Takealot, as intermediaries to effect the donations by individuals or businesses to the affected schools and ideally issue tax deduction certificates on behalf of the relevant schools (or as a separate public benefit organisation approved for that purpose).

An income tax deduction only means that whatever income one were to give away for education, SARS would not tax you on that specific income. To be meaningful, the available tax deduction should be higher than the actual expenditure. Tax allowances calculated on more than the actual expenditure are available in South Africa in various areas, for example a 150% deduction for scientific or technological research and development, and a deduction of between 135% and 200% for industrial policy projects. Childhood education is surely of similar extreme importance in our country and, as such, should be similarly favoured by the tax regime.

## **How this might work**

Let us say that a 150% deduction were to be allowed for buying necessary educational items for schools through an appropriate intermediary who can deliver these directly to the schools. Then, for an individual at a marginal 45% tax rate, the effect would be that for every R100 spent in this manner (of income subject to the 45% marginal tax rate), the income tax to be collected would decrease by R67.50 (45% of R100 x 150%). For lower taxed individuals, this reduction in tax would be less substantial – for example, an individual taxed at 31% would see a R46.50 decrease in tax for each R100 spent in this manner.

This is not quite as 'good' as being able to fully 'choose' where the whole of one's tax goes, but it could be seen as meaningful middle ground. The fiscus also benefits, in that the whole R100 goes towards appropriate expenditure that should otherwise be funded by the state, while the fiscus only foregoes a lower quantum of taxes.

## **Conclusion**

It is time for government and SARS to take steps to rebuild trust. These steps should include recognising taxpayers' concerns around the use of tax funds, and demonstrating commitment to key issues such as education that are so close to taxpayers' hearts.

I do not want to sit in my office, read about massive service delivery failures in education and feel powerless. I want to log on to Takealot or some similar online shopping site, order textbooks and stationery for a school, then send the link to my friends and colleagues for them to consider doing the same, and know that the taxman is also contributing 'his share' in this endeavour.

## ABOUT THE AUTHOR

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