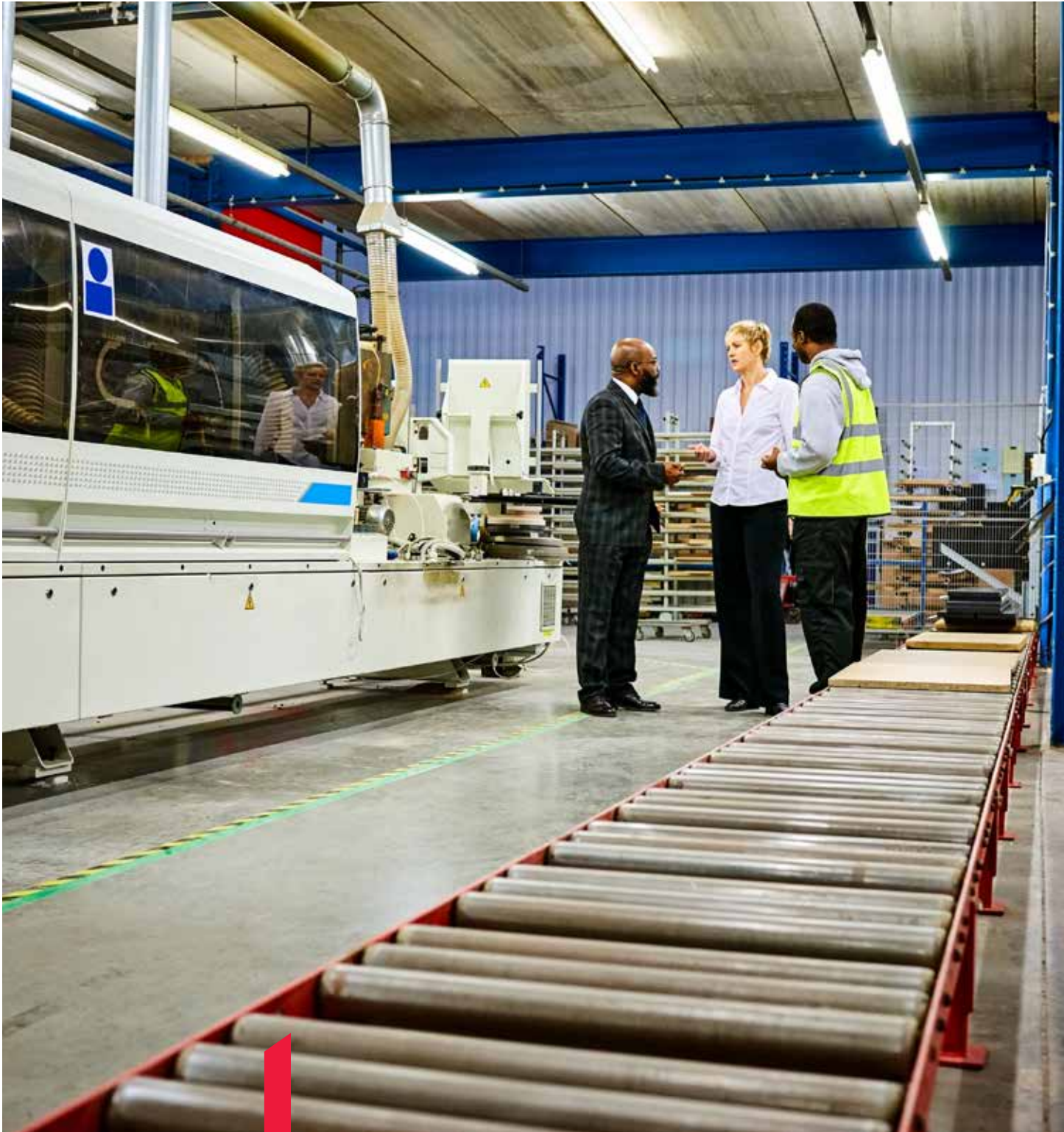


BDO ADVISORY

# TAX AND GOVERNMENT INCENTIVE GUIDE

Economic Incentives



# FOREWARD

BDO will demonstrate that South Africa is open for business by providing a clear insight of the objective, timing and benefits available of the various incentives programmes.

Our dedicated Economic Incentive practice headed up by Mark Smith is committed to assist Small Medium Enterprises to Large Listed Corporates. Our team is passionate about nurturing local start ups and attracting Foreign Direct Investment into South Africa.

Our team simplifies the complex incentive landscape in South Africa into an easy reading comprehensive guide.

# CONTENTS

<b>▶ INCENTIVE LANDSCAPE</b>	<b>3</b>
• Are you investing in corporate social responsibility, improving broad-based empowerment and enterprise development?	4–5
• Improving your global competitiveness and exploring international markets?	6
• Investing in manufacturing facilities and creating employment?	7–9
• Investing in the film environment or creating shared services centers?	10–11
• Investing in infrastructure or locating to special economic zones?	12
• Investing in the green economy and contributing to sustainability?	13
• Investing in automotive manufacturing facilities and sustaining employment?	14–15
• Investing in innovation and research & development?	16
• Investing in tourism and stimulating growth of small and medium-sized enterprises (SMEs)?	17
<b>▶ HOW WE WORK WITH YOU</b>	<b>18</b>
<b>▶ WHY BDO?</b>	<b>19</b>

# INCENTIVE LANDSCAPE

<p><b>DEPARTMENT OF TRADE AND INDUSTRY (DTI)</b></p> <ul style="list-style-type: none"> <li>• Black business supplier development programme (BBSDP)</li> <li>• Co-operative incentive scheme (CIS)</li> <li>• Strategic partnership programme (SPP)</li> <li>• Black industrialist scheme</li> <li>• Export marketing and investment assistance (EMIA)</li> <li>• Capital projects feasibility programme (CPFP)</li> <li>• Manufacturing competitiveness enhancement programme (MCEP)</li> <li>• Automotive investment scheme (AIS)</li> <li>• People-carrier automotive investment scheme (P-AIS)</li> <li>• Medium &amp; heavy commercial vehicles automotive investment scheme</li> <li>• Critical infrastructure programme (CIP)</li> <li>• Foreign film &amp; television production and post production incentives</li> <li>• SA film and television production &amp; co-operation incentive</li> <li>• SA emerging black filmmakers incentive</li> <li>• Business process service programme</li> <li>• Aquaculture development enhancement programme (ADEP)</li> </ul>	<p><b>INDUSTRIAL DEVELOPMENT CORPORATION (IDC)</b></p> <ul style="list-style-type: none"> <li>• Textile industry – Competitiveness improvement programme (CIP)</li> <li>• Textile industry – Production incentive programme (PIP)</li> <li>• Support programme for industrial innovation (SPII)</li> </ul>	<p><b>SOUTH AFRICAN REVENUE SERVICE (SARS)</b></p> <ul style="list-style-type: none"> <li>• Manufacturing allowance (S12ITA)</li> <li>• Special economic zones (SEZ)</li> <li>• Employment tax incentive (ETI)</li> <li>• Certified emission reduction (S12K) (CER)</li> <li>• Energy efficiency allowance (S12L)</li> </ul>
	<p><b>INTERNATIONAL TRADE ADMINISTRATION COMMISSION (ITAC)</b></p> <ul style="list-style-type: none"> <li>• Automotive production development programme (APDP) <ul style="list-style-type: none"> <li>- Production rebate credit certificate (PRCC)</li> <li>- Volume assembly allowance (VAA)</li> </ul> </li> </ul>	<p><b>DEPARTMENT OF SCIENCE AND TECHNOLOGY (DST)</b></p> <ul style="list-style-type: none"> <li>• Research &amp; development (S11D)</li> </ul>
	<p><b>DEPARTMENT OF TOURISM (DT)</b></p> <ul style="list-style-type: none"> <li>• Tourism grading support programme (TGSP)</li> <li>• Tourism international market access support programme (TIMASP)</li> </ul>	<p><b>SMALL ENTERPRISE DEVELOPMENT AGENCY (SEDA)</b></p> <ul style="list-style-type: none"> <li>• Seda technology programme (STP)</li> </ul>

## ARE YOU INVESTING IN CORPORATE SOCIAL RESPONSIBILITY, IMPROVING BROAD-BASED EMPOWERMENT AND ENTERPRISE DEVELOPMENT?

SMME BUSINESS INCENTIVE	BLACK BUSINESS SUPPLIER DEVELOPMENT PROGRAMME (BBSDP)	CO-OPERATIVE INCENTIVE SCHEME (CIS)	STRATEGIC PARTNERSHIP PROGRAMME (SPP)
Objective	To assist black businesses in improving their competitiveness and sustainability in order to become integrated into the main economy	To improve the viability and competitiveness of co-operative enterprises by lowering the cost of doing business and support historically disadvantaged communities to enter into the mainstream economy	To encourage large private sector partnerships with government to support and develop small, micro and medium enterprises (SMMEs) and nurture them into sustainable enterprises that can provide employment and contribute to economic growth. Encourages businesses to strengthen the element of Enterprise & Supplier Development of B-BBEE codes
Benefits	<p>80% of business development and training costs</p> <ul style="list-style-type: none"> <li>• Maximum grant of R200 000</li> <li>• Costs include corporate governance, management, marketing and use of modern technology</li> </ul> <p>50% of costs of tools, machinery and equipment</p> <ul style="list-style-type: none"> <li>• Maximum grant of R800 000</li> </ul>	<p>100% of qualifying costs</p> <ul style="list-style-type: none"> <li>• Maximum grant of R350 000</li> </ul> <p>Qualifying costs Business development services (e.g. feasibility studies, business, manufacturing and production systems, production efficiency and improvement). All must be linked to the activities applied for and may not exceed more than 20% of the total value applied for</p> <ul style="list-style-type: none"> <li>• Technological improvements</li> <li>• Machinery, equipment and tools</li> <li>• Commercial vehicles</li> <li>• Infrastructure linked to the project (e.g. 3-phase electricity, boreholes)</li> <li>• Working capital: <ul style="list-style-type: none"> <li>- Existing co-operatives, not more than R140 000</li> <li>- Start ups, up to 40% of the actual activities applied for</li> </ul> </li> </ul>	<p>Enterprises in manufacturing sector with a turnover of R100 million</p> <ul style="list-style-type: none"> <li>• Cost sharing support of 50:50 for qualifying costs over a three year period</li> <li>• Costs include equipment, infrastructure, commercial vehicles, product service development, ITC operations and business development services</li> </ul> <p>Enterprises not in manufacturing sector with a turnover of R100 million</p> <ul style="list-style-type: none"> <li>• Cost sharing support of 70:30 for qualifying costs over a three year period</li> </ul> <p>Maximum grant of R15 million per annum</p>
Who can benefit?	<p>Businesses that have:</p> <ul style="list-style-type: none"> <li>• At least 51% black ownership</li> <li>• At least 50% black management</li> <li>• Turnover of R250 000 to R35 million per year</li> <li>• In operation for at least a year</li> </ul>	<p>Registered co-operatives with at least 5 members</p> <ul style="list-style-type: none"> <li>• Co-operatives must have a majority black ownership</li> </ul>	<p>Strategic partner</p> <ul style="list-style-type: none"> <li>• 51% black ownership</li> <li>• Special purpose entity</li> <li>• Legal entity</li> <li>• Involved with manufacturing, agro-processing, mineral beneficiation and manufacturing related services</li> </ul>
Timing	Application form must be submitted before any costs are incurred	Application form must be submitted before any costs are incurred	Application form must be submitted before any costs are incurred

## ARE YOU INVESTING IN SOCIALLY RESPONSIBLE ENVIRONMENT, IMPROVING BROAD-BASED EMPOWERMENT AND ENTERPRISE DEVELOPMENT?

B-BBEE	BLACK INDUSTRIALIST SCHEME
Objective	Increase the participation of black industrialists in the national economy in selected manufacturing sectors and value chains. Create multiple and diverse pathways and instruments for black industrialists to enter strategic and targeted manufacturing sectors and value chains
Benefits	Cost-sharing grant between 30% – 50% to maximum of R50 million  Qualifying costs: <ul style="list-style-type: none"> <li>• Capital investment</li> <li>• Feasibility costs (maximum 3%)</li> <li>• Post-investment support (maximum R500 000)</li> <li>• Business development services (maximum R2 million)</li> </ul>
Who can benefit?	Black industrialist: <ul style="list-style-type: none"> <li>• 50% black-owned</li> <li>• Majority black-management control</li> <li>• Exercises control over business</li> <li>• Business in manufacturing sector</li> <li>• Long-term commitment to business</li> </ul>
Timing	Black industrialist: <ul style="list-style-type: none"> <li>• An enquiry number is required from the Strategic Partnerships and Customer Care Unit before application is submitted</li> </ul>

## ARE YOU IMPROVING YOUR GLOBAL COMPETITIVENESS AND EXPLORING INTERNATIONAL MARKETS?

COMPETITIVENESS	EXPORT MARKETING AND INVESTMENT ASSISTANCE (EMIA)	CAPITAL PROJECTS FEASIBILITY PROGRAMME (CPFP)
Objective	Provides marketing assistance to venture into international markets and grow exports	<ul style="list-style-type: none"> <li>To contribute to the country's development and job creation</li> <li>Attract foreign investment by unlocking contract and project opportunities</li> <li>Increase local exports of capital goods and services</li> <li>Capital projects in the public environment are infrastructure projects such as dams, electricity, roads, railways and water. Capital projects in the private environment are large projects in order to expand or maintain capital assets, equipment and machinery or a new mining project</li> </ul>
Benefits	<p><b>Individual exhibition</b></p> <ul style="list-style-type: none"> <li>Daily subsistence allowance</li> <li>Return economy-class airfare</li> <li>Exhibition for a maximum of R45 000</li> </ul> <p><b>Primary market research</b> (Exporters compensated for costs reimbursed recruiting foreign direct investment (FDI) into South Africa by visiting potential investors in foreign countries)</p> <ul style="list-style-type: none"> <li>Daily subsistence allowance</li> <li>Return economy-class airfare</li> <li>Transport of samples/marketing materials</li> </ul> <p><b>Individual inward missions</b> (SA entities compensated for arranging inward buyer investor, to conclude export order or attract FDI)</p> <ul style="list-style-type: none"> <li>Registration of patent in foreign market 50% of additional costs capped at R100 000</li> <li>Daily subsistence allowance</li> <li>Return economy-class airfare</li> <li>Rental of exhibition space</li> </ul>	<p>Feasibility studies costs</p> <ul style="list-style-type: none"> <li>50% of the feasibility study costs for projects outside Africa</li> <li>55% of the feasibility study costs for projects in Africa</li> <li>To a maximum of R 8 million (VAT exclusive)</li> <li>Payable according to completed milestones</li> </ul>
Who can benefit?	<ul style="list-style-type: none"> <li>SA manufacturers and exporters</li> <li>Export trading houses/commission agents representing 3 SMMEs or business owned by historically disadvantaged individuals (HDIs)</li> <li>SA export councils and industry associations</li> </ul>	<ul style="list-style-type: none"> <li>Local and foreign owned enterprises</li> <li>Entities planning to establish new projects, expansion of existing projects or the rehabilitation of existing projects in the capital goods sector (situated anywhere in the world, excluding South Africa)</li> </ul>
Timing	A completed application is to be submitted two months prior to the commencement date of the event	<ul style="list-style-type: none"> <li>A completed application is to be submitted two months prior to the commencement date of the feasibility study</li> <li>Claim forms must be submitted one month after the completion of the milestone(s)</li> </ul>

## ARE YOU INVESTING IN MANUFACTURING FACILITIES AND CREATING EMPLOYMENT?

MANUFACTURING INVESTMENT		MANUFACTURING COMPETIVENESS ENHANCEMENT PROGRAMME (MCEP)	
Objective	<ul style="list-style-type: none"> <li>To promote enterprise competitiveness and job retention</li> <li>To finance manufacturers at preferential interest rates and identify new areas for job creation</li> </ul>		
Benefits	<p><b>Total maximum benefits</b></p> <p>Total assets historical cost &lt; R5 million</p> <ul style="list-style-type: none"> <li>May qualify for a direct cost sharing grant per applicable component</li> </ul> <p>Total assets historical cost &gt; R5 million &lt; R30 million or 100% black shareholding</p> <ul style="list-style-type: none"> <li>25% of Manufacturing Value Added (MVA = sales less sales value of imported goods, bought-in finished goods and material input costs/salaries)</li> </ul> <p>Total assets historical cost &gt; R30 million &lt; R200 million</p> <ul style="list-style-type: none"> <li>20% of Manufacturing Value Added</li> </ul> <p>Total assets historical cost &gt; R200 million</p> <ul style="list-style-type: none"> <li>10% of Manufacturing Value Added</li> </ul>		
	<p><b>Capital investment</b></p> <p>Total assets historical cost &lt; R5 million</p> <ul style="list-style-type: none"> <li>50% of qualifying investment cost</li> </ul> <p>Total assets historical cost &gt; R5 million &lt; R30 million</p> <ul style="list-style-type: none"> <li>40% of qualifying investment cost</li> </ul> <p>Total assets historical cost &gt; R30 million</p> <ul style="list-style-type: none"> <li>30% of qualifying investment cost</li> </ul> <p>Maximum grant of R30 million</p> <p>Additional 10% grant (on cost sharing)</p> <ul style="list-style-type: none"> <li>Historical asset cost &gt; R5 million</li> <li>Limited to R5 million</li> <li>Benefits limited subject to total maximum benefits (above)</li> </ul>	<p><b>Green technology and resource improvement</b></p> <p>Total assets historical cost &lt; R5 million</p> <ul style="list-style-type: none"> <li>50% of qualifying investment cost</li> </ul> <p>Total assets historical cost &gt; R5 million &lt; R30 million</p> <ul style="list-style-type: none"> <li>40% of qualifying investment cost</li> </ul> <p>Total assets historical cost &gt; R30 million</p> <ul style="list-style-type: none"> <li>30% of qualifying investment cost</li> </ul> <p>Maximum grant of R20 million</p> <p>Additional 10% grant (on cost sharing)</p> <ul style="list-style-type: none"> <li>Historical asset cost &gt; R5 million</li> <li>Limited to R5 million</li> </ul>	
	<p><b>Enterprise level competitiveness</b></p> <p>Total assets historical cost &lt; R5 million</p> <ul style="list-style-type: none"> <li>70% of qualifying expenditure</li> </ul> <p>Total assets historical cost &gt; R5 million &lt; R200 million</p> <ul style="list-style-type: none"> <li>60% of qualifying expenditure</li> </ul> <p>Total assets historical cost &gt; R200 million</p> <ul style="list-style-type: none"> <li>50% of qualifying expenditure</li> </ul> <p>Maximum grant of R10 million</p>	<p><b>Feasibility studies</b></p> <p>Total assets historical cost &lt; R30 million</p> <ul style="list-style-type: none"> <li>70% of qualifying expenditure</li> </ul> <p>Total assets historical cost &gt; R30 million</p> <ul style="list-style-type: none"> <li>50% of qualifying expenditure</li> </ul> <p>Maximum grant of R8 million</p>	
	<p><b>Cluster competitiveness</b></p> <p>80% of qualifying expenditure – historical asset cost not applicable</p> <ul style="list-style-type: none"> <li>Maximum grant of R50 million</li> </ul>	<p><b>Industrial policy loan facilities</b></p> <p>Pre/post-dispatch working capital facility</p> <ul style="list-style-type: none"> <li>Maximum of R50 million loan at 4% for a period up to four years</li> <li>Industrial policy niche projects fund</li> <li>Grant may be structured as part of the borrower's equity contribution</li> </ul>	
Who can benefit?	<ul style="list-style-type: none"> <li>Existing manufacturers</li> <li>Existing engineering services enterprises or conformity assessment agencies</li> <li>Distressed manufacturers</li> </ul>		
Timing	<ul style="list-style-type: none"> <li>Apply at least 60 days prior to commencement of the commercial use of the assets</li> <li>Apply at Industrial Development Corporation (IDC) at their discretion</li> </ul>		

## ARE YOU INVESTING IN MANUFACTURING FACILITIES AND CREATING EMPLOYMENT?

MANUFACTURING INVESTMENT	SECTION 12I TAX ALLOWANCE INCENTIVE (S12I TA)	AQUACULTURE DEVELOPMENT AND ENHANCEMENT PROGRAMME (ADEP)
Objective	<ul style="list-style-type: none"> <li>To support investment in manufacturing and the training of personnel</li> <li>To improve productivity in the South African manufacturing sector</li> </ul>	To stimulate investment in the aquaculture sector with the intention to <ul style="list-style-type: none"> <li>Increase production</li> <li>Sustain and create jobs</li> <li>Encourage geographic spread</li> <li>Broaden participation</li> </ul>
Benefits	<p><b>Greenfield projects</b> Maximum investments allowances</p> <ul style="list-style-type: none"> <li>Preferred status – R252 million tax savings</li> <li>Qualifying status – R154 million tax savings</li> </ul> <p><b>Brownfield projects</b> Maximum investment allowances</p> <ul style="list-style-type: none"> <li>Preferred status – R154 million tax savings</li> <li>Qualifying status – R98 million tax savings</li> </ul> <p><b>Additional training allowance</b></p> <ul style="list-style-type: none"> <li>R36 000 deduction per employee from taxable income</li> <li>Maximum training allowance               <ul style="list-style-type: none"> <li>Preferred status – R30 million, or</li> <li>Qualifying status – R20 million</li> </ul> </li> </ul>	Reimbursive cash grant of up to 45% of the qualifying investment <ul style="list-style-type: none"> <li>Maximum grant of R40 million</li> <li>Grant can be used for new projects, upgrades or expansion projects</li> </ul>
Who can benefit?	<p><b>Local and foreign owned enterprises</b> Entities investing in</p> <ul style="list-style-type: none"> <li>Greenfield investment (new projects that utilise only new and unused manufacturing assets) with a minimum value of R200 million</li> <li>Brownfield investment (expansion or upgrades of existing industrial projects) with a minimum value of R30 million</li> </ul>	<p><b>Entities engaged in primary, secondary or ancillary aquaculture activities</b></p> <ul style="list-style-type: none"> <li>Marine or freshwater activities qualify</li> <li>Aquaculture is the farming of crocodiles, alligators, amphibians or any aquatic animal or plant that is harvested for human consumption</li> </ul>
Timing	Apply and obtain approval before any asset is contracted for	Apply at least 60 days prior to commencement of operations for commercial purposes <ul style="list-style-type: none"> <li>Commercial purposes excludes the testing and/or commissioning phases</li> </ul>



## ARE YOU INVESTING IN MANUFACTURING FACILITIES AND CREATING EMPLOYMENT?

MANUFACTURING INVESTMENT	TEXTILE INDUSTRY – COMPETITIVENESS IMPROVEMENT PROGRAMME (CIP)	TEXTILE INDUSTRY – PRODUCTION INCENTIVE PROGRAMME (PIP)
Objective	To improve capacity and global competitiveness in manufacturing clothing, textile, footwear and leather goods	To provide upgrades to processes, products and people to improve competitiveness and stabilise employment in manufacturing clothing, textile, footwear and leather goods
Benefits	<p><b>Ordinary clusters</b></p> <ul style="list-style-type: none"> <li>• 75% incentive of qualifying project costs</li> <li>• Costs will not cover machinery, equipment, commercial vehicles, land or buildings</li> <li>• Costs will cover people (e.g. training), product (e.g. product related supply chain integration), process (e.g. industrial engineering services), market development (e.g. market research), technology innovation (e.g. new software)</li> <li>• Maximum grant of R25 million over programme implementation</li> </ul> <p><b>Company</b> 65% incentive of qualifying project costs</p> <p><b>National clusters</b></p> <ul style="list-style-type: none"> <li>• 100% incentive of qualifying project costs for the first year</li> <li>• 95% incentive second year</li> <li>• 90% incentive third year</li> <li>• 80% incentive fourth year</li> <li>• 70% incentive fifth year</li> </ul>	<ul style="list-style-type: none"> <li>• Grant upgrade facility and/or</li> <li>• MVA calculation</li> </ul> <p>Sales Less Sales value of other bought in finished goods Less Material input costs (used in manufacturing process) Less Outsourced cut, make, trim costs = MVA</p>
Who can benefit?	<p>South African registered companies or not-for-profit companies</p> <p>Qualifying expenditure</p> <ul style="list-style-type: none"> <li>• People training</li> <li>• Product supply chain integration</li> <li>• Process industrial engineering services; competitiveness improvement interventions; world class marketing principle; bottom-line business processes</li> <li>• Market development</li> <li>• Technological innovation – national clusters only</li> </ul>	<p>South African registered companies or close corporations Operations must be classified as manufacturing (SIC code 3)</p>
Timing	The completed application must be submitted to the clothing and textiles competitiveness program (CTCP) desk at the IDC before the commencement of the project	The completed application must be submitted to the CTCP desk at the IDC before the commencement of the project

## ARE YOU INVESTING IN THE FILM ENVIRONMENT OR CREATING SHARED SERVICES CENTRES?

SERVICES INVESTMENT	FOREIGN FILM & TELEVISION PRODUCTION AND POST PRODUCTION INCENTIVES	SA FILM AND TELEVISION PRODUCTION & CO-OPERATION INCENTIVE
Objective	To attract large-budget foreign films and television productions to shoot on location and conduct post-production work in South Africa in order to contribute to <ul style="list-style-type: none"> <li>• Employment creation</li> <li>• Enhancement of the country's international profile</li> <li>• Increasing South Africa's creative and technical skills base</li> </ul>	To support the local film industry and to contribute to employment opportunities in South Africa
Benefits	<p>Production</p> <ul style="list-style-type: none"> <li>• Shooting in South Africa – 20% of qualifying South African production expenditure (QSAPE)</li> <li>• Maximum grant of R50 million</li> </ul> <p>South African post-production</p> <ul style="list-style-type: none"> <li>• 22.5% of qualifying South African post-production expenditure (QSAPPE) and QSAPE</li> <li>• If QSAPPE ≥R3 million, 25% of QSAPPE and QSAPE</li> </ul> <p>Foreign post-production</p> <ul style="list-style-type: none"> <li>• QSAPPE ≥R1,5 million &lt; R3 million, grant is 22.5% of QSAPPE</li> <li>• QSAPPE ≥R3 million, grant is 25%</li> </ul>	<ul style="list-style-type: none"> <li>• Rebate of 35% of first R6m of QSAPE</li> <li>• 25% of remainder of QSAPE thereafter</li> </ul>
Who can benefit?	<p>Foreign-owned productions with</p> <ul style="list-style-type: none"> <li>• QSAPE ≥R12 million</li> <li>• At least 50% of principal photography schedule filmed in South Africa</li> <li>• A minimum of 4 weeks of the principal photography must be filmed in South Africa</li> </ul> <p>Foreign owned production and South Africa post-productions with</p> <ul style="list-style-type: none"> <li>• QSAPPE ≥R1,5 million</li> <li>• 100% of post-production conducted in South Africa or</li> <li>• Post-production for a minimum of 2 weeks</li> </ul>	<p>Production budget ≥R2,5 million</p> <p>Production must be a qualifying South African production, where at least 75% of budget is QSAPE</p> <p>Productions that have the following schedules</p> <ul style="list-style-type: none"> <li>• At least 50% of the principal photography schedule must be filmed in South Africa</li> <li>• A minimum of two weeks of the principal photography must be filmed in South Africa</li> </ul>
Timing	<p>Production</p> <ul style="list-style-type: none"> <li>• Apply before commencement of principal photography</li> </ul> <p>Post-production</p> <ul style="list-style-type: none"> <li>• Apply before commencement of on-line post-production</li> </ul>	<p>Production</p> <p>Apply before commencement of principal photography</p>

## ARE YOU INVESTING IN THE FILM ENVIRONMENT OR CREATING SHARED SERVICES CENTRES?

SERVICES INVESTMENT	SOUTH AFRICAN EMERGING BLACK FILMMAKERS INCENTIVE	BUSINESS PROCESS SERVICE PROGRAMME												
Objective	Provides black filmmakers opportunities to take up big productions and contribute to employment	<ul style="list-style-type: none"> <li>To attract investment and create employment in South Africa through offshoring activities</li> <li>Creating employment opportunities for the youth</li> <li>Offshoring occurs when business processing services are performed in a foreign country or clients are located outside of South Africa</li> </ul>												
Benefits	Rebate of up to 50% of first R6m of QSAPE, thereafter 25% of QSAPE	<ul style="list-style-type: none"> <li>Non-complex job category refers to full-loaded operating costs ≤ to R 300 000 per annum, and complex jobs &gt; R 300 000 per annum</li> <li>"Full-loaded operating costs" includes salaries and benefits, facilities, telecommunication and equipment costs, management costs and overheads</li> <li>The grant per employee is paid over 5 years as follows: <table border="1" data-bbox="790 952 1372 1108"> <thead> <tr> <th>Year</th> <th>Non-complex job</th> <th>Complex job</th> </tr> </thead> <tbody> <tr> <td>2016/17</td> <td>R 24 000</td> <td>R 40 000</td> </tr> <tr> <td>2017/18</td> <td>R 24 000</td> <td>R 32 000</td> </tr> <tr> <td>2018/19</td> <td>R 20 000</td> <td>R 32 000</td> </tr> </tbody> </table> </li> <li>A bonus incentive is available to entities that achieve specified offshoring job creation targets</li> </ul>	Year	Non-complex job	Complex job	2016/17	R 24 000	R 40 000	2017/18	R 24 000	R 32 000	2018/19	R 20 000	R 32 000
Year	Non-complex job	Complex job												
2016/17	R 24 000	R 40 000												
2017/18	R 24 000	R 32 000												
2018/19	R 20 000	R 32 000												
Who can benefit?	South African black-owned productions <ul style="list-style-type: none"> <li>Total production budget ≥R1 million</li> <li>Special purpose corporate vehicle (SPCV) incorporated in South Africa</li> <li>Six months experience in industry with at least 10 minute trailblazer of short film</li> <li>Service company 65% owned by black shareholders</li> <li>SPCV 75% owned by black shareholders</li> <li>Applicant is the entity responsible for all entities in making the production</li> <li>SPCV and service company must be at least level 3 B-BBEE</li> <li>Only one film production, television drama or documentary series per entity per application</li> </ul>	Entities that are expanding or starting new business process services operations <ul style="list-style-type: none"> <li>The entity must, by the end of three years from the start of the operation, have created at least 50 South African new offshoring jobs</li> <li>The project must have at least 80% youth (18-35 years) as part of qualifying jobs</li> </ul>												
Timing	Production <ul style="list-style-type: none"> <li>Apply before commencement of principal photography</li> </ul>	Entities must submit an application prior to the engagement of qualifying employees <ul style="list-style-type: none"> <li>The project must commence with operations and engagement of employees not later than six months from the date of the grant approval</li> <li>Projects must commence between 1 October 2014 and 31 March 2019</li> </ul>												

## ARE YOU INVESTING IN INFRASTRUCTURE OR LOCATING TO SPECIAL ECONOMIC ZONES?

INFRASTRUCTURE SUPPORT	CRITICAL INFRASTRUCTURE PROGRAMME (CIP)	SPECIAL ECONOMIC ZONES (SEZ)	EMPLOYMENT TAX INCENTIVE (ETI)
Objective	Designed to leverage private investment and promote certain public sector investments that create or enable an environment that leads to private investment. Investment includes electricity, roads, railways, water and other infrastructure projects	Provide capital towards bulk and related infrastructure that leverage investment from third parties, through foreign and local direct investment in both the operations of such enterprises and infrastructure required	Encourage employment of the unemployed and the youth
Benefits	Between 10-30% of the total infrastructure development cost Maximum grant R30 million	<ul style="list-style-type: none"> <li>• 15% corporate tax S12R</li> <li>• Accelerated 10 year tax allowance on buildings S12S</li> <li>• VAT &amp; customs relief</li> <li>• Employment incentive</li> </ul>	Between 25-50% of monthly employee salary - max R1 000 per employee <ul style="list-style-type: none"> <li>• Applicable to salaried employees (below R60 000 per annum)</li> </ul>
Who can benefit?	Businesses that have <ul style="list-style-type: none"> <li>• At least level four B-BBEE</li> <li>• Investment will contribute to growth in economy</li> <li>• Infrastructure that supports renewable energy generation will qualify if at least 60% of investment components are sourced locally</li> </ul>	<ul style="list-style-type: none"> <li>• Business must be incorporated in South Africa or effectively managed in South Africa</li> <li>• Operated from a fixed base within SEZ</li> <li>• Derive 90% of income within SEZ</li> </ul>	Qualifying employees <ul style="list-style-type: none"> <li>• Aged between 18-29 years old</li> <li>• Employed in a SEZ</li> <li>• Have a valid identity document or asylum seeker permit</li> <li>• Employed after 1 October 2013</li> </ul>
Timing	Application must be submitted and approval received before construction commences	Effective 2014-2024	Effective 1 January 2014

## ARE YOU INVESTING IN THE GREEN ECONOMY AND CONTRIBUTING TO SUSTAINABILITY?

GREEN ECONOMY	CERTIFIED EMISSION REDUCTION S12K (CER)	ENERGY EFFICIENCY ALLOWANCE S12L
Objective	Reduction of harmful emissions into the atmosphere	Encourages entities to improve their efficiency and show measurable energy savings
Benefits	Proceeds received from the sale of CER will be exempt from normal tax	Taxpayer entitled to a deduction of 45 cents per kilowatt hour of energy efficiency savings
Who can benefit?	<p>South African entity selling the CER and is registered as a Clean Development Mechanism Project (CDMP)</p> <ul style="list-style-type: none"> <li>Entity must be approved by the Department of Energy</li> <li>Entity must be registered with the United Nations Framework Convention on Climate Change (UNFCCC)</li> </ul>	<p>South African entity must obtain a certificate issued by an institution, board or body, prescribed by regulation.</p> <p>Only certified measurement and verification professionals will submit a report to the South African National Energy Development Institute (SANEDI). SANEDI will issue a report which will stipulate the total energy efficiency savings for the year of assessment</p> <p>Certificate should disclose the following</p> <ul style="list-style-type: none"> <li>Baseline at beginning of assessment</li> <li>Reporting period energy use at end of the year of assessment</li> <li>Annual energy efficiency savings expressed in kilowatt hours for year of assessment</li> <li>Methodology used in the calculation of the energy efficiency savings</li> </ul>
Timing	Approval required before commencement of trading CER Effective 11 February 2009	Effective 1 November 2013

## ARE YOU INVESTING IN AUTOMOTIVE MANUFACTURING FACILITIES AND SUSTAINING EMPLOYMENT?

AUTOMOTIVE PRODUCTION	AUTOMOTIVE PRODUCTION DEVELOPMENT PROGRAMME (APDP)	PEOPLE-CARRIER AUTOMOTIVE INVESTMENT SCHEME (P-AIS)
Objective	To grow and develop the automotive sector through investment that will increase plant production volumes; sustain employment and/or strengthen the automotive value chain	To stimulate the growth path for the people-carrier vehicles industry through investment in new and/or replacement models and components that will result in new employment; retention of current employment and/or strengthen the automotive vehicles value chain
Benefits	<p><b>Automotive investment scheme (AIS)</b></p> <ul style="list-style-type: none"> <li>• Taxable cash grant of 20% for vehicle manufacturers and 25% for component manufacturers of the qualifying investment, disbursed over 3 years</li> <li>• Strategic projects               <ul style="list-style-type: none"> <li>– Additional taxable grant of 5% or 10%</li> </ul> </li> </ul> <p><b>Production rebate credit certificate (PRCC)</b></p> <ul style="list-style-type: none"> <li>• A production incentive based on a percentage of the value addition, being the difference between the selling price and the cost of materials</li> <li>• Certain local materials are classified as 'standard materials' and qualify for a 25% exclusion from material cost</li> <li>• Component manufacturers who fall into industries designated as 'vulnerable' will qualify for an additional 15% exclusion from material cost reducing to 25% by 2017; and a higher production incentive factor of 80% reducing to 50% by 2020</li> <li>• The grant will be payable in the form of PRCCs which are rebatable</li> </ul> <p><b>Volume assembly allowance (VAA)</b></p> <p>The VAA is based on the company specific percentage</p> <ul style="list-style-type: none"> <li>• Locally marketed vehicles market-related expenditure as a percentage of selling price</li> <li>• Exported vehicles market-related expenditure as a percentage of selling price</li> </ul> <p>The VAA is rebatable against import duty on imported components in locally marketed vehicles. Unused surplus can either be carried forward or used to rebate imported vehicles at a reduced percentage</p>	<p>Completely-knocked down (CKD) vehicle assemblers</p> <ul style="list-style-type: none"> <li>• Taxable cash grant of 20% of qualifying investment costs prior to commencement of production after 1 April 2015</li> <li>• Additional taxable grant of 5% or 10% for strategic projects</li> </ul> <p>Component manufacturers</p> <ul style="list-style-type: none"> <li>• Taxable cash grant of 20% of qualifying investment costs</li> <li>• Additional taxable grant of 5% or 10% for strategic products</li> </ul>
Who can benefit?	<p>Light motor vehicle manufacturers Original equipment manufacturers supply chain</p> <ul style="list-style-type: none"> <li>• Component manufacturers</li> <li>• Deemed component manufacturers</li> </ul>	<p>People-carrier vehicle assemblers</p> <ul style="list-style-type: none"> <li>• SKD vehicle assemblers</li> <li>• CKD vehicle assemblers</li> </ul> <p>Component manufacturers</p>
Timing	<p><b>AIS</b></p> <p>Vehicle manufacturers</p> <ul style="list-style-type: none"> <li>• Apply 180 days prior to commencement of production</li> </ul> <p>Component manufacturers, deemed component manufacturers</p> <ul style="list-style-type: none"> <li>• Apply 90 days prior to commencement of production</li> </ul> <p><b>PRCC</b></p> <ul style="list-style-type: none"> <li>• To be claimed within 12 months from the date of the sales invoice for eligible products</li> </ul> <p><b>VAA</b></p> <ul style="list-style-type: none"> <li>• To be submitted within 45 days after quarter close</li> </ul>	<p>People-carrier manufacturers and component manufacturers</p> <ul style="list-style-type: none"> <li>• Apply 90 days prior to commencement of production</li> </ul>

## ARE YOU INVESTING IN AUTOMOTIVE MANUFACTURING FACILITIES AND SUSTAINING EMPLOYMENT?

AUTOMOTIVE PRODUCTION	MEDIUM & HEAVY COMMERCIAL VEHICLES AUTOMOTIVE INVESTMENT SCHEME
Objective	<ul style="list-style-type: none"> <li>To grow and develop the automotive sector</li> <li>Investment through new or replacement models and components</li> <li>Increase production volumes</li> <li>Creating or sustaining employment</li> <li>To strengthen the automotive chain</li> </ul>
Benefits	<ul style="list-style-type: none"> <li>Taxable cash grant of 20% for medium and heavy commercial vehicle manufacturers and 25% for component manufacturers and tooling companies of the qualifying investment, disbursed over 3 years</li> <li>Strategic projects               <ul style="list-style-type: none"> <li>– Additional taxable grant of 5% or 10%</li> </ul> </li> </ul>
Who can benefit?	<p><b>Truck manufacturers</b> Medium and heavy commercial vehicles must comply with the extent of assembly (CKD definition as specified in Note 5 to Chapter 98 i.e., original equipment manufacturer)</p> <ul style="list-style-type: none"> <li>Cabs may be imported in an assembled and trimmed condition into South Africa until 31 March 2016</li> <li>Engine and transmission, axles, radiators, suspension components, steering mechanisms, braking or electrical equipment and instrumentation may be imported into South Africa. However, these must be fitted to the floor pan or chassis frame within South Africa</li> <li>Body or cab must be fitted to floor pan or chassis frame within South Africa</li> <li>As from 1 April 2016 new projects must comply with the amended CKD definition</li> </ul> <p><b>Bus chassis manufacturers</b></p> <ul style="list-style-type: none"> <li>Chassis, engine and transmission assemblies must comply with the extent of assembly (CKD definition as specified in Note 5 to Chapter 98 i.e., original equipment manufacturer)</li> <li>Chassis, engine and transmission assemblies must be assembled semi-knocked down in South Africa. Hang-on parts (fuel tank, tyres, battery, wheel rims) for the chassis may be imported into South Africa. However, these must be fitted to the floor pan or chassis frame within South Africa</li> <li>As from 1 April 2016 new projects must comply with the amended CKD definition</li> </ul> <p><b>Component manufacturers, deemed component manufacturers, tooling companies and bus and truck body manufacturers</b></p> <ul style="list-style-type: none"> <li>Component manufacturers who can prove that a contract has been awarded or letter of intent received for the manufacture of components to supply the medium and heavy commercial vehicle manufacturer supply chain locally or internationally</li> <li>Component manufacturers who can prove that after this investment it will achieve at least 25% of total entity turnover or R10m annually by the end of the first full year of commercial production</li> <li>Bus body manufacturers awarded contract by the original equipment manufacturer (OEM) must prove that the bid was awarded and contract has been entered into with the OEM</li> </ul>
Timing	<p>Medium and heavy commercial vehicle manufacturers</p> <ul style="list-style-type: none"> <li>Apply 120 days prior to commencement of production</li> </ul> <p>Component manufacturers and/or tooling companies</p> <ul style="list-style-type: none"> <li>Apply 90 days prior to commencement of production</li> </ul>

## ARE YOU INVESTING IN INNOVATION AND RESEARCH & DEVELOPMENT?

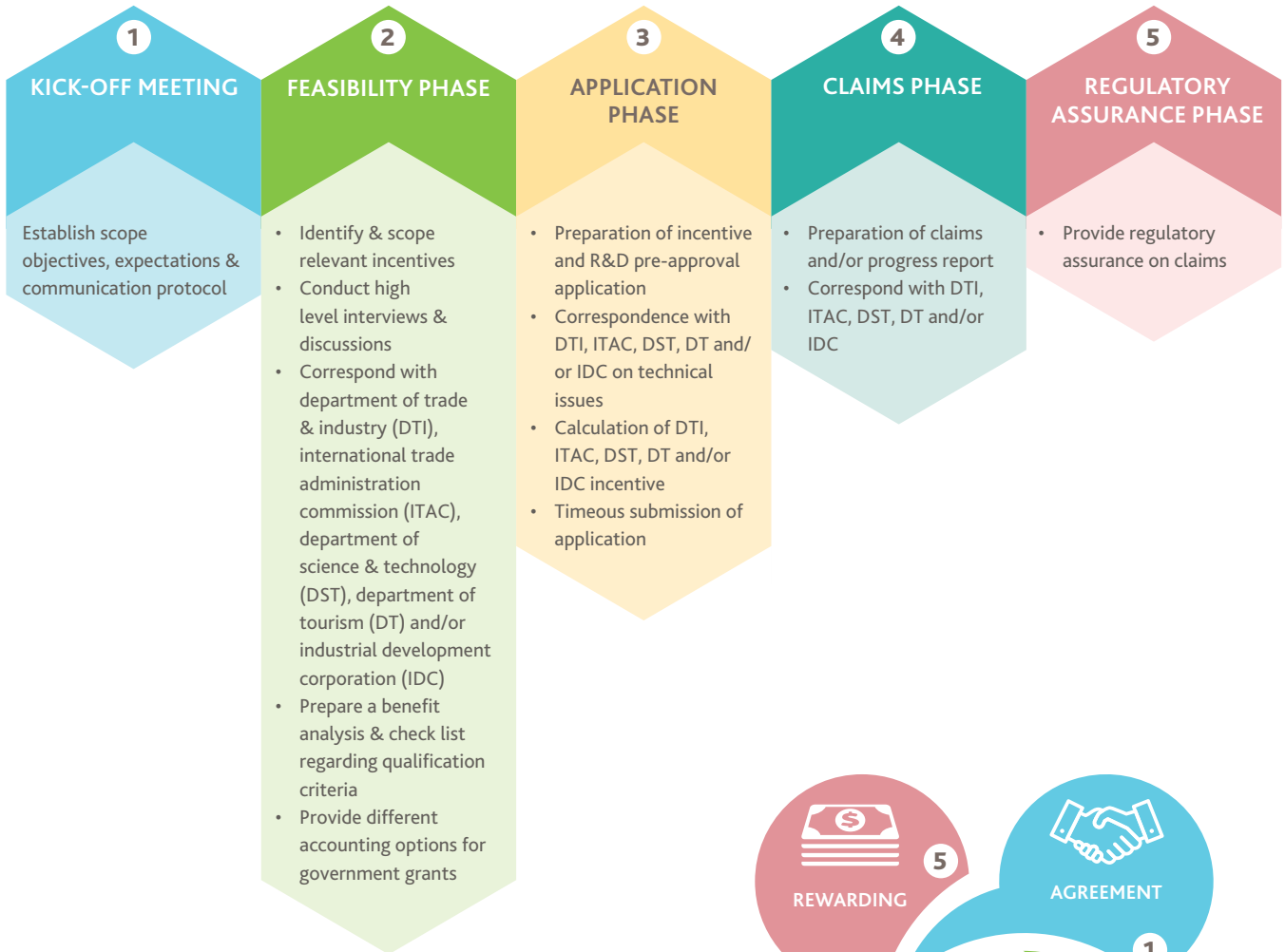
INFRASTRUCTURE SUPPORT	SUPPORT PROGRAMME FOR INDUSTRIAL INNOVATION (SPII)	SEDA TECHNOLOGY PROGRAMME (STP)	RESEARCH & DEVELOPMENT (S11D)
Objective	<ul style="list-style-type: none"> <li>Promote technology development of innovative products and/or process</li> <li>Begins at the conclusion of basic research and ends at the point when a pre-production prototype has been produced</li> </ul>	Provides technology transfer services to small and women-owned enterprises	To promote innovation, research and development in South Africa
Benefits	<p><b>Product process development scheme (PPD)</b></p> <ul style="list-style-type: none"> <li>Maximum grant R2 million</li> <li>B-BBEE ownership               <ul style="list-style-type: none"> <li>0 - 25%, or 50% of qualifying costs</li> <li>25,1 - 50%, or &gt;50% ownership by women/people with disabilities 75% of qualifying costs</li> <li>&gt; 50%, 85% of qualifying costs</li> </ul> </li> </ul> <p><b>Matching scheme (MS)</b></p> <ul style="list-style-type: none"> <li>Maximum grant R5 million</li> <li>B-BBEE ownership               <ul style="list-style-type: none"> <li>0 - 25%, 50% of qualifying costs</li> <li>25,1 - 50%, or &gt;50% ownership by women/people with disabilities 65% of qualifying costs</li> <li>&gt; 50%, 75% of qualifying costs</li> </ul> </li> </ul> <p><b>Partnership scheme (PS)</b></p> <ul style="list-style-type: none"> <li>Maximum grant R10 million</li> <li>B-BBEE ownership               <ul style="list-style-type: none"> <li>0 - 25%, 50% of qualifying costs</li> <li>25,1 - 50%, or &gt;50% ownership by women/people with disabilities 50% of qualifying costs</li> <li>&gt; 50%, 50% of qualifying costs</li> </ul> </li> </ul>	Maximum grant R600 000 per project	<p>150% of the cost as a tax deduction</p> <p>Accelerated wear and tear allowance</p> <ul style="list-style-type: none"> <li>Plant and machinery           <ul style="list-style-type: none"> <li>50% in year 1</li> <li>30% in year 2</li> <li>20% in year 3</li> </ul> </li> <li>Buildings           <ul style="list-style-type: none"> <li>5% per annum</li> </ul> </li> </ul> <p>There are stringent requirements which require careful planning to be successful</p>
Who can benefit?	<ul style="list-style-type: none"> <li>Small, very small, micro enterprises, individuals – PPD</li> <li>All enterprises and individuals – MS</li> <li>All enterprises and individuals conditionally repayable grant – PS</li> </ul>	Small enterprises and enterprises of >50% women ownership	<p>Businesses that</p> <ul style="list-style-type: none"> <li>Carry out R&amp;D that lead to discoveries that constitute fundamentally and substantially novel, innovative and unique results that add substantial value to the industry or market sector</li> <li>Incurred costs in the production of income</li> <li>Actually incur the expenditure</li> </ul>
Timing	Only costs incurred after the commencement date will qualify	Application must be submitted before costs are incurred	Effective 1 October 2012, pre-approval is required for all projects



## ARE YOU INVESTING IN TOURISM AND STIMULATING GROWTH OF SMALL AND MEDIUM SIZE ENTERPRISES (SMEs)?

SME TOURISM INDUSTRY	TOURISM GRADING SUPPORT PROGRAMME	TOURISM INTERNATIONAL MARKET ACCESS SUPPORT PROGRAMME
Objective	Encourage wider participation in the tourism grading system and ensure uniform and consistent quality standards in facilities and services	To broaden and facilitate strategic and coordinated access to specific new and strategic tourism export markets
Benefits	<p>Rebates are offered in the awarded star grading by Tourism Grading Council of South Africa (TGCSA)</p> <ul style="list-style-type: none"> <li>• 30% new member rebate (first year)</li> <li>• 35% first renewal rebate (second year)</li> <li>• 40% second renewal rebate (third year)</li> <li>• 45% third renewal rebate (fourth year)</li> <li>• 50% loyalty rebate upon renewal of membership</li> <li>• Additional 10% transformation rebate</li> </ul>	<p>One representative per qualifying enterprise for reimbursement of the following capped amount of expenses</p> <ul style="list-style-type: none"> <li>• Cost of economy class return airfare</li> <li>• Cost of accommodation linked to duration of exhibition or roadshow</li> <li>• Limited to three occasions in 5 year period on a diminishing basis (100, 75, 50%) reimbursement</li> </ul>
Who can benefit?	Privately owned tourism establishment offering accommodation and meetings, exhibitors and special events (MESE) who have applied for assessment or re-assessment by TGCSA	<p>Small and medium size tourism enterprise</p> <ul style="list-style-type: none"> <li>• Majority SA owned entity</li> <li>• Turnover not exceeding R35 million</li> </ul>
Timing	After payment for their grading assessment fee	Applications to be issued before an exhibition or roadshow

# HOW WE WORK WITH YOU



*“Our diverse technical and professional experience, coupled with the entrepreneurial nature of our global network of member firms, differentiates us and delivers distinct advantages for our clients.”*

# WHY BDO?

AS THE SOUTH AFRICAN MEMBER FIRM OF BDO INTERNATIONAL, WITH OFFICES IN OVER 158 COUNTRIES, WE HAVE BEEN DELIVERING EXCEPTIONAL SERVICE TO OUR CLIENTS SINCE 1963.

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OUR APPROACH INVOLVES LISTENING TO OUR CLIENTS, UNDERSTANDING THEIR EXPECTATIONS AND DELIVERING THE CALIBRE OF SERVICE ASSOCIATED WITH A LEADING GLOBAL FINANCIAL SERVICES FIRM.

BDO IN SOUTH AFRICA OPERATES FROM FOUR OFFICES AND 700 PROFESSIONALS ARE AT YOUR SERVICE IN CAPE TOWN, DURBAN, JOHANNESBURG AND PRETORIA.

## WHAT DO WE DO?

- We manage the confidential nature of the engagement
- We identify all possible tax and government grants
- We identify and review the best possible grants
- We build the most economic financial models
- We manage the relationships between the client and the relevant government department
- We follow a four phase approach; feasibility, application, claims and regulatory reporting

## HOW DO WE DO IT?

- Our dedicated team understands the required process
- We provide recommendations on areas for improvement
- We have extensive experience in tax and government incentives
- Relationships with International Trade Administration Commission and Department of Trade and Industry spans over twenty years
- We commit to dealing with technical and other issues proactively
- We actively seek acceptable solutions
- We provide a "cradle to grave" solution

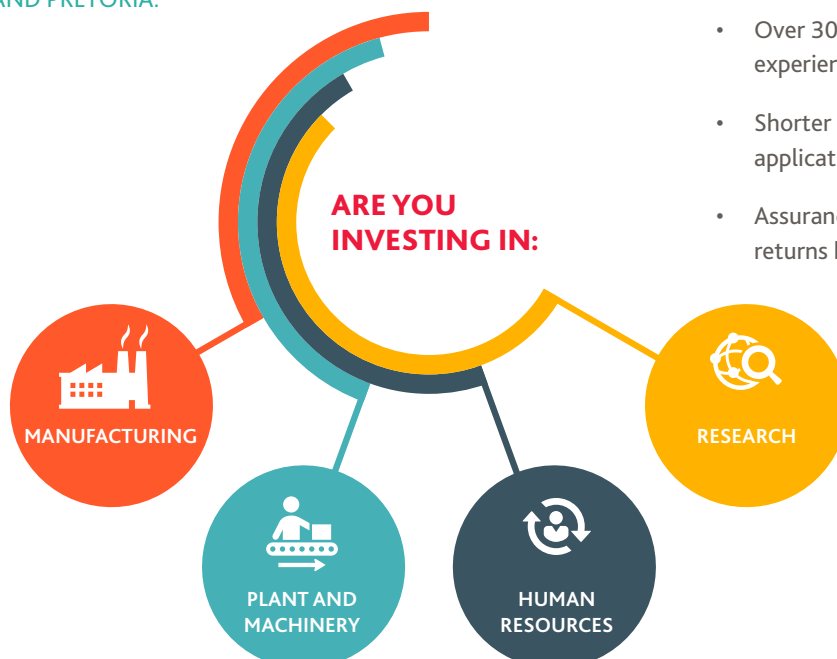
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*"We aim to be the one true powerhouse of the mid-tier – a major player on the global stage of our profession."*

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## WORKING WITH BDO YOU WILL HAVE ACCESS TO:

- Highly specialised professionals
- Over 30 years of combined experience
- Shorter turnaround time to application phase
- Assurance that the highest financial returns have been met





**WE TAKE IT PERSONALLY. FOR FURTHER INFORMATION, PLEASE CONTACT US:**

Mark Smith  
Head of Economic Incentives  
E [masmith@bdo.co.za](mailto:masmith@bdo.co.za)  
T 011 488 1700



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