

# **THE NEED FOR A LEARNERSHIP IN TAXATION**

**RESEARCH REPORT SUBMITTED TO  
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## ACRONYMS AND ABBREVIATIONS

ACCA	Association for Chartered Certified Accountants
CA	Chartered Accountant
CHE	Council for Higher Education
Fasset	Sector Education and Training Authority for Finance, Accounting, Management Consulting and Other Financial Services
NQF	National Qualifications Framework
OFO	Organising Framework for Occupations
QCTO	Quality Council for Trades and Occupations
SAICA	South African Institute for Chartered Accountants
SAIPA	South African Institute for Professional Accountants
SAIT	South African Institute for Tax Practitioners
SARS	South African Revenue Service

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## EXECUTIVE SUMMARY

This report stems from a request received by Fasset to finance the development of a learnership for tax practitioners. The request was submitted by the South African Institute for Tax Practitioners (SAIT) in collaboration with the South African Revenue Service (SARS). Fasset requested an objective investigation into the need for such a learnership before funding could be considered.

### ***The research process***

The research process included: personal or telephone interviews with 50 accounting and auditing firms in Fasset's sector; several discussions with representatives from SARS; an interview with one of the potential education providers; and interviews with four of the professional bodies who may have a direct interest in the development of a learnership in taxation. The accounting and auditing firms that were interviewed employ almost 16 000 people and included the tax divisions of the four large accounting and auditing firms, as well as 46 other firms randomly selected from Fasset's database of firms that had submitted workplace skills plans for 2008/2009.

### ***The need for and potential uptake of a learnership***

The majority (37 or 74%) of the 50 firms that were interviewed were of the opinion that a need exists for a learnership in taxation. When asked whether they would be willing to take on learners, 29 (58%) of the employers said that they would be willing to take on learners on a tax learnership. These firms indicated that in total they would take on 155 learners at a time. SARS also indicated that they would be able to accommodate substantial numbers of learners – between 200 and 300 per year. The need for a learnership stems mainly from the ongoing development of tax as a specialised work component in many accounting and auditing firms, as well as the fact that the volume of work that needs to be covered in the accounting learnership leaves insufficient space for taxation.

Of the three professional bodies active in the field of accounting that were interviewed, ACCA was of the opinion that there is no need for such a learnership, SAICA was of the opinion that there is a need for such a learnership at the professional level (albeit not at the CA level), and SAIPA gave qualified support to the idea of a learnership in tax, stating that the need exists only at the tax administrator level (i.e. at the non-professional level) and not at the professional level. SAIT's motivation for a learnership in tax stems from its view that taxation has become a field of work in its own right and that the volume of work related to tax can no longer be sufficiently accommodated in accounting qualifications.

### ***The tax practitioner occupation***

The tax practitioner occupation seems to be a new profession in development. Although it is closely linked with the other professions in the family – i.e. the accounting, management accounting and auditing professions – it has a distinct focus on taxation. At this stage practitioners are mainly sourced from the accounting and legal professions. However, a substantial number of practitioners are also employed from the ranks of BCom graduates, who do not have membership of a professional body.

As with the accounting professions, there are clearly different levels of complexity in tax-related functions. Therefore, the skills levels required in the workplace range from a relatively low administrative level to a highly specialised professional level. The respondents in this survey had diverse views on the educational level at which a learnership should be pitched and the need for a learnership was actually identified at all levels – from the tax administrator level to the highest professional level (on a par with the CA learnership).

The draft regulations of the Quality Council for Trades and Occupations (QCTO) stipulate that all new occupational qualifications need to be linked to occupations that occur on the Organising Framework for Occupations (OFO). It is therefore necessary to consider the occupational descriptions on the OFO before recommendations regarding qualifications and learnerships can be made. The OFO makes some provision for the tax practitioner occupation, but the appropriate naming of the occupation and the grouping of the specialisations and alternative titles with it need to be thoroughly investigated and firm recommendations need to be communicated to the Department of Labour.

Professional body membership is highly valued in the financial services sector. For most employers, professional body designations reflect skills levels, as well as levels of professionalism, and therefore most employers feel that a learnership should tie in with professional body membership.

### ***Current qualifications registered on the NQF***

A large number of higher education qualifications in taxation are currently registered on the NQF. These qualifications span NQF levels 5 to 7 (old NQF levels). All of them are provider-based qualifications. The large number of qualifications is, on the one hand, an indication of the development of tax as a specialised field but, on the other, makes it quite difficult to select one to link to a learnership.

### ***Conclusions and recommendations***

This study was conducted at a time when the skills-development environment was undergoing fundamental changes. More specifically, at the time of writing this report many aspects of the functioning of the QCTO and the way in which the registration of qualifications will be handled are still unclear and, therefore, the recommendations presented in this report are based on our best

understanding of the new qualification structures and the way they will work. One of the most important assumptions that we are making is that the new qualifications that will be registered under the QCTO – the occupational awards – will be accepted as the qualifications to which a learnership may lead.

It is recommended that at least one learnership in taxation should be developed. This learnership should provide a pathway that incorporates a first university degree and it should lead to the professional occupation (i.e. the tax practitioner occupation). The recommendation is based on the following considerations:

- The majority of employers who participated in this study (and especially the largest employers of tax practitioners, including SARS) felt that a need for a learnership in taxation exists.
- Several of the employers have instituted their own graduate programmes and wish to formalise them through a learnership.
- The study provided sufficient evidence that the tax practitioner occupation is evolving as a distinct occupation and that a formal learning path directly into that occupation is warranted.
- Previous research indicates that taxation skills are in short supply in Fasset's sector.
- The learnership will create a practical learning path for people who currently enter the tax practitioner occupation directly from university.

At this stage it is estimated that the sector may provide at least between 300 and 350 training opportunities on this learnership. This figure may drop slightly after a few years – once SARS has satisfied its initial expansion needs. However, this drop may be countered by the learnership becoming institutionalised in the sector.

A second learnership that leads to the technician or administrative occupation may also be considered. Such a learnership will satisfy the needs of some of the employers. However, the potential uptake of the learnership is much lower than that of a professional learnership.

It is recommended that a new professional qualification – an occupational award – should be developed for the professional learnership. This qualification should be at the entry level of the tax practitioner profession – i.e. old NQF Level 6 or new NQF Level 7. The learnership should provide the learning path to the new qualification. The set of existing higher education qualifications (accounting and taxation) should be recognised in terms of the provision of the theoretical content of the occupational award. The occupational award will also specify the workplace learning and assessment that will have to take place. Providers will have to be accredited to provide the modules that learners may need in order to satisfy the theoretical component of the occupational award.

If a learnership on a lower NQF level is developed, the same process needs to be followed in terms of a (still to be specified) tax technician or tax administrator occupation and the certificates and diplomas in taxation.

Most of the learnerships in Fasset's sector are linked to professional bodies and professional bodies play a pivotal role in: the promotion and marketing of the learnerships; quality assurance and the maintenance of standards; employer assistance and final assessments. The professional bodies also maintain the record-keeping systems of the learnerships. This system of professional body guardianship of learnerships is very successful and, therefore, it is strongly recommended that a new learnership in taxation should be linked to a professional body. The specific roles of such a body will have to be defined between Fasset and the body itself.

The majority of employers felt that a specialised professional body should be involved with this learnership. This study did not include an objective evaluation of the institutional capacity or motivation of the professional bodies to take on such a learnership. SAIT is a relatively new organisation and is the first attempt of the tax practitioner profession to organise itself. SAIT, by virtue of its application for the learnership, expressed its interest in being involved in the development and promotion of it. It is our view that the energy and motivation underlying the application for the learnership should be harnessed and that the involvement of an organisation such as SAIT may greatly benefit the development of the learnership.

### ***Challenges and risks***

The first challenge in relation to the recommended learnership is the fact that a new qualification needs to be developed within a brand new qualification design system. The tax practitioner profession is also new and professionals working in this field do not have a long history of working together and being organised as a profession. There is still a contingent of the accounting profession that argues that taxation is an integral part of accounting and that it is not necessary to make special provision for taxation. It therefore possible that there may be some opposition to the learnership in the sector.

As this is a relatively new field, the identification of enough suitable mentors and assessors for this learnership may pose some problems. In the beginning it will be necessary to rely extensively on members of other professional bodies such as SAICA and SAIPA who have specialised knowledge of and experience in the field of taxation.

Another challenge would be to tie in this new learnership as seamlessly as possible with the existing learnerships in the accounting field in order to keep the additional administrative work for employers to a minimum.

The success of a learnership depends not only on the quality and relevance of its content, but also on active marketing, incentives and maximum support to employers. Fasset will have to provide support in this regard.

In conclusion: in this report we essentially recommend the development of a learnership based on a first degree. In addition, a learnership at the certificate or diploma level may also be considered. However, it must be noted that these two learnerships may not satisfy the needs of all the employers. If the professional learnership is successful, it may be useful to reconsider the need at a higher level – i.e on a par with the CA learnership.

# 1 INTRODUCTION

## 1.1 Background

Fasset received a request from the South African Institute for Tax Practitioners (SAIT) in collaboration with the South African Revenue Service (SARS) to finance the development of a learnership for tax practitioners. Fasset requested an objective investigation into the need for such a learnership before funding could be considered.

## 1.2 Aims and objectives

The research aimed to answer the following questions:

- Is there a need for a structured learning programme such as a learnership for tax practitioners?
- How would such a programme fit in with existing qualifications and other professions?
- Is a learnership the type of programme that is best suited to address the training needs or are there other options that need to be considered?
- What is the potential uptake of such a learnership (or other learning programme)?
- At which NQF level should the learning programme be pitched?
- Which existing qualification is most suitable or should a qualification be developed?
- How should the learning programme be structured?
- How should the learnership model be structured in terms of the roles of the professional bodies?

The research also aimed to identify possible pitfalls and factors that might influence the successful implementation of a learnership.

## 1.3 Methodology

Personal or telephone interviews were conducted with 50 employers in Fasset's sector, one of the potential education providers, and four of the professional bodies who may have a direct interest in the development of a learnership in taxation.

### 1.3.1 Interviews with employers

SARS and the four large accounting and auditing firms<sup>1</sup> were included in the study and another 45 firms were randomly selected from firms in Fasset's sub-sector: Accounting, Auditing and Taxation.

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<sup>1</sup> DeLoitte and Touche; Ernest and Young; KPMG; PriceWaterhouseCoopers.

Only firms that had submitted workplace skills plans to Fasset for 2008/2009 were included in the sample<sup>2</sup>. The sample realisation can be seen in Table 1-1. The organisations that were interviewed employ almost 16 000 people - with 86% of them employed in the large firms. This excludes SARS, which employs approximately 16 000 people.

**Table 1-1 Number of employer organisations interviewed<sup>3</sup>**

Organisation size	Organisations		Total employment	
	n	%	n*	%
Large (150 + employees)	8	16	13 700	86
Medium (50 – 149 employees)	21	42	1 640	10
Small (Fewer than 50 employees)	21	42	562	4
<b>Total</b>	<b>50</b>	<b>100</b>	<b>15 902</b>	<b>100</b>

\*This is an approximation. In some instances the respondents did not have exact employment figures at hand.

In the firms with specialised tax divisions the heads of the tax divisions were interviewed. In the firms without dedicated tax divisions the senior partner or the partner responsible for tax was interviewed.

The interviews were conducted according to a semi-structured interview schedule and focused on the following issues:

- The need for a learnership in tax and the reasons behind such a need;
- The level at which such a learnership should be pitched;
- The content, skills and structure of such a learnership;
- Linkage to professional body membership; and
- The potential uptake of such a learnership.

### 1.3.2 Interviews with professional bodies

The professional bodies interviewed included: the South African Institute for Tax Practitioners (SAIT), who requested the development of the learnership; the Association of Certified Chartered Accountants (ACCA); the South African Institute for Chartered Accountants (SAICA); and the South African Institute of Professional Accountants (SAIPA).

<sup>2</sup> The contact details of these firms were up-to-date in Fasset's database and it was argued that firms who had submitted WSPs are more likely to have knowledge of learnerships and what they entail.

<sup>3</sup> Although several discussions were held with SARS as one of the applicants for the learnership, SARS is not included in the tables and figures presented in this report.

## **1.4 Structure of the report**

Chapter 2 describes the respondents' responses regarding the need for and the potential uptake of a learnership in taxation. Chapter 3 deals with respondents' views on the structure, positioning and content of the learnership. In Chapter 4 we discuss the qualifications in taxation that are currently registered on the NQF and the new occupational qualification structure that is introduced along with the establishment of the Quality Council for Trades and Occupations (QCTO). Chapter 5 contains our conclusions and recommendations with regard to a learnership in taxation.

## 2 THE NEED FOR AND POTENTIAL UPTAKE OF A LEARNERSHIP

### 2.1 Employers' view on the need for a learnership

The majority (37 or 74%) of the 50 firms that were interviewed were of the opinion that there is a need for a learnership in tax (Table 2-1).

Of the eight large accounting and auditing firms interviewed, seven were of the opinion that there is a need for a learnership in tax. Fourteen (67%) of the 21 medium-size firms and 16 (76%) of the 21 small firms expressed the same opinion.

**Table 2-1 Employers' views on whether there is a need for a learnership in taxation**

Organisation size	Yes		No		Total	
	n	%	n	%	n	%
Large (150 + employees)	7	88	1	13	8	100
Medium (50 – 149 employees)	14	67	7	33	21	100
Small (Fewer than 50 employees)	16	76	5	24	21	100
<b>Total</b>	<b>37</b>	<b>74</b>	<b>13</b>	<b>26</b>	<b>50</b>	<b>100</b>

The main reasons cited for the need are:

- Taxation has become such a specialised field and the body of knowledge that needs to be mastered by specialist tax practitioners has become so vast that it is impossible to train a person in the accounting streams to the level of a specialist.
- At the same time, the body of knowledge that needs to be covered in the accounting stream has also become so vast that there is no longer sufficient space to cover the tax components comprehensively.
- Some firms have developed their own training programmes in tax, but they would prefer to formalise these through a learnership.
- There is a general shortage of people with in-depth or specialised knowledge of taxation, so it has become necessary to attract more people to this field.
- There are people in the accounting learnerships who would prefer to specialise in tax.
- People who have qualifications in tax do not always have sufficient practical experience.
- SARS has started to regulate tax practitioners; in the long run regulation could be linked to qualifications and then a learnership could play an important role in supplying people with specialist qualifications.

As indicated in the introduction to this report, SARS was one of the organisations that submitted the request for the development of a learnership in tax to Fasset and it is not counted in the figures cited above. SARS is obviously the largest employer of tax practitioners in the country and, in addition to the skills in taxation that it already employs, it has created approximately 2 000 new positions for tax auditors. SARS aims to fill these positions over the next two to three years. However, given the specialised nature of the work of tax auditors and the general shortage of financial skills in the country, SARS foresees that it will have to train large numbers of learners and that a structured learning programme such as a learnership will be one of the most suitable vehicles for such training.

The 13 employers who felt there was no need for a tax learnership motivated their answers as follows:

- Tax is not a specialist area in their firms, but forms an integral part of the accounting and auditing work. It is therefore necessary for all the accounting staff to be well versed in tax issues. There is no room for specialisation in tax.
- The current professional learnerships (the SAICA learnership was specifically mentioned) have enough tax content to cover the needs of the particular firms.
- Tax is too specialised for a learnership. One of the respondents expressed the fear that people will come through a tax learnership with too little knowledge, see themselves as experts, and give advice without being properly trained to do so. According to the respondent, this could constitute a very dangerous situation.

## **2.2 Professional bodies' views on the need for a learnership**

Three of the professional bodies active in the field of accounting were also interviewed and asked whether they were of the opinion that a need for a learnership in taxation exists. The other professional body, SAIT, was one of the organisations that applied for the learnership.

ACCA was of the opinion that no need for such a learnership exists. In its view the labour market is more in need of general accountants who can perform all the accounting functions – including taxation – and that employers would prefer to employ fully qualified accountants instead of tax specialists. Furthermore, ACCA also felt that learners would be more employable if they had a general accounting qualification instead of a specialised tax qualification. Another consideration was the nature of taxation knowledge needed in the market; ACCA felt that the greatest need was in terms of maintenance of knowledge and not so much in terms of specialisation. As tax legislation and SARS requirements change constantly, the need is to stay abreast through continuous education.

SAICA was of the opinion that there is a need for such a learnership. In its view taxation has become such a specialised field that it can no longer be fully addressed in the accounting learnerships.

SAIPA supported the idea of a learnership in tax, but qualified this support by stating that the need exists only at the tax administrator level (i.e. at the non-professional level) and not at the professional level. In SAIPA's view the accounting professions cater sufficiently for taxation. The organisation also expressed the view that specialist tax practitioners should develop from the ranks of the accounting professionals through workplace specialisation and postgraduate qualifications.

SAIT's motivation for a learnership in tax stems from its own view that taxation has become a field of work in its own right and that the volume of work related to tax can no longer be sufficiently accommodated in the accounting qualifications. SAIT also bases its view that there is a need for a learnership on the numerous requests that it receives from employers to help them with the development of graduate programmes or to provide some kind of training support to new graduates employed in specialised tax units.

### **2.3 Education institutions' reaction to market needs**

Two of the higher education institutions have already instituted BCom taxation degrees. These are the University of Pretoria, which is already offering the degree, and UNISA, which has submitted its programme to the Council on Higher Education (CHE) and plans to start with the first learner intake in 2010. The institution of undergraduate programmes indicates that the higher education institutions also see taxation as an area that has sufficiently developed in its own right to warrant entry-level qualifications.

### **2.4 Potential uptake of the learnership**

When asked whether they would be willing to take on learners, 29 (58%) of the employers said that they would be willing to take on learners on a tax learnership. Some of the others were uncertain and said that they first had to discuss the issue with other partners or senior staff in their firms. Some of the respondents who said they would take on learners qualified their statements that they would only take on learners if they were satisfied with the content and level of the learnership. The firms indicated that in total they would take on 155 learners at a time. In addition to this, SARS indicated that it would be able to accommodate substantial numbers of learners – between 200 and 300 at a time.

**Table 2-2 Organisations willing to take on learners and the numbers of learners to be accommodated**

Organisation size	Organisations		Number of learners
	n	%*	
Large (150 + employees)	5	63	109
Medium (50 – 149 employees)	10	48	19
Small (Fewer than 50 employees)	14	67	27
<b>Total</b>	<b>29</b>	<b>58</b>	<b>155</b>

\* Percentage of organisations that participated in the study

## **2.5 Conclusion**

The survey of organisations that are potential users of a tax learnership confirmed that the majority of them are interested in such a learnership and that they would support it. The need for a learnership stems mainly from the development of tax as a specialised component in many accounting and auditing firms, as well as the fact that the volume of work that needs to be covered in the accounting learnership leaves insufficient space for taxation.

## **3 STRUCTURE, POSITIONING AND CONTENT OF THE LEARNERSHIP**

### **3.1 Introduction**

This chapter of the report outlines the respondents' views on the structure, positioning and content of the learnership. First the tax practitioner occupation, as it is evolving, is discussed. The position of this occupation in relation to the other accounting and related occupations is a critical factor that needs to be taken into consideration in the decision on whether or not there should be a learnership. This first section of the chapter is followed by a discussion on the level at which the respondents think the learnership should be pitched, the main competencies that people should acquire through the learnership, the way in which theoretical and workplace training should be structured, and the linkage with professional body membership. This chapter consists only of the opinions expressed by respondents in the research process. Our recommendations are outlined in Chapter 5.

### **3.2 The tax practitioner occupation<sup>4</sup>**

Tax matters were traditionally and still are handled by two professions: accountants and legal professionals. However, because of the growing complexity of business practices and globalisation, the increasing complexity of the tax system itself, an increase in tax legislation and an increase in the demand for tax compliance, the need for specialists in this area has developed. Of the 50 employer organisations interviewed, 20 said that they had specialist tax divisions or staff members specialising in tax. Total employment in these divisions was approximately 1 850 – or 12% of total employment in the respondent organisations.

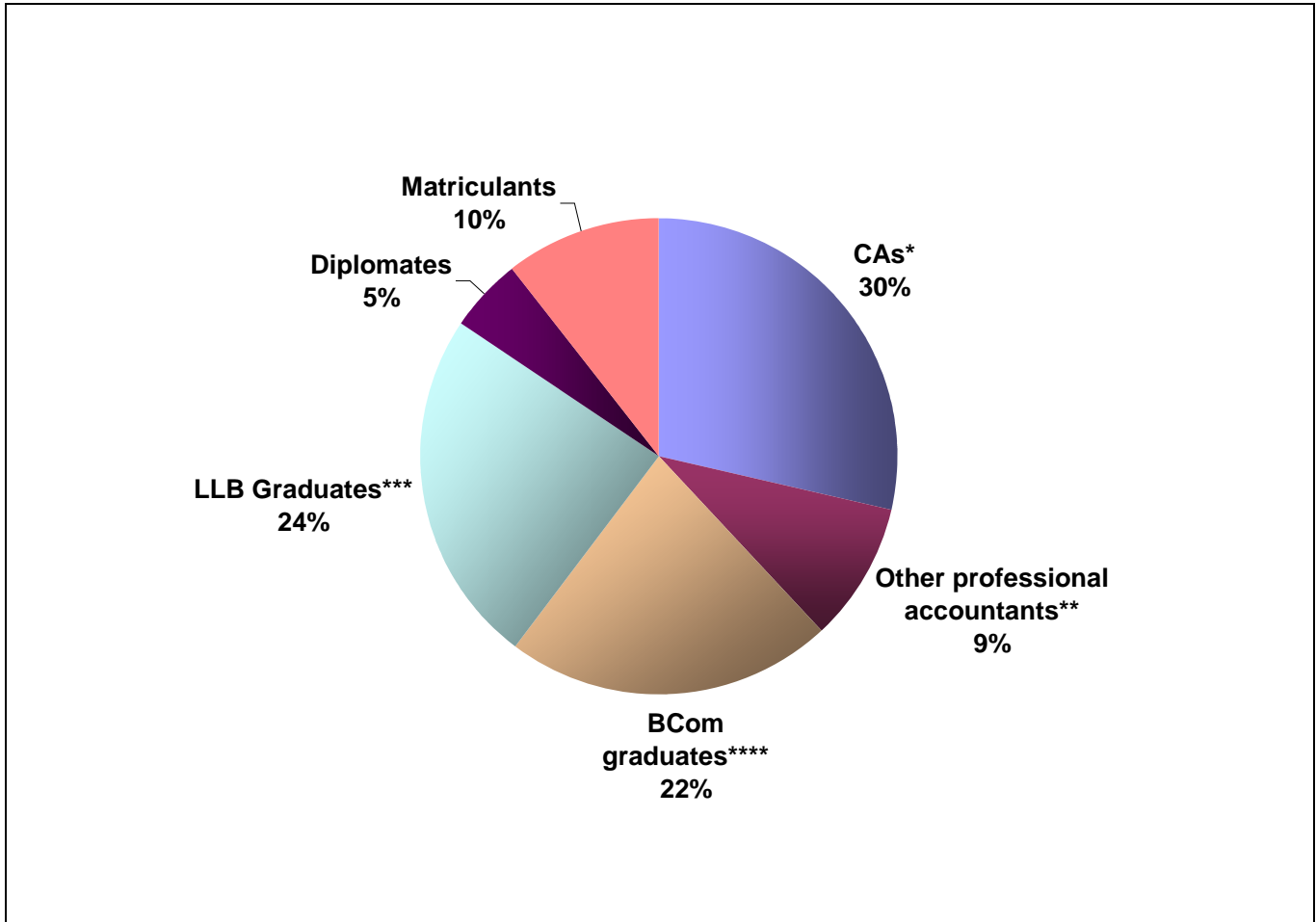
From the responses received from employers and the professional bodies it was clear that the focus on tax work takes place at two levels: the more administrative and routine work of, for example, the completion of tax returns for non-complex situations; and the more advanced level of handling complex tax matters, giving tax advice, and handling of tax disputes. From the responses it seems as

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<sup>4</sup> The term “tax practitioner” as it is used here refers to people who handle tax matters on behalf of others for financial gain and who spend more than half of their time handling tax matters. This differs substantially from SARS's definition of “tax practitioner” used for registration purposes. SARS defines a tax practitioner as “...any person rendering advice to any other person in respect of an Act administered by the Commissioner [of Revenue Services] or who completes or assists with the completion of any document to be submitted to the Commissioner for reward”. (SARS, 2006, p.2) The latter definition is much broader than ours and includes auditors, accountants, lawyers and customs agents who handle tax matters as part of their work.

if the tax-related occupations should be specified at two levels – at the administrative level (on a par with bookkeepers) and at the professional level.

Figure 3-1`shows the qualifications of people who work in the dedicated tax functions of the respondent organisations. Thirty-nine per cent are professional accountants – 30% of these are CAs and 9% belong to the other professional bodies such as SAIPA and ACCA. Twenty-four per cent have LLB degrees or Masters' degrees in tax law. Twenty-two per cent have BCom degrees, only 5% have diplomas, and 10% have only matric.



\* Includes CAs with postgraduate qualifications in tax

\*\* Includes members of professional bodies such as ACCA and SAIPA. Some also have postgraduate qualifications in tax

\*\*\*Includes people with Masters degrees in tax law

\*\*\*\*Includes people with BCom Honours degrees

**Figure 3-1 Qualifications of tax practitioners working in the tax divisions of accounting and auditing firms**

The occupation of tax practitioner also includes tax auditors employed by SARS. Although tax auditors perform an auditing function (i.e. evaluation of the work of the external tax practitioners), the focus of their work is solely on tax matters and there is a large overlap in the knowledge required from

them and that required of external tax practitioners. SARS prefers to appoint graduates with accounting degrees or BCom taxation degrees as tax auditors.

### **3.3 Educational level of the learnership**

The respondents who were in favour of a learnership were divided in their opinion on the educational level at which the learnership should be pitched. Almost half (47%) felt that it should be pitched at an undergraduate diploma level (i.e. the focus should be on tax administrators). In other words, the learnership should train support or administrative staff that can help with the routine work. Thirty per cent felt that the learnership should be linked to a first degree and 27% said it should be at an Honours degree level (with some feeling specifically that the learnership should be on a par with the CA learnership). The two professional accounting bodies that supported the idea of such a learnership also differed in their opinion – SAICA felt that it should be at a first-degree level, while SAIPA felt that it should be at the lower level of certificate or diploma.

### **3.4 Competencies**

The respondents were asked to indicate which competencies learners should develop through the learnership. Their reactions were off-the-cuff and give only a very broad indication of employers' expectations:

Most of the respondents emphasised the need for a proper grounding in accounting. Other competencies that learners need to develop, according to the respondents, include:

- A thorough understanding of tax legislation;
- Strong analytical skills;
- Mathematical skills;
- Computer skills; and
- “Soft skills” such as written and verbal communication skills.

### **3.5 Theoretical and workplace training**

The respondents were divided in their views on whether theoretical training should precede the practical component of the learnership or whether theoretical and practical training should be offered simultaneously. Forty-three per cent felt that the theoretical training should be offered first so that the learners enter the workplace with sufficient knowledge to apply in practice. Fifty-seven per cent felt that theoretical and practical training should be offered simultaneously.

### **3.6 Linkages with professional body membership and professional registration**

Sixty-two per cent of the employers felt that professional body membership for tax practitioners is essential and that the learnership should be linked to professional body membership just as most of the accounting learnerships are. These employers gave two reasons for professional body membership being essential. The first is that such membership binds members to a professional code of conduct that helps to ensure ethical behaviour on the part of practitioners. The second is that it provides an opportunity to enforce continuous professional development (CPE), which is essential in an area such as taxation where there is constant change in rules and requirements.

Some of the respondents referred to the fact that SARS has started with the registration of tax practitioners. This is a starting point in the regulation of tax practitioners as a distinct grouping, but it is not yet a statutory professional regulation like, for example, the one that regulates the auditing profession. Respondents, however, foresee that full professional regulation of tax practitioners is imminent even though it may not occur in the next few years. Some respondents felt that developing a professional body and linking a learnership to professional body membership may help the process of professional regulation.

A few of the employers said that they would prefer to work with SAICA or SAIPA on a learnership in taxation. These respondents felt that these two bodies are well established and they were generally satisfied with the standards applied by them. However, half of the employers felt that a specialised body is needed. Some of them were familiar with SAIT and mentioned it by name. Other respondents said that a new body should be established. Some of the respondents who favoured SAIT or a new specialised body mentioned the need to bring the two streams of practitioners together – i.e. those who become tax practitioners via the accounting route and those who take the legal route.

The SAICA respondent felt that the linkage of a tax learnership to membership of a specialised body such as SAIT would be appropriate. SAIPA, on the other hand, said that there were enough professional bodies in the accounting field and that SAIPA catered for tax practitioners in their associate category of membership.

### **3.7 Conclusions**

The tax practitioner occupation seems to be a new profession in development. Although it is closely linked with the other professions in the family – i.e. the accounting, management accounting and auditing professions – it has a distinct focus on taxation. At this stage, practitioners are mainly sourced from the accounting and legal professions. However, a substantial number of practitioners are also employed from the ranks of BCom graduates without professional body membership.

As with the accounting professions, there are clearly different levels of complexity in tax-related functions. Therefore, the skills levels required in the workplace range from a relatively low administrative level to a highly specialised professional level. Given this situation, it is not surprising that the respondents in this survey had diverse views on the educational level at which a learnership should be pitched.

Professional body membership is highly valued in the financial services sector. For most employers professional body designations reflect skills levels as well as levels of professionalism – hence their preference that a learnership should tie in with professional body membership.

## 4 REGISTERED QUALIFICATIONS IN TAXATION

### 4.1 Introduction

Any learnership should lead to a qualification that is registered on the NQF. Up to now there have been two types of processes for the development of qualifications. The first is the development of a qualification by an individual education and training provider – a specific university, for example – and the registration of that qualification on the NQF. Qualifications developed in this way are referred to as “provider-based” qualifications. Most of these qualifications are qualifications conferred by the universities and universities of technology.

The second development process is the development of national qualifications (which are available to all accredited providers) through a Standards Generating Body (SGB). These latter qualifications are called “SGB qualifications”.

In June 2007 the ministers of education and labour introduced the Quality Council for Trades and Occupations (QCTO) in the Joint Policy Statement on the Review for the National Qualifications Framework. The QCTO was legally established through the Skills Development Amendment Act in 2008. The main function of the QCTO will be to manage and coordinate qualifications in the occupational qualifications framework in terms of their development, provision, assessment and impact. According to the Act, an occupational qualification is defined as a qualification associated with a trade, occupation or profession resulting from work-based learning. In the draft regulations for the QCTO two types of qualifications are introduced: “occupational awards” and “skills programmes”. The new structures and processes for the development of these qualifications are also outlined in the regulations – albeit in draft format only.

At this stage the understanding is that the higher education qualifications that are registered via the CHE will not necessarily be directly affected by the occupational awards and that the qualifications offered at higher education institutions could provide the theoretical content of the occupational awards. An occupational award could, therefore, recognise one or more provider-based qualifications and then specify the additional theoretical and workplace content necessary to satisfy the requirements of the award itself.

## **4.2 Current qualifications in tax registered on the NQF<sup>5</sup>**

The qualifications that are currently registered on the NQF are listed in Table 4-1. All the qualifications are provider-based qualifications. At NQF Level 5 there are two qualifications: A Diploma: Law and Taxation offered by Intec College and the National Higher Certificate in Taxation registered by the Committee of Technikon Principals. The latter qualification is an exit point from the National Diploma in Taxation (the Level 6 qualification also indicated in the table).

At NQF Level 6 there are two national diplomas in taxation. The first is the national diploma offered by universities of technology that the National Learners' Records Database still indicates as registered by the Committee of Technikon Principals. The other national diploma is offered by UNISA. However, UNISA indicated that its qualifications are in the process of changing. Students can now enrol for a Higher Certificate in Accounting Sciences. If they pass this certificate they can continue with a Diploma in Accounting Sciences. The certificate will give them a number of credits towards the diploma. Students who have passed the diploma can enrol for a new BCom Taxation degree (which will be offered from 2010) and will receive recognition for approximately half of the credits of the BCom Taxation degree.

At this stage there is another Bachelors' degree registered – i.e. the Bachelor of Commerce: Taxation registered by the University of Pretoria.

At NQF Level 7 there are a host of qualifications – including BCom Honours degrees, BTech degrees, postgraduate certificates and postgraduate or higher diplomas.

## **4.3 Professional learnerships**

All the accounting learnerships that lead to professional qualifications and designations at NQF Level 7 include tax components. The ACCA professional programme includes one paper on taxation. The new CA learnership programme now provides for some degree of specialisation in taxation.

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<sup>5</sup> NQF levels refer to old NQF levels. The qualifications that are currently registered have not yet been re-categorised in terms of the new NQF levels.

**Table 4-1 Qualifications in taxation registered on the NQF**

Qualification ID	Qualification Name	NQF Level*	Total Credits	Provider
15538	Diploma: Law and Taxation	Level 5	240	Intec College
1027	National Higher Certificate: Taxation	Level 5	240	Committee of Technikon Principals**
7085	Bachelor of Commerce: Taxation	Level 6	479	University of Pretoria
15524	National Diploma: Taxation	Level 6	360	Committee of Technikon Principals**
62415	National Diploma: Taxation	Level 6	360	University of South Africa
49865	Advanced Diploma: International Taxation and Offshore Centres	Level 7	120	Institute of Advanced Studies
62755	Advanced Diploma: International Taxation and Offshore Centres	Level 7	120	Institute of Advanced Studies
15368	Bachelor of Accountancy Honours: Financial: Taxation: Management: Auditing	Level 7	120	University of Stellenbosch
4995	Bachelor of Commerce Honours: Taxation	Level 7	120	University of Cape Town
62344	Bachelor of Technology: Taxation	Level 7	480	University of South Africa
911	Bachelor of Technology: Taxation	Level 7	480	Committee of Technikon Principals**
16897	Higher Diploma: International Tax Law	Level 7	150	Rand Afrikaans University
14376	Higher Diploma: Tax Law	Level 7	200	University of Witwatersrand
3419	Higher Diploma: Tax Law	Level 7	250	Rand Afrikaans University
14547	Postgraduate Certificate: Advanced Taxation	Level 7	240	University of South Africa
17437	Postgraduate Diploma: Tax Law	Level 7	120	University of Venda
16900	Postgraduate Diploma: Tax Practice	Level 7	250	Rand Afrikaans University
62909	Postgraduate Diploma: Tax Strategy and Management	Level 7	124	University of the Free State
12117	Postgraduate Diploma: Taxation	Level 7	170	University of Pretoria
2633	Postgraduate Diploma: Taxation	Level 7	128	University of Natal
19574	Postgraduate Diploma: Taxation Law	Level 7	120	University of Stellenbosch

Source: SAQA, National Learners' Records Database, Accessed 1 May 2009.

\*Refers to old NQF levels. Qualifications that are currently registered do not have new NQF levels assigned to them.

\*\*These qualifications can be offered by universities of technology.

#### **4.4 Conclusions**

A large number of higher education qualifications in taxation are currently registered on the NQF. These qualifications span NQF levels 5 to 7 (old NQF levels). All of them are provider-based qualifications. The list does not include some of the qualifications that are in the process of development.

The large number of qualifications is, on the one hand, an indication of the development of tax as a specialised field. On the other hand, it makes it very difficult to select one particular qualification to which to link a learnership. This is one of the reasons why an occupational award should be considered for a learnership and not a particular provider-based qualification. Ideally, as many as possible of the current qualifications in taxation as well as those in accounting should be recognised in terms of the theoretical content that they will provide towards the occupational award. Such recognition will optimise the potential supply of learners into the learnership.

## **5 CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Size and representivity of the sample**

The main aim of this investigation was to determine whether there is a need for a learnership in taxation. Although the study was limited to the Financial and Accounting Services Sector (Fasset's sector), the largest employers of tax practitioners – SARS and the large accounting and auditing firms – and all the relevant professional bodies were included. It is believed that the study covered the field of taxation sufficiently and that it presents a fair reflection of the views of employers and professional bodies.

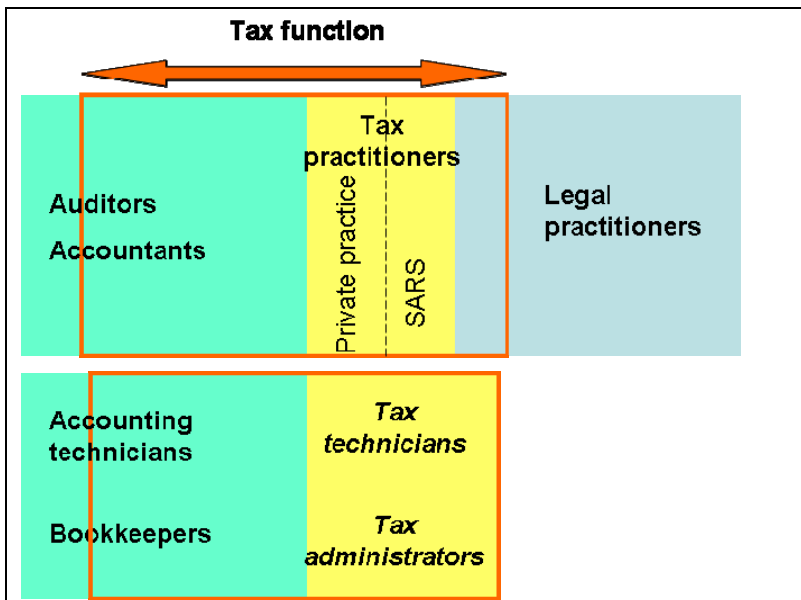
### **5.2 The changing skills-development environment**

This study was conducted at a time when the skills-development environment was undergoing fundamental changes. These include changes to the skills-development legislation and, specifically, the institution of the QCTO. At the time of writing this report many aspects of the functioning of the QCTO and the way in which the registration of qualifications will be handled are still unclear. However, the new legislation is already operational and we cannot formulate our recommendations without due consideration of the imminent changes. Therefore, the recommendations presented in this report are based on our best understanding of the new qualification structures and the way they will work. One of the most important assumptions that we are making is that the new qualifications that will be registered under the QCTO, the occupational awards, will be accepted as the qualifications to which a learnership may lead.

Another factor that needs to be borne in mind is that the QCTO draft regulations stipulate that all new occupational qualifications need to be linked to occupations that occur on the Organising Framework for Occupations (OFO). It is therefore necessary to consider the occupational descriptions on the OFO before making recommendations regarding qualifications and learnerships.

### **5.3 Observations regarding the tax practitioner and related occupations**

Figure 5-1 provides a schematic representation of how tax functions are distributed across occupations. The bulk of tax work is performed by accountants, accounting technicians and bookkeepers and it will probably remain that way. At the same time, legal practitioners also handle tax matters. Tax practitioners come from both professional streams and focus mainly on tax matters – from an accounting as well as a legal perspective.



**Figure 5-1 Distribution of tax functions across occupations**

The OFO already includes the tax practitioner occupation as a separate occupation, although it is called a "Taxation Accountant". In unit group 2211 (Accountants) the following specific occupations are distinguished:

code 221101 – General Accountant

code 221102 – Management Accountant

code 221103 – Taxation Accountant.

The specialisations cited under the Taxation Accountant occupation make provision for tax consultants as well as officials of inland revenue services. At the same time, the alternative titles and specialisations cited under code 221204 (Internal Auditor) also include references to officials such as SARS tax auditors – i.e. Customs Auditor, Inland Revenue Assessments Investigator, Inland Revenue Assessments Officer and Revenue Assessor.

As indicated in Chapter 3 of this report, there is clear empirical evidence that the tax practitioner occupation is evolving out of the accounting occupation as a specialisation and that it is gradually developing an identity of its own. At this stage it seems as if tax auditors belong with this occupation more than with the internal auditor occupation (as the OFO currently implies). The appropriate naming of the occupation and the grouping of the specialisations and alternative titles within it need to be thoroughly investigated and firm recommendations need to be communicated to the Department of Labour.

Another aspect regarding the OFO that needs to be considered is the inclusion of one or two support occupations – a tax technician and/or a tax administrator.

## **5.4 Should a learnership be developed?**

It is recommended that at least one learnership in taxation should be developed. This learnership should provide a pathway that incorporates a first university degree and it should lead to a professional occupation (i.e. the tax practitioner occupation). The recommendation is based on the following considerations:

- The majority of employers who participated in this study (and especially the largest employers of tax practitioners, including SARS) felt that there is a need for a learnership in taxation.
- Several of the employers have instituted their own graduate programmes and wish to formalise them through a learnership.
- The study provided sufficient evidence that the tax practitioner occupation is evolving as a distinct occupation and that a formal learning path directly into that occupation is warranted.
- Previous research indicated that taxation skills are in short supply in Fasset's sector.
- The learnership will create a practical learning path for people who currently enter the tax practitioner occupation directly from university.

At this stage it is estimated that the sector may provide at least between 300 and 350 training opportunities on this learnership. This figure may drop slightly after a few years – once SARS has satisfied its initial expansion needs. However, this drop may be countered by the learnership becoming institutionalised in the sector.

A second learnership that leads to a technician or administrative occupation may also be considered. Such a learnership will satisfy the needs of some of the employers. However, the potential uptake of the learnership is much lower than that of a professional learnership.

## **5.5 Placement of the learnership in relation to the existing entry routes**

There are multiple entry routes to the tax practitioner occupation. The most important current routes are illustrated in Figure 5-2. The first is via the accounting and auditing professional learnerships, through some experience in the professions and then through a process of specialisation. Often this specialisation is informal and takes place in the workplace and through informal learning. Postgraduate courses also provide formal education. The second route leads from a BCom accounting degree to the occupation of accountant and through specialisation to the occupation of tax practitioner. The third route, which is relatively new, leads from a BCom tax degree to the occupation of tax practitioner. The fourth route leads from a law degree to the tax practitioner occupation.

There are similar routes from the accounting side to the tax technician or tax administrator occupations.

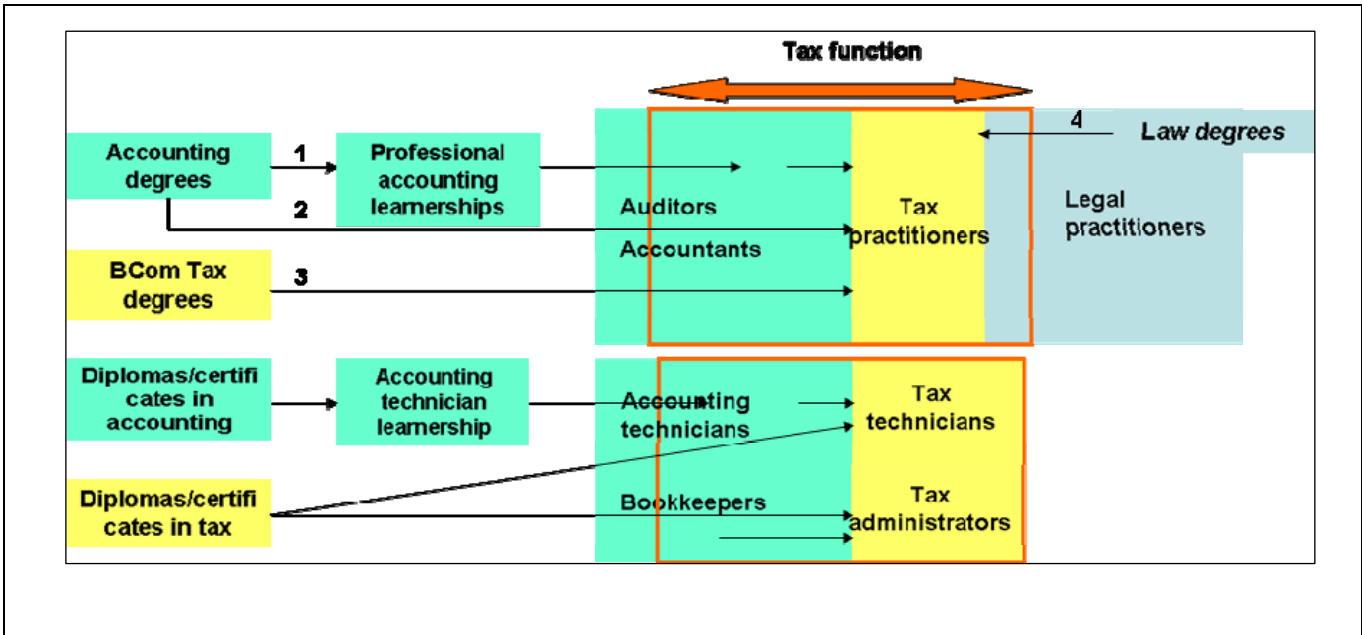


Figure 5-2 Tax-related occupations and the current entry routes

Figure 5-3 illustrates the position of the proposed new learnership(s) in relation to the existing entry routes to the tax practitioner occupation. The professional learnership should ideally provide an entry route to two streams of graduates – those with general accounting degrees and those with BCom Taxation degrees. A second learnership may lead to a tax technician or tax administrator occupation.

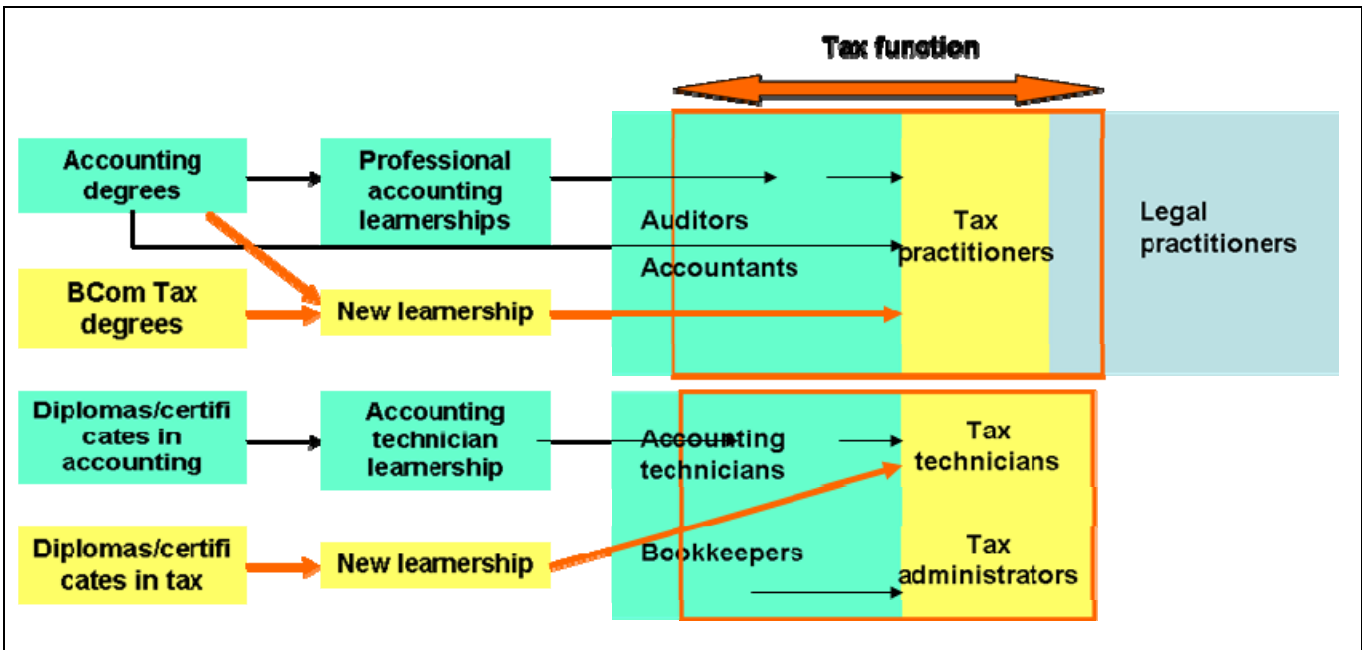


Figure 5-3 Proposed new learnerships in relation to the current entry routes

## **5.6 Qualifications to be used**

It is recommended that a new professional qualification – an occupational award – should be developed. This qualification should be at the entry level of the tax practitioner profession – i.e. old NQF Level 6 or new NQF Level 7. The learnership should provide the learning path to the new qualification. The set of existing higher education qualifications (accounting and taxation) should be recognised in terms of the provision of the theoretical content of the occupational award. That means that for the tax practitioner award the content of the existing BCom Accounting, the BCom Taxation, BTech Accounting and BTech Taxation degrees will have to be evaluated in terms of its relevance to the occupational award. Learners who enter the learnership with any of these qualifications will have to be advised with regard to the additional theoretical modules that they will have to complete in order to qualify for the occupational award. The occupational award will also specify the workplace learning and assessment that will have to take place. Providers will have to be accredited to provide the modules that learners may need in order to satisfy the theoretical component of the occupational award.

If a learnership on a lower NQF level is developed, the same process needs to be followed in terms of a (still to be specified) tax technician or tax administrator occupation and the certificates and diplomas in taxation.

## **5.7 Linkages to a professional body**

Most of the learnerships in Fasset's sector are linked to professional bodies and professional bodies play a pivotal role in: the promotion and marketing of the learnerships; quality assurance and the maintenance of standards; employer assistance and final assessments. The professional bodies also maintain the record-keeping systems of the learnerships. This system of professional body guardianship of learnerships is very successful and for this reason it is strongly recommended that a new learnership in taxation should be linked to a professional body. The specific roles of such a body will have to be defined between Fasset and the body itself. In the initial stages of the development of the qualification and the learnership a professional body will serve as a link with experts in the field of taxation. Such experts will be needed in order to develop the content of the qualification, assessment instruments, assessor requirements etc. A professional body will also be best suited to providing support to providers and employers who seek accreditation.

The majority of employers felt that a specialised professional body should be involved with this learnership. The two bodies favoured by most of the employers are SAIT and SAICA, the latter to a lesser extent. The SAICA representative interviewed in this study also felt that a specialised body

would be most suitable and mentioned SAIT as a possibility. SARS's preference in this regard is not clear.

This study did not include an objective evaluation of the institutional capacity or motivation of the professional bodies to take on such a learnership. SAIT is a relatively new organisation and is the first attempt of the tax practitioner profession to organise itself. SAIT, by virtue of its application for the learnership, expressed its interest in being involved in the development and promotion of it. It is our view that the energy and motivation underlying the application for the learnership should be harnessed and that the involvement of an organisation such as SAIT may greatly benefit the development of the learnership.

### **5.8 Challenges and risks**

The first challenge facing this learnership is the fact that a new qualification needs to be developed within a brand new qualification design system. This will probably be one of the first qualifications that will be submitted to the QCTO and it will have to be designed in the absence of other examples. It is particularly important to follow the correct procedures in design and consultation as prescribed by the QCTO.

It is not only the qualification-design environment that is new. The tax practitioner profession is also new and professionals working in this field do not have a long history of working together and being organised as a profession. There is still a contingent of the accounting profession that argues that taxation is an integral part of accounting and that it is not necessary to make special provision for it. It is possible, therefore, that there may be some opposition to the learnership in the sector.

The fact that this is a new field will pose challenges regarding the identification of enough suitable mentors and assessors for this learnership. In the beginning it will be necessary to rely extensively on members of other professional bodies such as SAICA and SAIPA, which have specialised knowledge of and experience in the field of taxation.

Taking on learners on a learnership brings with it a large amount of administrative work for employers. Most of the potential workplace training providers for the learnership in taxation are already accredited as workplace providers for the accounting learnerships. Even though most of the employers who were interviewed were in favour of a taxation learnership, some may become reluctant to take on learners on a different learnership and to work with a different professional body once they face the reality of additional administrative work. The challenge would therefore be to tie in this new learnership as seamlessly as possible with the existing learnerships in the accounting field and to reduce the administrative work for employers to the minimum.

Previous experience has shown that the success of a learnership depends not only on the quality and relevance of its content. It also depends on active marketing, incentives and maximum support to employers.

In conclusion: In this report we essentially recommend the development of a learnership based on a first degree. In addition, a learnership at the certificate or diploma level may also be considered. However, it must be noted that these two learnerships may not satisfy the needs of all the employers. If the professional learnership is successful, it may be useful to reconsider the need at a higher level – i.e on a par with the CA learnership.