




the dti
 Department:
 Trade and Industry
 REPUBLIC OF SOUTH AFRICA

TAX INCENTIVE

Moeketsi Marumo
 D: Incentive Administration
 The Enterprise Organisation

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OVERVIEW

Budget 2008 R5,6 billion over the next 5 years tax incentives to support industrial policy objectives

- R5.6bn tax foregone (SIP R3 billion)
- R20billion tax allowance (SIP R10 billion)

To accelerate economic growth and to support the industrial policy objectives by:

- Diversify South Africa's industrial output,
- Support a knowledge-based economy, and
- Nurturing labour intensive industries.

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RATIONALE

MARKET FAILURE

- Low labour productivity due to shortage of skills
- Low capital productivity due to outdated/inefficient capital equipment
- Low investment in manufacturing sector

OBJECTIVES

- Encourage more investment in the manufacturing sector
- Improve investment in skills
- Improve capital stock in manufacturing sector (technology)


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REQUIREMENTS

- **Greenfield projects** with minimum investment of R200m
- **Upgrades and expansions** projects with at least R30m or the lesser of R200m or 25% of existing industrial assets
- Manufacturing sector (SIC 3), excl Tobacco, alcoholic beverages, arms ammunition, etc.
- Projects that result in 10% energy demand reduction in the year that investment is realised relative to base year for expansions/upgrades and relative to industry benchmark energy consumption for Greenfields.
- Projects that spend minimum 2% of wage bill on training
- Tax Allowance (SEC 12I) –(1) **Investment allowance** (2) **Training allowance**

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BENEFITS

Additional Investment Allowance

Status	Preferred status 55% of QA	Qualifying Status 35% of QA
Greenfields	Maximum R900m	Maximum R550m
Expansions & Upgrades	Maximum R550m	Maximum R350m

Additional Training Allowance

Status	Preferred status Annual Cost	Qualifying Status Annual Cost
Greenfields, Expansions & Upgrades	Maximum R20m	Maximum R30m
Within 6 years of approval	R36 000 per employees	R36 000 per employees

 **PROJECT EVALUATION**


POINT SCORING CRITERIA

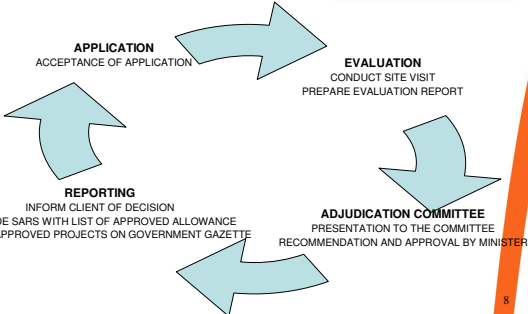
- Improved **energy efficiency** for expansion and upgrading projects
- Impact on **downstream and upstream** manufacturing sectors
- **Location** in IDZs
- Procurement from **small business**
- Training expenditure
- **Employment** creation (taking into account jobs saved for upgrades and expansions)
- Cleaner production technology

PROGRAMME DURATION

- Effective from July 2010 & available for 5 years until 2015

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 **APPROVAL PROCESS**



APPLICATION
ACCEPTANCE OF APPLICATION

EVALUATION
CONDUCT SITE VISIT
PREPARE EVALUATION REPORT

ADJUDICATION COMMITTEE
PRESENTATION TO THE COMMITTEE
RECOMMENDATION AND APPROVAL BY MINISTER

REPORTING
INFORM CLIENT OF DECISION
PROVIDE SARS WITH LIST OF APPROVED ALLOWANCE
PUBLISH APPROVED PROJECTS ON GOVERNMENT GAZETTE

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**THANK YOU
SIYABONGA
RE YA LEBOGA**
