

Making TRAX



**THE PATH TO SUSTAINABLE UNIVERSITY
EDUCATION IN SOUTH AFRICA**



GROWTH AND ECONOMIC INCLUSION

Economic growth is our national imperative

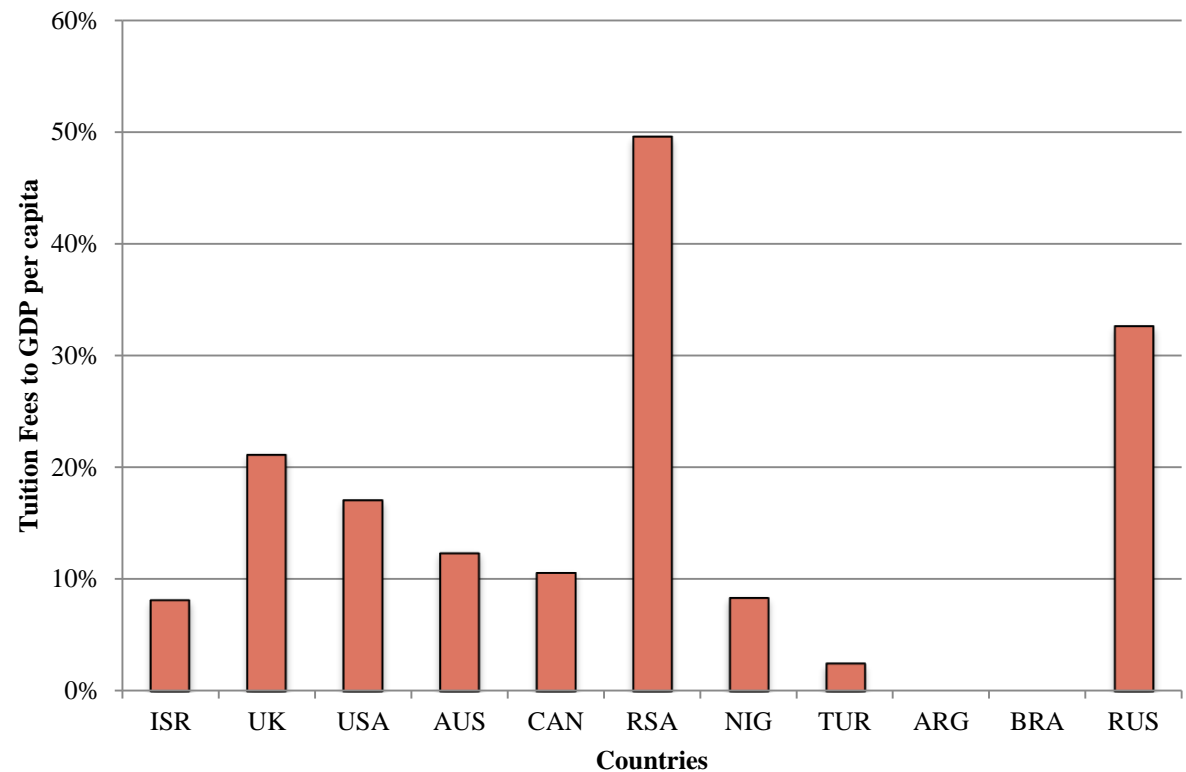
This can be achieved through improved education

- TRAX (Tax rebate access) is a wealth management fund which will collect tax deductible contributions and distribute them directly to universities
- It is designed to directly tackle the concerns voiced by #FeesMustFall and reduce the GINI coefficient by improving access to university education and pass rates



- Substantially more expensive as a percentage of GDP per capita
- Data based on World Bank international dollar ratio (Gaery-Khamis unit)

Figure 1 – Ratio of fees to GDP per capita



Comparative cost of education

Sources utilised: World Bank (2016), IMF (2016)

Setting the Scene



- 630 000 university students
- Aggregate tuition fee of approx. R35 000 per annum
- NSFAS funds approx. 200 000 students

TRAX



**PROPOSAL TO DEVELOP A VEHICLE
WHEREBY UNIVERSITY TUITION FEES CAN
BE REDUCED**

TRAX



- Public-private partnership through a privately managed asset management fund
- Contribution to fund based on annual financial statements of JSE listed companies
- Tax deductions on contributions



Incremental deductions
based on S11D principles
(Income Tax Act, 1962)

Figure 2

Percentage of net profits	Allowable deduction
0.05	100%
1.00	110%
2.50	125%
5.00	150%

Allowable deductions

Illustration



Statement of Profit ABC Limited	(R)
Sales	10,000
Cost of sales	(4,000)
Gross profit	6,000
Operating costs	(2,000)
Profit before tax	4,000
Tax expense (4,000*28%)	(1,120)
Profit after tax	2,880

Illustration (Continued)



Taxable Income	(R)
Sales	10,000
Cost of sales	(4,000)
Operating costs	(2,000)
Taxable income	4,000
Tax expense (4,000*28%)	1,120

Taxable Income (With TRAX)	(R)
Sales	10,000
Cost of sales	(4,000)
Operating costs	(2,000)
TRAX contributions (2,880*5%)*150%	(216)
Taxable income	3,784
Tax expense (3,784*28%)	1,060

Illustration (Continued)



Statement of Profit ABC Limited	(R)
Sales	10,000
Cost of sales	(4,000)
Gross profit	6,000
Operating costs	(2,000)
TRAX contributions	(144)
Profit before tax	3,856
Tax expense	(1,060)
Profit after tax	2,796

Effective decrease in profit = 2.9%

Funding

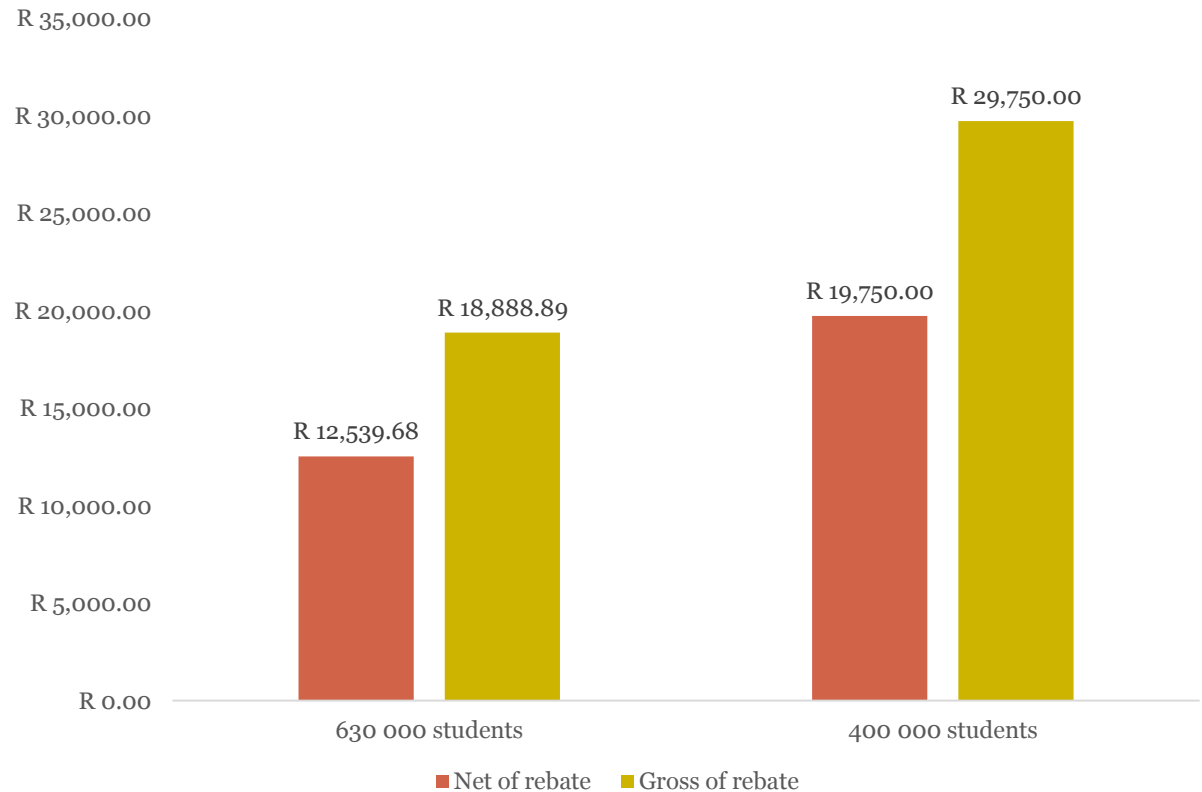


- Raises R12bn p.a gross of rebate at a 2.5% level contribution (top 40 listed companies)
- R8bn p.a. net of rebate.



For instance, if rebates are not taken away from current university funding, and we elect to fund all 630 000 students, we will reduce each student's university fees by approximately R19 000 per year

Figure 3 – Reduction in tuition fees



Reduction in tuition fees, per annum

Sources utilised: Grant (2015), JSE (2015)

PRACTICALITIES OF TRAX



**POTENTIAL LIMITING FACTORS TO
CONSIDER**

PRACTICALITIES OF TRAX



CHALLENGES

- Exploitation of corporate South Africa

MITIGATING FACTORS

- Tax benefits
- Secure talent pipeline
- Self-sustainability of the fund
- Goodwill factors

PRACTICALITIES OF TRAX



CHALLENGES

- Low pass rates

MITIGATING FACTORS

- Indicators suggest financial security would greatly improve pass rates
- Good, accessible universities will have a trickle-down effect on basic education

POSITIVES OF TRAX



**FUNDAMENTAL CHANGES IN THE MANNER
UNIVERSITIES ARE FUNDED**

POSITIVES OF TRAX



Cuts out the middleman

- Removal of extensive bureaucratic process unlocks additional value and reduces risks of mismanagement and fraud

Reduces the need for bursaries

- Higher tax deductions for current bursary expenditure.
- Reduction in administrative overheads

PUTTING TRAX ON TRACK



- Establish a working group to understand technicalities
- Drive further research where it is necessary
- Engage with stakeholders