Incentivise your investment strategy

A guide to South African Government and Tax incentives

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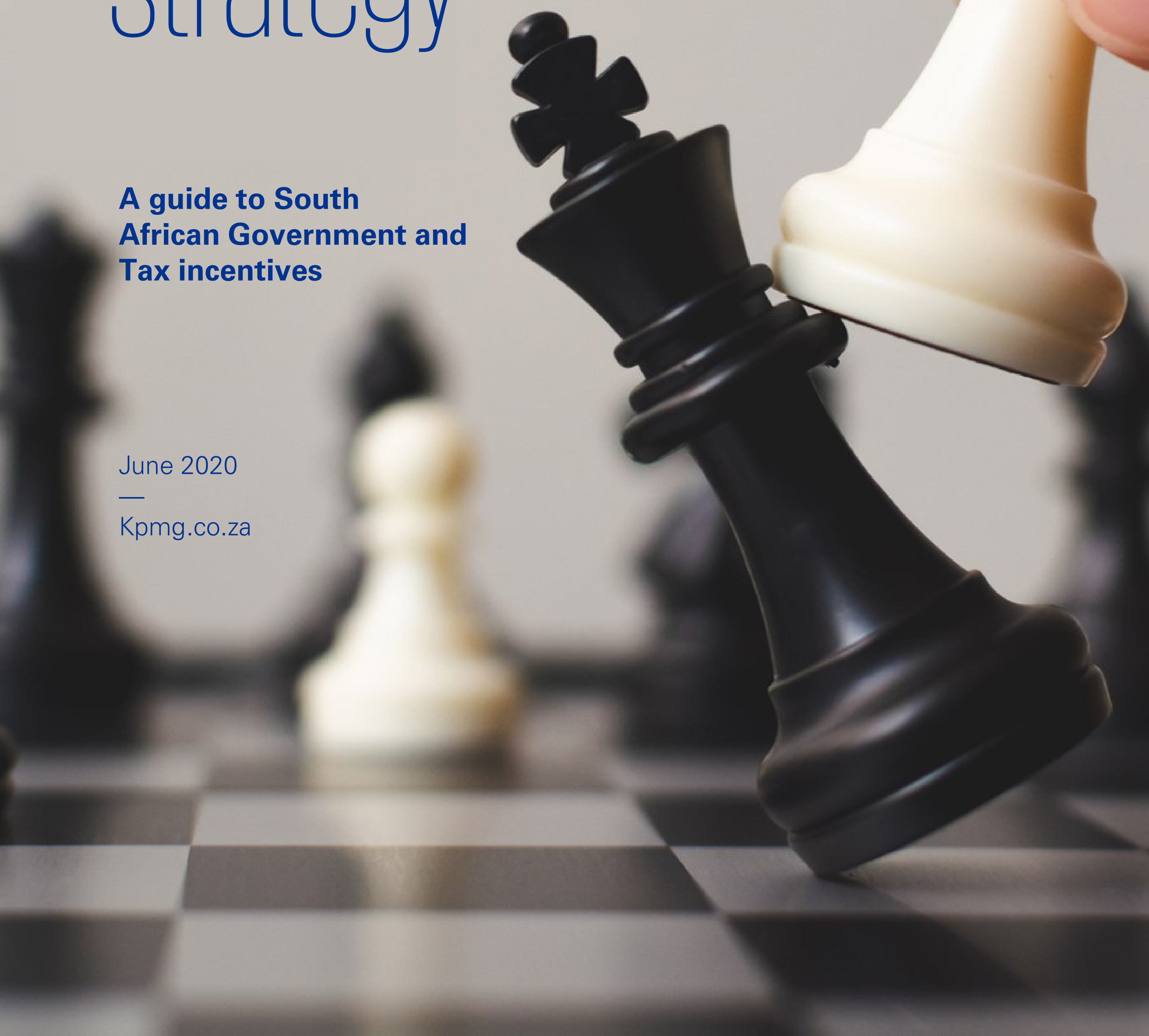

> One of the most effective dti contributions in support of broadening economic participation, inclusive growth and job creation has been its continuous provision of incentive packages. From 2011/12 to January 2018, the department stimulated and facilitated enterprise and industrial development by supporting 14,226 enterprises through various incentives totaling some R61 billion. These were mainly targeted at investments in plant, machinery and equipment, export marketing activities and the acquisition of business development services.
>
> In a highly competitive global economy, incentive support to local and foreign investment is paramount for achieving business and economic growth. Incentive approvals have resulted in projected investment of R326 billion and the creation of an estimated 670,994 new jobs.

- Industrial Policy Action Plan 2018/19- 2020/21

Contents

South African Government Incentives - Paying it Forward

A range of incentive schemes is offered in South Africa by government departments (most of which is housed within the Department of Trade, Industry and Competition (**dtic**) either through cash grant funding or tax relief, all targeted at stimulating the growth of the economy, creating and sustaining jobs, improving competitiveness and encouraging investment.

Government continues to focus their spend on education and creating employment (especially with regards to the youth). Tax allowances for this are already in place for qualifying entities under the Employment Tax Incentive (**ETI**) and the section 12H Learnership Agreement Tax Incentive allowance. Many other incentives also focus on employment creation, such as the Black Industrialist Scheme (**BIS**), Global Business Services (**GBS**). *(Refer to pages 9, 19, 21 and 34 for details on these allowances.)*

While some incentive programmes are drawing to an end in 2020/1 (or are under review to determine the effectiveness thereof), the most significant incentive programme that has definitely been extended past 2020 lies within the Automotive sector. After coming into effect on 1 January 2013 and replacing the Motor Industry Development Programme (**MIDP**), the Automotive Production Development Programme (**APDP**) ends in 2020. The new automotive master plan guidelines (South African Automotive Masterplan (**SAAM**)) are expected to be revealed later in 2020, with the objective of running from 2021 to 2035, and hopefully providing long-term stability and certainty for the Automotive industry. *(Refer to pages 27 – 29 for details on the current automotive industry incentives.)*

In order to maintain fiscal sustainability, the 2020 Budget Review saw a reduction to the main budget expenditure baseline by R156.1 billion over the next three years, in comparison with 2019 Budget projections. It is, therefore, not surprising that National Treasury has commissioned a review into the incentives landscape in South Africa, which is intended to assess performance, determine value for money, and analyse how the system as a whole supports the economy and job creation. Incentives that are redundant, inefficient or inequitable will be either repealed or redesigned.

The reality in South Africa currently is that we are operating in a zero-sum game. Whichever sector of the economy government needs to validly incentivise has to be funded from an ever decreasing pool of taxpayer revenue. An obvious remedy is to reverse the growing unemployment trend. Stimulating growth is the clear solution, and a rebalancing of the incentive programmes in order to attain this growth is expected to be government's top priority.

There are signs that the rest of Africa is steadily catching up with South Africa's economy. In part, this has been driven by their increasing use of incentive programmes. A comprehensive and compelling South African incentive regime is essential in order to remain competitive, and to be an attractive destination for foreign direct investment. Finding the optimal incentive balance is key for South Africa's continued growth in an ever-increasing competitive environment.

> **"The best time to plant a tree is 20 years ago; the next best time is now."**
>
> *~ African proverb*

So why use KPMG?

While the South African government is great at offering incentives – the difficulty sometimes lies in determining what you require in order to obtain approval for those incentives. In addition, the majority of incentives require that an application is submitted before any costs for a project are incurred, or even before any purchase orders are placed. There may be incentives available which you haven't even thought of, or there may be an alternative to the incentive you are considering which is more beneficial to you.

KPMG's dedicated incentives team specialises in government grants and tax incentives, spanning a multitude of industries. Our experience and training give us the unique capability to fully understand your projects, guide and support you through the process (both in application and subsequent progress report submissions), and maximise your incentive benefits. We will also save you time by telling you upfront whether your activities may qualify for an incentive before submitting an application.

In addition to our team's strong knowledge of South Africa's incentives regime, as a member of KPMG's global incentives practice, we are well placed to explore benefits wherever you do business.

We are happy to answer any queries you may have, and look forward to building a lasting relationship with you - giving your business the best possible advantage in an ever-increasing competitive environment.

> **"A man cannot sit down alone to plan for prosperity."**
> *~African Proverb*

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(1) www.statssa.gov.za

(2) 2020 Budget Speech: Chapter 3 – Fiscal Policy

(3) 2020 Budget Speech: Chapter 2 – Economic Outlook

Incentive Comparison Tables

Cash and Tax Incentive Comparison Table

Incentive	Tax or Cash?	Pre-Approval	Job Creation Requirement	B-BBEE Compliant**	Minimum Investment	Turnover Requirement
BIS	Cash	Before costs are incurred	Yes	Yes	>R30m	-
CDP	New applications for this incentive were temporarily suspended with effect from April 2018, to allow for an assessment of the impact of the Pilot Programme to be undertaken and further recommendations to be made.					
CIP	Cash	60 days prior to commencement of infrastructure construction	No	Level 4	No	-
CPFP	Cash	2 months prior to feasibility study	No	Yes	No	-
EMIA	Cash	2 months prior to event	No	Yes	No	-
MCEP	This incentive has been temporarily suspended due to unavailability of funds.					
SPII	Cash	Before costs are incurred	No	No	Project costs <R4m (PPD); Project costs R4m – R20m (MS)	-
SPP	Cash	Before costs are incurred	No	Yes	No	Strategic partner: >R100m
STP	Cash	Before costs are incurred	Yes	No	No	-
THRIP	Cash	Yes	No	Yes	No	-
ETI	Tax	*	No	No	No	-
R&D	Tax	*	No	No	No	-
S12H	Tax	*	No	No	No	-
S12I	The section 12I manufacturing incentive tax allowance was repealed with effect from 1 April 2020.					
S12L	Tax	*	No	No	No	-
SEZ	Tax	*	No	No	No	-

Industry Specific Incentive Comparison Table

Incentive	Tax or Cash?	Pre-Approval	Job Creation Requirement	B-BBEE Compliant**	Minimum Investment	Turnover Requirement
APSS	Cash	90 days prior to commencement of commercial operations	Yes	Level 4	R1m	-
ADEP	Cash	60 days prior to commencement of commercial operations	No[1]	Level 4	No	-
APDP	Tax	PRCC: claim within 12 months of sales invoice; VAA: submit within 45 days after quarter close	No	No	No	-
AIS	Cash	120 days (but not > 180 days) prior to commencement of production; (90 days (not > 120 days) for component and deemed component manufacturers)	No[1]	Yes	R1m for component manufacturers; R30m for light motor vehicle manufacturers	Yes – for component manufacturers only
P-AIS	Cash		No[1]	Yes	R1m for component manufacturers; R30m for people carrier manufacturers	Yes – for component manufacturers only
MHCV-AIS	Cash		No[1]	Yes	R1m for component manufacturers; R30m for medium and heavy commercial vehicle manufacturers	Yes – for component manufacturers only
Foreign Films	Cash	Prior to commencement of principle photography.	No	Yes	Productions with QSAPE > R15m; Post-production with QSAPPE >R1.5m	-
SA Films	Cash		No	Yes	Production budget >R1.5m R500 000 for documentaries); Co-production budget >R2.5m (R500 000 for documentaries)	-
Emerging Black Filmmakers	Cash		No	Yes	Production budget >R500 000	-
GBS	Cash	Prior to engagement of qualifying employees	Yes	Yes	No	-
Textiles - PIP	This incentive is no longer available. A comprehensive review of the programme is being undertaken and, subject to funding availability, a revised format may be announced in due course.					
TGSP	Cash	After payment of grading assessment fee	No	Yes – for additional rebate	No	-
TIMASP	Cash	Prior to exhibition/ roadshow	No	Yes	No	< R45m

[1] Job creation is not a requirement to qualify for the incentive scheme. However, job creation is considered as part of the economic benefit criteria under the scheme for additional grant percentages.

*Tax allowances cannot be claimed retrospectively.

** In terms of the Codes of Good Practice for B-BBEE.

Cash Incentives

Black Industrialists Scheme (BIS)

This cost-sharing cash grant incentive is designed to promote industrialisation, sustainable economic growth and transformation through the support of black-owned entities in the manufacturing sector.

Benefits

A cost-sharing grant ranging from 30% to 50% to approved entities up to a maximum of R50 million, which can be fully utilised on capital investments or split between capital investment and other support measures.

Support is offered towards:

- Capital investment costs.
- Feasibility studies towards a bankable business plan (to the maximum of 3% of projected investment project cost or R3 million).
- Post-investment support (to the maximum of R500 000).
- Business development services (to the maximum of R2 million).

The quantum of the grant will depend on the level of black ownership and management control, the points achieved on the economic benefit criteria and the project value:

Points on the Economic Benefit Criteria	Percentage Black Ownership		
	50% - 75%	>75% - 90%	>90% - 100%
4 to 6 points	30%	35%	40%
7 points	40%	45%	50%

Who can benefit

Businesses that:

- Have more than 50% black shareholding and management control.
- Are involved in starting a new operation or in expanding or upgrading an existing operation or the acquisition of an existing business/operation.
- Have a project with **a minimum investment of R30 million.**
- Undertake a project that should result in securing or increasing direct employment.
- Are B-BBEE compliant.
- Achieve at least 4 criteria points (refer to the table below).
- Does business in the manufacturing sector with particular reference to IPAP focus areas.

The applicant must be directly involved in the day-to-day running of the operation and must have requisite expertise in the sector.

Timing

An application form must be submitted and approval obtained before any costs are incurred.

Applicants must contact the dtic and receive an enquiry number prior to submitting applications.

Criteria	Description	Points
Employment	Securing/ retaining or increasing direct employment	1
Market Share	New business/ operations: Securing market share for the entity; **or** Existing business/ operations: Increase market share for the entity	1
Quality Improvement	Reduction of relative prices and/or increasing the quality of products to consumers	1
Green Technology & Resource Efficiency Improvements	Savings or better use of energy or materials and/or cleaner production improvement and/or waste usage improvement and/or use of renewable energy	1
Localisation	Increasing the localisation of production activities (diversification and exports)	1
Regional Spread	Projects should be located in rural areas or areas with unemployment higher than 25%	1
Personal Risk	Demonstrate own financial and/or non-financial contribution to the business	1
Empowerment	Achieve at least a level 4 B-BBEE contributor status as per the revised B-BBEE Codes of Good Practice published in October 2013 (as amended)	1

Cluster Development Programme (CDP)

The cash grant incentive is designed to enhance competitiveness of enterprises within a cluster or Industrial Parks through defined collaborative projects that address production, productivity and marketing, with the aim of promoting industrialisation, sustainable economic growth and job creation through cluster development.

Note: New applications for this incentive were temporarily suspended with effect from April 2018, to allow for an assessment of the impact of the Pilot Programme to be undertaken and further recommendations to be made.

Benefits	**Shared Infrastructure** – Non-taxable matching cash grant towards investment in assets such as buildings, machinery, equipment, tools, jigs, dies and commercial vehicles. – Up to 80% of the qualifying investment. – Maximum grant of R10 million per cluster. **Business Development Services** – Non-taxable matching cash grant towards business development service initiatives such as conformity assessments, financial management, information technology services, logistics management, professional services, human resource management, benchmarking exercises, market research and feasibility studies. – Up to 80% of the qualifying investment. – Maximum grant of R5 million per cluster. **Cluster Management Organisation (CMO) Funding** – Non-taxable matching cash grant towards costs such as project management fees, administration fees, operational costs, travel and accommodation, event management costs and salaries and wages. – Up to 80% of the costs payable upon the establishment of the CMO. – Maximum grant of R5 million per cluster.
Who can benefit	– The applying cluster must be a registered Non-Profit Company (NPC) in South Africa. – The cluster should have five or more members who are registered tax paying entities or non-profit organisations. – At least 20% of the membership of the cluster should be made up of 51% black owned entities. – The registered cluster must be at least level 4 B-BBEE. For industrial parks, preference will be given to parks located in former homeland areas and/or townships areas where there are high levels of unemployment. Clusters in the automotive, clothing, leather and footwear sectors that are already receiving benefits from the dtic industrial policy sector desk do not qualify for support under the CDP.
Timing	The first phase of the programme was rolled out as a pilot where assistance was targeted at a limited number of clusters selected to make a case for the potential success of cluster development in South Africa. Applications had to be submitted at least 60 calendar days prior to commencement of commercial use of the assets or undertaking activities being applied for.

Critical Infrastructure Programme (CIP)

This cash grant incentive aims to leverage investment by supporting infrastructure that is deemed to be critical, thereby lowering the cost of doing business and stimulating investment growth.

Benefits

Maximum cash grant of R50 million for the following four types of projects:

1. 10% to 30% cash grant of the total qualifying infrastructural development costs, based on achieved score in the Economic Benefit Criteria (refer below).
2. Projects that alleviate water and/or electricity dependency on the national grid: 10% to 50% cash grant.
3. Agro-processing applicants and state-owned Aerospace and Defence National Strategic Testing Facilities: 10% to 50% of the total infrastructural development costs.
4. Distressed municipalities and state-owned industrial parks: maximum grant of up to 100% for infrastructural development.

Qualifying Economic Benefit Criteria	Max Points
Level 1 to 4 B-BBEE	25
Priority sectors as identified in IPAP	20
Investment value	30
Location	25
Total (maximum)	100

Total Points Scored	CIP Funding	Agro-Processing & Other Projects Funding
0 - 49	0%	0%
50 – 59	10%	15%
60 – 69	15%	20%
70 – 79	20%	30%
80 – 89	25%	40%
90 – 100	30%	50%

Who can benefit

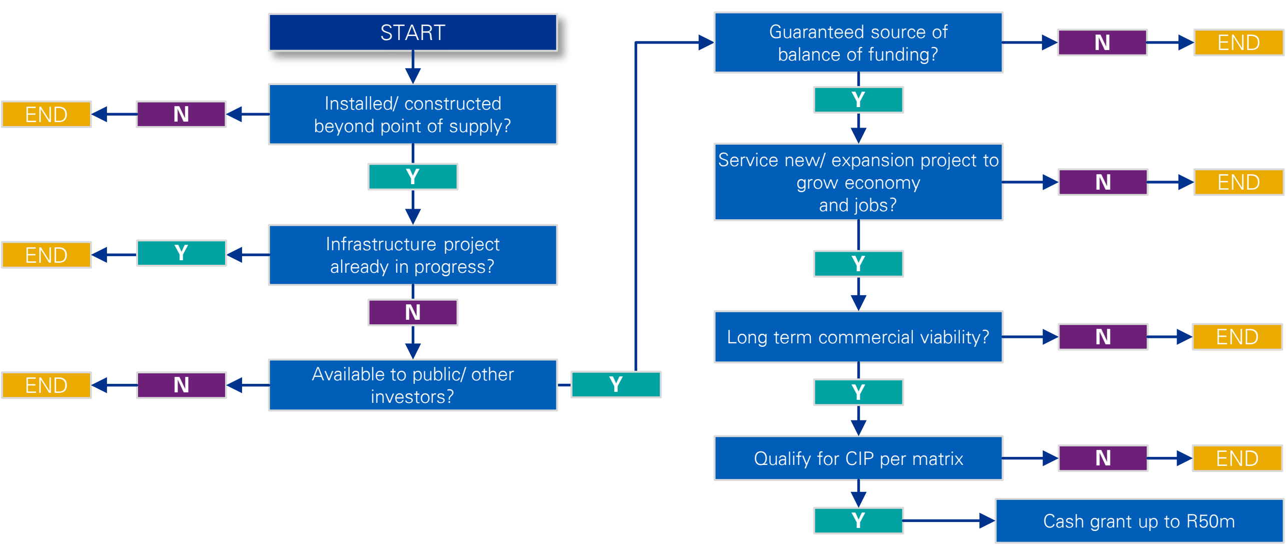
Registered legal entities in South Africa where:

- The project must be at least a level 4 B-BBEE compliant.
- The investment will contribute to growth in economy.
- The investment will sustain, retain and/or create employment opportunities.
- The infrastructure is deemed to be critical (whereby such investment would not take place without the said infrastructure or would not operate optimally).

Timing

Applications must be submitted at least 60 calendar days prior to the commencement of infrastructure construction.

Can you claim?



Capital Projects Feasibility Programme (CPFP)

This cost-sharing grant incentive contributes to the cost of feasibility studies that are likely to lead to high-impact projects which will increase local exports and stimulate the market for South African capital goods and services.

Benefits	Feasibility studies costs for **capital** projects: – 50% of the total feasibility study costs for projects outside Africa. – 55% of the total feasibility study costs for projects in Africa (excluding South Africa). Feasibility studies costs for **manufacturing** projects in South Africa: – 50% of the total feasibility study costs for projects with total assets above R30 million. – 70% of the total feasibility study costs for projects with total assets below R30 million. The grant is capped at R8 million and is payable according to completed milestones.
Who can benefit	– South African legal entities planning to establish new projects, expansion of existing projects or the rehabilitation of existing projects in the manufacturing or capital goods sectors (situated anywhere in the world, excluding South Africa, for capital projects feasibility studies; or situated in South Africa, excluding the rest of the world, for manufacturing projects feasibility studies). – For feasibility studies undertaken by foreign applicants, the foreign applicants will only be considered if they partner with South African firms and the applications are submitted by the South African registered firm. – A minimum local content, depending on the nature of the project, must be 50% for total goods and 70% for total professional services, of which 10% should be sub-contracted to South African black-owned professionals or firms – Manufacturing feasibility study applicants: o Entities that are engaged in manufacturing Standard Industrial Classification (SIC 3) o Manufacturing entities undertaking an investment project for either upgrading or expanding its operations to produce generically the same products, or investing in competitiveness enhancing activities of existing operations. o Minimum expected project investment will be at least R15 million. – Applicants must be B-BBEE compliant.
Timing	A completed application is to be submitted two months prior to the commencement date of the feasibility study.

Export Marketing And Investment Assistance (EMIA)

This re-imbursive incentive aims to develop export markets for South African products and services and to recruit new foreign direct investment into the country.

<table>
<tr><td>Benefits</td><td>Entities are partially compensated for the following costs incurred:
Individual exhibition participation
– Transport of samples
– Rental of exhibition space
– Construction of stands
– Interpretation fees
– Internet connection
– Telephone installation
– Daily subsistence allowance
– Return economy-class airfare
– Exhibition fees up to a maximum of R50 000
Primary market research and Foreign direct investment
Exporters are compensated for costs incurred in recruiting new foreign direct investment (FDI) into South Africa by visiting potential investors in foreign countries.
– Daily subsistence allowance
– Return economy-class airfare
– Transport of samples
– Marketing materials
Individual inward missions
South African entities are compensated for arranging an inward buyer investor to conclude export orders or attract FDI.
– Registration of patent in foreign market: 50% of additional costs capped at R100 000 per annum
– Daily subsistence allowance
– Return economy-class airfare</td></tr>
<tr><td>Who can benefit</td><td>– South African manufacturers and exporters
– Export trading houses representing at least 3 SMMEs or businesses owned by historically disadvantaged individuals (HDIs)
– South African commission agents representing at least three SMMEs / HDI-owned businesses
– South African export councils and industry associations representing at least 5 South African entities
Entities must have traded for more than one financial year, irrespective of the annual turnover.
Products should contain at least 35% local content or value addition (including raw material and packaging).
Participation in countries which are members of the South African Customs Union (Botswana, Lesotho, Swaziland, and Namibia) is excluded from EMIA assistance.
Only one representative per business will qualify for the travel and subsistence allowances.</td></tr>
<tr><td>Timing</td><td>A completed application is to be submitted two months prior to the commencement date of the event. However, the application cannot be considered earlier than six months prior to the commencement date of the event.
EMIA incentives are not available for events taking place in the period 10 December up to and including 10 January of each year.</td></tr>
</table>

Manufacturing Competitiveness Enhancement Programme (MCEP)

This cash grant incentive was designed to promote enterprise competitiveness and job retention, and to identify new areas for job creation.

Note: This incentive has been temporarily suspended due to unavailability of funds.

Benefits

Total maximum benefits

Total assets historical cost < R5 million:

- May qualify for a direct cost sharing grant per applicable component.

Total assets historical cost > R5 million < R30 million or 100% black shareholding:

- 25% of Manufacturing Value Added (MVA = sales less sales value of imported goods, bought-in finished goods and material input costs/salaries).

Total assets historical cost > R30 million < R200 million:

- 20% of Manufacturing Value Added.

Total assets historical cost > R200 million:

- 10% of Manufacturing Value Added.

Investment Type	Total Assets Historical Cost			Maximum Grant
Capital Investment	< R5 million: 50% of QIC[1]	>R5 million < R30 million: 40% of QIC[1]	>R30 million: 30% of QIC[1]	R30 million*
Green technology and resource	< R5 million: 50% of QIC[1]	>R5 million < R30 million: 40% of QIC[1]	>R30 million: 30% of QIC[1]	R20 million*
Enterprise level competitiveness	< R5 million: 70% of QE[2]	>R5 million < R200 million: 60% of QE[2]	>R200 million: 50% of QE[2]	R10 million
Feasibility studies	< R30 million: 70% of QE[2]		>R30 million: 50% of QE[2]	R8 million
Cluster competitiveness	80% of QE (historical asset cost not applicable)			R50 million

[1] *Qualifying investment cost*

[2] *Qualifying expenditure*

* An additional 10% grant (on cost sharing) is available where historical asset cost > R5 million, limited to R5 million.

The benefits listed per investment type are limited to the total maximum benefits (above).

Who can benefit

- Existing manufacturers.
- Existing engineering services enterprises or conformity assessment agencies.
- Distressed manufacturers.

Timing

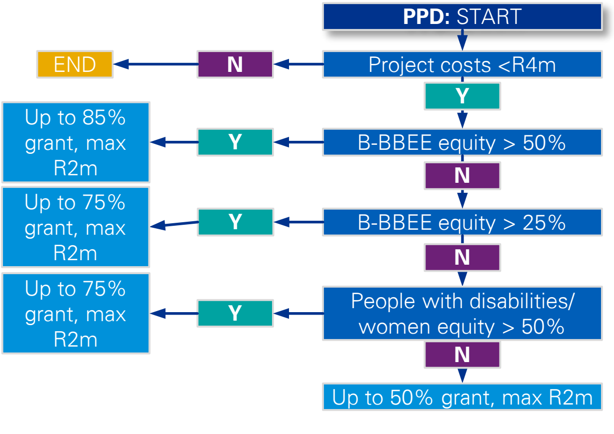
Apply at least 60 days prior to commencement of the commercial use of the assets.

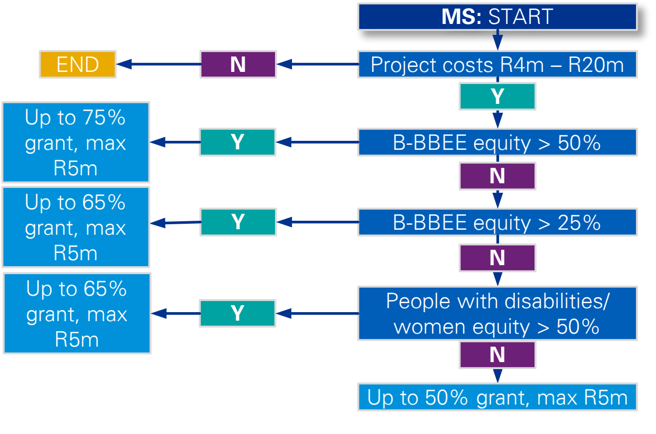
Support Programme For Industrial Innovation (SPII)

This cost-sharing cash grant incentive is designed to promote technology development of innovative products and/or processes; which begins at the conclusion of basic research and ends at the point when a pre-production prototype has been produced.

Benefits	**Product Process Development Scheme (PPD)** – Maximum R2 million grant. – B-BBEE ownership: • 0-25%: 50% of qualifying costs incurred; • 25,1% - 50% or >50% ownership by women/ people with disabilities: 75% of qualifying costs incurred; and • > 50%: 85% of qualifying costs incurred. **Matching Scheme (MS)** – Maximum R5 million grant. – B-BBEE ownership: • 0-25%: 50% of qualifying costs incurred; • 25,1% - 50% or >50% ownership by women/ people with disabilities: 65% of qualifying costs incurred; and • > 50%: 75% of qualifying costs incurred.
Who can benefit	**PPD:** – Small, very small, micro enterprises, individuals. – Projects must be less than 70% complete at the time of application. – Grant contribution must be significant in respect to the total project costs (at least 20% of the grant must cover total project costs). **MS:** – All enterprises and individuals. – Projects must be less than 50% complete at the time of application (exceptions may be made for applicants with assets less than R5m). – Grant contribution must be significant in respect to the total project costs (at least 20% of the grant must cover total project costs).
Timing	Only costs incurred after the commencement date (the date on which a complete application is received and verified) will qualify.

Can you claim?





Strategic Partnership Programme (SPP)

This cost-sharing cash grant aims to encourage large private sector enterprises in partnership with government to support, nurture and develop small, micro enterprises (SMEs) within the partner's supply chain or sector. The programme, initially only administered up to 31 March 2019, will continue until the revised programme guidelines are finalised and launched.

<table>
<tr><td>Benefits</td><td>
— Cost sharing support of 50:50 (50% contribution by the dtic) for qualifying costs towards manufacturing projects.
— Cost sharing support of 70:30 (30% contribution by the dti) for qualifying costs for projects that are not in the manufacturing sector but support the manufacturing supply chain related services and are deemed strategic by the dtic.
Maximum grant of R15 million (incl VAT) per financial year over a 3 year period based on the number of qualifying suppliers:
<table>
<tr><th>No. of Qualifying Suppliers p.a</th><th>Max Grant Amount</th></tr>
<tr><td>3 – 5</td><td>R5m</td></tr>
<tr><td>6 – 8</td><td>R7.5m</td></tr>
<tr><td>9 – 15</td><td>R10m</td></tr>
<tr><td>16 – 24</td><td>R12m</td></tr>
<tr><td>>25</td><td>R15m</td></tr>
</table>
</td></tr>
<tr><td>Who can benefit</td><td>
The strategic partner can either be:
– An entity with a minimum turnover of R100 million per annum for at least 2 consecutive years at application stage; or
– An industry association representing interests of member manufacturing companies.
The strategic partner must be:
– B-BBEE compliant.
– 60% of the total SME's supported by the strategic-partner should at least be 51% owned by Black South African citizen(s).
– Committed to the strategic partnership by having a corporate interest in supplier development and must provide a market access plan for the SMEs to be developed or off-take agreement(s).
The SMEs supported must be:
– Involved in manufacturing, agro-processing, mineral beneficiation and manufacturing related services sectors of the economy.
– At least 51% owned by black South African citizens exercising dominant ownership and management control.
</td></tr>
<tr><td>Timing</td><td>An application must be submitted before any costs are incurred, and the actual project should commence no later than 6 months after receiving approval from the dtic.</td></tr>
</table>

SEDA Technology Programme (STP)

This cash grant incentive provides technology transfer services to small enterprises and specific technology support and transfer services to women-owned enterprises.

Benefits	Amount applied for including VAT: — R1 - R150 000: 0% contribution by the applicant. — R150 001 - R600 000: 10% contribution by the applicant. The grant is capped at R600 000 per project. The amount of funding annually available is limited. Applications are thus screened and prioritised, with only the projects having the highest impact on job creation gaining potential for approval by the adjudication panel.
Who can benefit	Small enterprises and enterprises of >50% woman ownership that are in the manufacturing and processing sectors with high product demand, or service-related industries that have a manufacturing component.
Timing	The Fund is open to receive applications between April and June each year. Applications must be submitted before costs are incurred.

Technology and Human Resources for Industry Programme (THRIP)

This cost-sharing grant incentive aims to increase the number of people with appropriate skills in the development and management of research-based technology for improved industry competitiveness, by leveraging collaborative partnerships between government and industry (working with academia) with regards to research and development in science, engineering and technology (SET).

Benefits	Cost-sharing grant for approved projects engaged in applied research and development in science, engineering and technology with the intention of innovation: – Large company(ies) OR Registered Industry Association: 50%. – SMMEs: 75%. – SMMEs with level 2 B-BBEE status: 80%. – SMMEs with level 1 B-BBEE status or an applicant partnering with previously disadvantaged Black universities: 90%. Up to R8 million per annum for a period of 3 years. Additional special inclusions, in a grant applied for, may be funding for Technology Innovation Promotion through the Transfer of People (TIPTOP) and for the cost for legal advice on the development of Intellectual Property Rights (IPR) agreement.
Who can benefit	– A registered legal entity or registered Industry Association in partnership with at least one partner being a South African Research Institution. – The entity or association must be B-BBEE compliant. – The project must include at least 4 registered South African students at 4th -year level of study or higher, in the SET fields, who must be involved and trained through the research being conducted. – The research leader must have the appropriate post graduate qualification and experience to lead the project and to train students up to postgraduate level.
Timing	The 2019/20 call for the industry to submit applications closed on 30 September 2018. The dtic will publish a notification on their website when future calls for applications to be submitted are open.

Tax Incentives

Employment Tax Incentive (ETI)

This incentive is a cost-sharing mechanism which reduces the amount of PAYE to be paid by employers, and is aimed at encouraging employers to hire young work seekers. The incentive came into effect on 1 January 2014 and runs until 28 February 2029.

Benefits

- The incentive can be claimed for a 24 month period per qualifying employee.
- Between 25-50% of monthly employee salary - maximum R1 000 per employee, applicable to salaried employees (below R60 000 per annum).
- There is no limit to the number of qualifying employees that an employer can hire.

The monthly calculated ETI amount for PAYE purposes per qualifying employee is determined as follows:

For the **first 12 months** of employment:

Monthly Remuneration	Determination	Monthly Calculated ETI Amount
< R2000	50% x monthly remuneration	R0 - R1000
R2000 – R4500	Fixed at R1000	R1000
R4501 – R6500	Formula: X = A - (B x (C - D)) X = monthly employment tax incentive A = R1000 B = 0,5 C = Monthly Remuneration D = R4000	R 999 - R0

For the **second 12 months** of employment:

Monthly Remuneration	Determination	Monthly Calculated ETI Amount
< R2000	25% x monthly remuneration	R0 – R499
R2000 – R4500	Fixed at R500	R500
R4501 – R6500	Formula: X = A - (B x (C - D)) X = monthly employment tax incentive A = R500 B = 0,25 C = Monthly Remuneration D = R4000	R 499 - R0

If the employee has worked less than 160 hours in the month, the remuneration amount must be ‘grossed up’ to 160 hours per month to calculate the value of the ETI. The amount can then be calculated and be ‘grossed down’ in the same ratio.

Who can benefit

Qualifying employers:

- Is registered for Employees’ Tax (PAYE), or must be eligible to register for PAYE.
- Is not in the national, provincial or local sphere of government.
- Is not a public entity listed in Schedule 2 or 3 of the Public Finance Management Act (other than those public entities designated by the Minister of Finance by Notice in the Gazette).
- Is not a municipal entity.
- Is not disqualified by the Minister of Finance due to the displacement of an employee.

Qualifying employees:

- Aged between 18-29 years old (not applicable if the employee renders a service within a SEZ).
- Has a valid identity document or asylum seeker permit.
- Is not a domestic worker.
- Is not a “connected person” to the employer.
- Is paid the minimum wage applicable to the employer or if a minimum wage doesn’t apply, is paid a monthly wage of at least R2 000 (where the qualifying employee was employed for 160 hours in a month*) and not more than R6 000.
- Employed on or after 1 October 2013.

Timing

The ETI may be claimed for all qualifying employees employed from 1 October 2013.

KPMG

Research & Development Incentive (S11D)

This tax incentive is designed to encourage private-sector investment in scientific and technological research and development (R&D) activities in South Africa, The deduction is for approved projects with expenditure in respect of R&D incurred before 1 October 2022.

Benefits	– No upper claim limit or minimum spend required. – Applicable to all industries. – Companies in a tax loss position will be able to increase their available tax shelter. – 150% of eligible operating costs allowed as a tax deduction. – Accelerated wear and tear allowance on capital expenditure used in an R&D process: **Plant and machinery:** - 50% in year 1, 30% in year 2, 20% in year 3 **Buildings:** - 5% per annum
Who can benefit	**Businesses that:** – Carry out R&D which leads to discoveries that constitute fundamentally and substantially novel, innovative and unique results that adds substantial value to the industry or market sector. – Incurred R&D costs in the production of income and in the carrying on of any trade. – Actually incur the expenditure directly and solely for R&D activities undertaken in South Africa.
Timing	The deduction can only be claimed for expenditure that is incurred on or after the date of receipt of the application by the Department of Science and Innovation for approved projects.

Are you undertaking qualifying R&D activities?

Systematic investigative *or* systematic experimental activities of which the result is **uncertain** for the purpose of:

1. **Discovering non–obvious** scientific or technological knowledge; **or**

2. Creating or developing:
   - An **invention; or**
   - A **functional design** that is **innovative** *in respect of the functional characteristics or intended uses;* **or**
   - A **computer program** that is of an **innovative nature; or**
   - **Knowledge essential to the use** of an invention, functional design, computer program; **or**

3. Making a **significant and innovative** improvement to any invention, design, computer program or knowledge as contemplated in 1 or 2, for the purpose of:
   - New or improved function; **or**
   - Improved quality; **or** improved reliability; **or** improved performance.

4. Creating or developing a multisource pharmaceutical product, as defined in the World Health Organisation Technical Report Series

5. Conducting a clinical trial as defined in Appendix F of the Guidelines for good practice in South Africa issued by the Department of Health (2006)

Section 12H Learnership Agreement Tax Allowance (S12H)

This additional tax allowance encourages skills development of the work force. The allowance is for all learnership agreements entered into before 1 April 2022.

Benefits

Two types of deductions are available:

- An annual allowance.
- A completion allowance.

The value of the additional deductions depends on whether the learnership agreement(s) were entered into before or after 1 October 2016, and the NQF level of the learner applicable post 1 October 2016.

Learnerships entered into before 1 October 2016

Annual Allowance (R)*		Completion Allowance (R)**	
Learner with no disability	Learner with a disability	Learner with no disability	Learner with a disability
R30 000	R50 000	R30 000	R50 000

Learnerships entered into on or after 1 October 2016

	Annual Allowance (R)*		Completion Allowance (R)**	
NQF level of the learner	Learner with no disability	Learner with a disability	Learner with no disability	Learner with a disability
1-6	R40 000	R60 000	R40 000	R60 000
7-10	R20 000	R50 000	R20 000	R50 000

*Apportioned according to the period that the learner is a party to the agreement.

**The completion allowance for learnership agreements with a duration of:

- Less than 24 months = applicable allowance in the year of completion.
- More than 24 months = applicable allowance x the number of 12 month periods during which the learnership agreement was in place.

Who can benefit

Employers that are a party to a qualifying learnership agreement with an employee, whereby:

- The agreement had been entered into pursuant to a trade carried on by that employer.
- The employer has derived "income" as defined in section 1 of the Income Tax Act from that trade.

Timing

The allowance only applies to a period during which a learner is a party to a registered learnership agreement with an employer.

Contact our incentives team to find out more.

Energy Efficiency Allowance (S12L)

This tax allowance encourages entities to improve their energy efficiency and show measurable energy savings, thereby contributing to sustainability.

Benefits	Taxpayers are entitled to a tax deduction of 95 cents per kilowatt hour or kilowatt hour equivalent of energy efficiency savings*. **The deduction only applies to non-renewable energy sources, and may not be claimed if the taxpayer receives any concurrent benefit in respect of energy savings.*
Who can benefit	The South African entity must register with the South African National Energy Development Institute (SANEDI). Only certified measurement and verification professionals will submit a report to SANEDI. SANEDI will issue a certificate to the entity which will stipulate the total energy efficiency savings for the year of assessment. Certificates should disclose the following: – Baseline at beginning of the year. – Reporting period energy use at end of the year of assessment. – Annual energy efficiency savings expressed in kilowatt hours or kilowatt hour equivalent for year of assessment. – Methodology used to calculate the energy efficiency savings.
Timing	To claim the allowance, the certificate received from SANEDI together with the claim for the allowance must be submitted to the South African Revenue Service.

Special Economic Zones (SEZ)

This tax incentive applies to companies operating in geographically designated areas of South Africa set aside for specifically targeted economic activities, and is an economic development tool to promote rapid economic growth by using support measures to attract targeted foreign investments and technology.

Benefits	– Reduced corporate tax rate of 15% (Section 12R), if at least 90% of the income is derived from the carrying on of business or provision of services within that SEZ. – Accelerated 10 year tax allowance on buildings (Section 12S). – VAT & customs relief (if located within a Customs-Controlled Area). – Employment incentive for employers of low-salaried employees (below R60 000 per annum; absent of any age limitation which generally otherwise would apply).
Who can benefit	– Located in a designated and approved SEZ: • Coega IDZ (Eastern Cape) • Richards Bay IDZ (KwaZulu-Natal) • East London IDZ (Eastern Cape) • Saldanha Bay IDZ (Western Cape) • Dube Tradeport (KwaZulu-Natal) • Maluti-A-Phofung SEZ (Free State) • OR Tambo IDZ (Gauteng) – Business must be incorporated in South Africa or effectively managed in South Africa. – Business or service is carried on from a fixed place of business situated within the SEZ.
Timing	The provisions of the SEZ Act cease to apply in any year of assessment commencing the later of 01 January 2024 or 10 years after the commencement of the carrying on of business in a SEZ.

Do you qualify?

Is the company located in a SEZ designated by the Minister of Trade and Industry?

Yes No → No tax concessions

Tax concessions:
- VAT and customs relief (if a customs control area enterprise in a customs control area within the SEZ)
- Employment tax incentive

Is the company incorporated in SA, or is effectively managed in SA?

Yes No (to either) → Company does not qualify for 12R or 12S

Is the SEZ in which the company is located approved by the Minister of Finance?
Is the business/ service carried on from a fixed place of business situated within a SEZ?
Is at least 90% of the income of the company derived from the carrying on of business within a SEZ?

Yes (to all) No (any) → Company does not qualify for 12R or 12S

"Qualifying company" status has been reached

Does the company conduct any of the following manufacturing activities?
- Spirits and ethyl alcohol from fermented products and wine (SIC code 3051)
- Beer and other malt liquors and malt (SIC code 3052)
- Tobacco products (SIC code 3060)
- Arms and ammunition (SIC code 3577)
- Bio-fuels that, if manufactured, negatively impacts on food security in SA

No Yes → Company does not qualify for 12R or 12S

Company is eligible for the building allowance [12S]

Does the company conduct activities listed in the draft regulations issued by the Minister of Finance? [12R(4)(b)]

No Yes → Company does not qualify for the reduced corporate income tax rate

Company is eligible for both the 15% corporate tax rate [12R(2)] and the building allowance [12S]

Industry Specific Incentives

Agro-Processing Support Scheme (APSS)

This cost-sharing cash grant aims to stimulate investment by South African agro-processing / beneficiation (agri-business) enterprises with the intention of increasing capacity, creating employment, modernising machinery and equipment, improving competitiveness and productivity, and enhancing transformation.

Benefits

Cost-sharing cash grant of between 20% and 30%, depending on the qualifying enterprise and investment size, up to a maximum of R20 million over a 2 year investment period:

Type of Applicant	Historical Costs of Assets	Qualifying Investment Costs	Grant %	Maximum Grant Amount
New Entity	N/A	R1 million – R10 million	30%	R3 million
Existing Entity	≤ R10 million	R1 million – R10 million	30%	R3 million
Existing Entity	> R10 million	> R10 million	20%	R20 million
New Entity	N/A	> R10 million	20%	R20 million

An additional 10% grant may be considered for projects that meet all of the following Economic Benefit Criteria:

Criteria	Description
Employment	Increase base year employment by at least 25%
Transformation	Achieve a level 1 on B-BBEE Codes of Good Practice
Geographical Spread	Projects located in state owned industrial parks or areas with unemployment higher than 25%
Local Procurement	Procuring at least 70% of inputs or equipment and machinery that is locally manufactured

Who can benefit

Businesses that:

- Are involved in starting a new Agro-processing operation or in expanding or upgrading an existing Agro-processing operation in the following sub-sectors:
  - Food and beverage value addition and processing (including Black winemakers);
  - Furniture manufacturing;
  - Fibre processing;
  - Feed production; and
  - Fertilizer production.
- Are B-BBEE compliant in terms of the B-BBEE codes (achieve level 1 to level 4).
- Undertake an investment project which should result in retaining and creating direct employment.
- Have a project with a **minimum investment** of R1 million (inclusive of competitive improvement costs).
- Indicate that the project will be able to boost the local capacity of identified product(s); or where possible prospects of export orientation.
- Demonstrate that at least 50% of the raw materials will be sourced from South African suppliers and that at least 30% of the raw materials will be sourced from Black South African suppliers in particular (or provide a sourcing plan to adhere to this requirement within 2 years).

Timing

The application must be submitted prior to the start of processing activities.

Commencement of the project or activities applied for must take place within 90 calendar days after the application has been approved.

The window period for applications has been extended from 1 April 2019 until further notice. A schedule of future windows will be published on the dtic website.

Aquaculture Development and Enhancement Programme (ADEP)

This cost-sharing cash grant aims to stimulate investment in the aquaculture sector with the intention of increasing production; sustaining and creating jobs; encouraging geographic spread and broadening participation. Aquaculture is the farming of crocodiles, alligators, amphibians or any aquatic animal or plant that is harvested for human consumption.

Benefits

Reimbursive cost-sharing cash grant of up to 45% (50% for small black enterprises) of the qualifying investment in:

- Machinery, equipment and tools (owned or capitalised financial lease).
- Bulk infrastructure.
- Owned land (only applicable to small black enterprises).
- Owned buildings.
- Leasehold improvements.
- Aquaculture Feed.
- Competitiveness improvement activities.
- Commercial vehicles and work boats (owned or capitalised financial lease).
- Research and development costs (aquaculture related; excluding salaries of employees)
- Mentorship (eligible only for small enterprises).
- Environmental impact assessments and permits, authorisation and permit costs (only applicable to small black enterprises).

The grant is capped at R20 million, and can be used for new projects, upgrades or expansion projects.

Enterprise size: Qualifying assets	Incentive %	Cap
<R5 million	45%	R2.25 million
≥R5 million <R30 million	40%	R12 million
≥R30 million – R200 million	30%	R20 million

Who can benefit

Level 1 – 4 B-BBEE entities engaged in primary, secondary or ancillary aquaculture activities in both marine and freshwater:

Primary Aquaculture Operations

- Hatchery facilities and operations, including but not limited to broodstock, seed, spat, fry and fingerling.
- Nursery facilities and operations.
- Grow-out facilities and operations, including but not limited to rafts, net closures, net pens, cages, tanks raceways and ponds; including Recirculating Aquaculture System and Ranching.

Secondary Aquaculture Operations

- Primary processing of local aquaculture products (post-harvest handling, gutting, packing, quick freezing).
- Secondary processing of local aquaculture products (filleting, portioning, packaging, setting up trader and distribution networks).
- Tertiary processing of local aquaculture products (value adding: such as curing, brining, smoking, further value adding such as terrines, roulades, pates, paters).
- Waste stream handling of local aquaculture products (extraction of fish oils, protein beneficiation, organic fertilizers, pet feeds, animal feeds).

Ancillary Aquaculture Operations

- Aquaculture feed manufacturing operations.

Timing

Apply at least 60 days prior to commencement of operations for commercial purposes. (Commercial purposes exclude the testing and/or commissioning phases).

Automotive Production Development Programme (APDP)

The APDP, consisting of rebates and refunds of the relevant customs duties, is aimed at creating an environment that will enable registered light motor vehicle manufacturers to significantly grow production volumes and component manufacturers to significantly grow value addition, leading to the creation of additional employment opportunities across the automotive value chain. The incentive runs until 2020 (to be replaced by the South African Automotive Masterplan).

Benefits	**Production Rebate Credit Certificate (PRCC)** – Light motor vehicle and automotive component manufacturers can earn tradeable PRCCs to offset customs duties on imported automotive components and specified motor vehicles. **Volume Assembly Allowance (VAA)** – A VAA can be earned by registered light motor vehicle manufacturers producing at least 10 000 units over a four quarter period, to further offset customs duties on imported automotive components that are used in the production of vehicles.
Who can benefit	– Light motor vehicle manufacturers; – Original equipment manufacturers supply chain; – Component manufacturers; and – Deemed component manufacturers who are B-BBEE compliant in terms of the B-BBEE codes (achieve level 1 to level 8).
Timing	**PRCC** – To be claimed within 12 months from the date of the sales invoice for eligible products. **VAA** – To be submitted within 45 days after quarter close.

Automotive Investment Scheme (AIS)

This cash grant incentive is designed to grow and develop the automotive sector through investment in new and/or replacement models and components that will increase plant production volumes, sustain employment and/or strengthen the automotive value chain.

Benefits	– Non-taxable cash grant of 20% for vehicle manufactures and 25% for component manufacturers of the qualifying investment in productive assets, disbursed over 3 years. – Additional non-taxable cash grant of 5% or 10% for strategic projects.
Who can benefit	– Light motor vehicle manufacturers that have achieved, or can demonstrate that they will achieve, a minimum of 50 000 annual units of production per plant, within a period of 3 years. – Component or deemed component manufacturers that are part of the Original Equipment Manufacturer (OEM) supply chain, and: • Will achieve at least 25% of total entity turnover or R10 million by the end of the first full year of commercial production as part of a light motor vehicle manufacturer supply chain, locally and/or internationally. – Companies must be B-BBEE compliant in terms of the B-BBEE codes (achieve level 1 to level 8).
Timing	– Vehicle manufacturers: • Apply 120 days, but not earlier than 180 days, prior to commencement of production. – Component manufacturers, deemed component manufacturers: • Apply 90 days, but not earlier than 120 days, prior to commencement of production.

People-carrier Automotive Investment Scheme (P-AIS)

A sub-component of the AIS, this cash grant incentive is designed 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.

<table>
<tr><td>Benefits</td><td>– Completely-knocked down (CKD) vehicle assemblers (people carrier manufacturers):
• Non-taxable cash grant of 20% of qualifying investment costs prior to commencement of production; and
• Additional non-taxable grant of 5% or 10% for strategic projects.
– Component manufacturers:
• Non-taxable cash grant of 20% of qualifying investment costs; and
• Additional non-taxable grant of 5% or 10% for strategic products.</td></tr>
<tr><td>Who can benefit</td><td>– CKD vehicle assemblers (people carrier manufacturers):
• People-carriers for the transport of between 10 and 35 persons including the driver with a vehicle mass exceeding 2000kg; and
• Floor panels, body sides or roof panels that are not permanently attached to each other; engine and transmission assemblies, axles, radiators, suspension components, steering mechanisms, braking or electrical equipment or instrumentation that are not fitted to such floor pans or chassis frames; bodies/cabs that are not fitted to floor pans or chassis frames.
– Component manufacturers:
• A component manufacturer that can prove that a contract is in place / a contract has been awarded / a letter of intent has been received for the manufacture of components to supply into the medium and heavy commercial vehicle manufacturer supply chain locally and/or internationally; and
• A component manufacturer that can prove that after this investment it will achieve at least 25% of total entity turnover or R10 million annually by the end of the first full year of commercial production, as part of automotive (medium and heavy commercial vehicle) manufacturer supply chain locally and/or internationally.

Projects by component manufacturers, below R1 million, will not qualify for assistance under the P-AIS.
Stand-alone competitiveness improvement applications by component manufacturers, below R100 000, will not qualify for assistance under P-AIS.
Projects by people carrier manufacturers, below R30 million, will not qualify for assistance under the P-AIS.
CKD vehicle assemblers and component manufacturers must be B-BBEE compliant in terms of the B-BBEE codes (achieve level 1 to level 8).</td></tr>
<tr><td>Timing</td><td>– CKD vehicle assemblers (people-carrier manufacturers):
• Apply 120 days but not earlier than 180 days prior to commencement of production.
– Component manufacturers, deemed component manufacturers and tooling companies:
• Apply 90 days but not earlier than 120 days prior to commencement of production.
The commissioning period should not exceed 24 months prior to start of production.</td></tr>
</table>

Medium & Heavy Commercial Vehicles Automotive Investment scheme (MHCV-AIS)

A sub-component of the AIS, this cash grant incentive is designed to grow and develop the automotive sector through investment in new or replacement models and components that will increase production volumes, create or sustain employment, and/ or strengthen the automotive supply chain.

Benefits	– Non-taxable cash grant of 20% for medium and heavy commercial vehicle manufacturers and 25% for component manufacturers and tooling companies of the qualifying investment in productive assets, disbursed over 3 years. – Additional non-taxable grant of 5% or 10% for strategic projects.
Who can benefit	**Truck manufacturers** Medium and heavy commercial vehicles must comply with the extent of assembly (CKD definition as specified in Note 5 to Chapter 98 of the Customs and Excise Act, 1964 i.e. original equipment manufacturer). – Engine and transmission, axles, radiators, suspension components, steering mechanisms, braking or electrical equipment and instrumentation may be imported into South Africa, but have to be fitted to the floor pan or chassis frame of the truck within South Africa. – Body or cab must be fitted to floor pan or chassis frame within South Africa. – With effect from 1 April 2016 new projects must comply with the amended CKD definition. **Bus chassis manufacturers** – Chassis, engine and transmission assemblies must comply with the extent of assembly (CKD definition as specified in Note 5 to Chapter 98 of the Customs and Excise Act, 1964 i.e. original equipment manufacturer). – 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, but have to be fitted to the floor pan or chassis frame of the bus within South Africa. – As from 1 April 2016 new projects must comply with the amended CKD definition. **Component manufacturers, deemed component manufacturers, tooling companies and bus and truck body manufacturers** – Component manufacturers who can prove that a contract is in place and/ or awarded, and/ or a letter of intent has been received for the manufacture of components to supply the medium and heavy commercial vehicle manufacturer supply chain locally and/ or internationally. – 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 as part of a medium and heavy commercial vehicle manufacturer supply chain locally and/ or internationally. – Bus Body Manufacturers awarded a contract by the original equipment manufacturer (OEM) to supply the chassis must prove that the bid was awarded and contract has been entered to with the OEM. Manufacturers must be B-BBEE compliant in terms of the B-BBEE codes (achieve level 1 to level 8).
Timing	Medium and heavy commercial vehicles manufacturers: – Apply 120 days but not earlier than 180 days prior to commencement of production. – Component manufacturers and/or tooling companies: • Apply 90 days but not earlier thane 120 days prior to commencement of production.

Foreign Film & Television Production and Post-Production Incentive

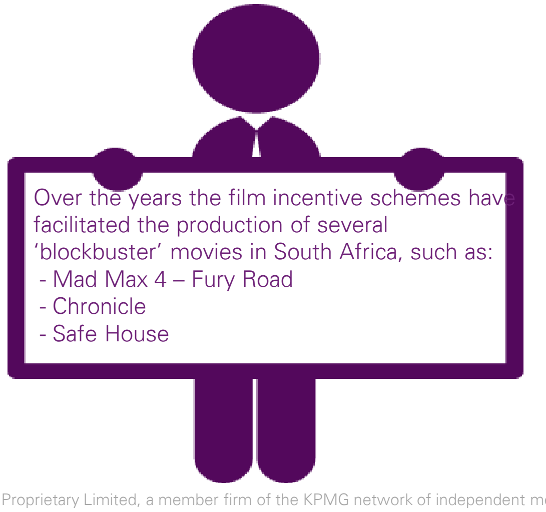
This cash grant incentive is designed to attract large-budget foreign films and television productions to shoot on location and conduct post-production work in South Africa, in order to contribute to employment creation, enhancement of South Africa's international profile and increasing South Africa's creative and technical skills base.

Benefits	**Production and post-production** – Shooting on location in South Africa: 25% of qualifying South African production expenditure (QSAPE). – Additional 5% of QSAPE for productions shooting and conducting post-production in South Africa, and utilising the services of a black-owned service company. – Maximum grant of R50 million per qualifying project. **Post-production** – Conducting post-production in South African: 20% of qualifying South African post-production expenditure (QSAPPE) of at least R1.5 million. – Additional 2.5% of QSAPPE for spending at least R10 million of post-production budget in South Africa (cumulative 22.5%). – Additional 5% of QSAPPE for spending at least R15 million of post-production budget in South Africa (cumulative 25%). – Maximum grant of R50 million per qualifying project.
Who can benefit	– An applicant must register a Special Purpose Corporate Vehicle (SPCV) incorporated in the Republic of South Africa solely for the purpose of the production and/or post-production of a film or television project. – Only one entity per production and/or post-production for film, television drama, documentary series, digital content or animation is eligible for the incentive. – Both the holding company(ies) and the applicant SPCV and must achieve at least level 3 and level 4 B-BBEE contributor status respectively. – The applicant must procure a minimum of 20% of qualifying goods and services from entities which are 51% black-owned by South African citizens and have been operating for at least 1 year. – Production project eligibility requirements: o QSAPE must be a minimum of R15 million for all qualifying production formats. o A minimum of R12 million for level 1 B-BBEE contributor status service companies. o At least 50% of principal photography must be filmed in South Africa. o At least 21 calendar days of the principal photography must be filmed in South Africa. — Post-production project eligibility requirements: o QSAPPE must be at least R1.5 million for all qualifying post-production activities. o Post-production activities must be carried out in South Africa for at least 14 calendar days (waived if 100% post-production is conducted in South Africa).
Timing	Apply no earlier than 45 calendar days prior to the commencement of principle photography. Principal photography should not commence until approval has been received from the dtic.

South African Film and Television Production Incentive

This cash grant incentive is designed to support the local film industry and to contribute to employment opportunities in South Africa.

Benefits	Reimbursable cash grant of 35% of qualifying South African production expenditure (QSAPE). An additional 5% of QSAPE for productions hiring at least 30% of black South African citizens as heads of department (HODs) and procuring at least 30% of QSAPE from 51% South African black-owned entities which have been operating for at least 1 year. Maximum grant of R50 million per qualifying project, payable either upon completion or according to certain milestones.
Who can benefit	– The applicant must be a South African production company. – An applicant must register a Special Purpose Corporate Vehicle (SPCV) incorporated in the Republic of South Africa solely for the purpose of the production of a film or television project. – The holding company must have a majority of South African shareholders, of which at least 1 must play an active role in the production and be credited in that role. – Only one entity per production for film, television drama, documentary series, digital content or animation is eligible for the incentive. – Both the holding company(ies) and the applicant SPCV and must achieve at least level 3 and level 4 B-BBEE contributor status respectively. – The applicant must procure a minimum of 20% of qualifying goods and services from entities which are 51% black-owned by South African citizens and have been operating for at least 1 year. – Project eligibility requirements: o QSAPE must be a minimum of R1.5 million for all qualifying production formats (R500 000 for documentaries). o QSAPE must account for at least 75% of the total production budget. o At least 60% of principal photography must be filmed in South Africa. o At least 14 calendar days of the principal photography must be filmed in South Africa. o The majority of the 5 highest paid performers must be South African citizens. o The majority of the HODs and key personnel must be South African citizens, with at least 20% of the HODs on core production functions being black South African citizens.
Timing	Apply no earlier than 45 calendar days prior to the commencement of principle photography. Principal photography should not commence until approval has been received from the dtic.



South African Film and Television Co-Production Incentive

This cash grant incentive is designed to support the local film industry and to contribute to employment opportunities in South Africa.

Benefits	Reimbursable cash grant of 35% of qualifying South African production expenditure (QSAPE). An additional 5% of QSAPE for productions hiring at least 20% of black South African citizens as heads of department (HODs) and procuring at least 30% of QSAPE from 51% South African black-owned entities with have been operating for at least 1 year. Maximum grant of R50 million per qualifying project.
Who can benefit	– The applicant must be a South African production company. – An applicant must register a Special Purpose Corporate Vehicle (SPCV) incorporated in the Republic of South Africa solely for the purpose of the production of a film or television project. – The holding company must have a majority of South African shareholders, of which at least 1 must play an active role in the production and be credited in that role. – Only one entity per production for film, television drama, documentary series, digital content or animation is eligible for the incentive. – Both the holding company(ies) and the applicant SPCV and must achieve at least level 3 and level 4 B-BBEE contributor status respectively. – The applicant must procure a minimum of 20% of qualifying goods and services from entities which are 51% black-owned by South African citizens and have been operating for at least 1 year. – Project eligibility requirements: o QSAPE must be a minimum of R2.5 million for all qualifying production formats (R500 000 for documentaries). o At least 50% of principal photography must be filmed in South Africa. o At least 14 calendar days of the principal photography must be filmed in South Africa. o The production must be approved by the Minister of Arts and Culture as an Official Treaty co-production. o The following personnel must be South African citizens, unless the production requires the inclusion of an individual not covered by this clause, in which case provisional approval may be given: ▪ The director. ▪ At least 2 highest paid performers. ▪ The majority of the HODs and key personnel.
Timing	Apply no earlier than 45 calendar days prior to the commencement of principle photography. Principal photography should not commence until approval has been received from the dtic.

South African Emerging Black Filmmakers Incentive

This cash grant incentive aims to provide assistance to local black film producers in the production of local content, thereby creating opportunities to take up big productions and contribute to employment.

Benefits	Reimbursable cash grant of 50% of qualifying South African production expenditure (QSAPE). Maximum grant of R50 million per qualifying project, payable either upon completion or according to certain milestones.
Who can benefit	– The applicant must be a South African black owned production company. – An applicant must register a Special Purpose Corporate Vehicle (SPCV) incorporated in the Republic of South Africa solely for the purpose of the production of a film or television project. – The holding company must have at least 65% black South African citizens, of which majority must play an active role in the production and be credited in that role. – The SPCV must have at least 75% black South African citizens, of which majority must play an active role in the production and be credited in that role. – Both the holding company(ies) and the applicant SPCV and must achieve at least level 2 B-BBEE contributor status. – Only one entity per production for film, television drama, documentary series, digital content or animation is eligible for the incentive. – The applicant must procure a minimum of 20% of qualifying goods and services from entities which are 51% black-owned by South African citizens and have been operating for at least 1 year. – The applicant can participate to a maximum of 5 approved productions in this incentive programme. – Project eligibility requirements: o QSAPE must be a minimum of R500 000 for all qualifying production formats (including documentaries). o QSAPE must account for at least 75% of the total production budget. o At least 80% of principal photography must be filmed in South Africa. o At least 14 calendar days of the principal photography must be filmed in South Africa. o The following personnel must be South African citizens: • The director (black South African citizen), who is credited for that role in the production. • The producer (black South African citizen), who is credited for that role in the production. • The majority of the 5 highest paid performers • The majority of the HODs and key personnel.
Timing	Apply no earlier than 45 calendar days prior to the commencement of principle photography. Principal photography should not commence until approval has been received from the dtic.

Global Business Services (GBS)

Financial assistance is provided to entities starting or expanding business process service operations in South Africa through offshoring activities, with the main focus of creating employment (especially for the youth).

Benefits

The cash incentive comprises of 2 components:

A base incentive:

– A five-year grant calculated on projected offshore jobs to be created for non-complex, complex and highly complex jobs*, based on the Rand value per job determined by fully-loaded operating costs (which include salaries and benefits, facilities, telecommunication and equipment costs, management costs and overheads associated with offshore delivery operations).

A graduated bonus incentive:

– Offered for greater job creation and sustainability, if the applicant exceeds certain annual offshore job creation targets, payable once at the end of the 5th year.

The base incentive grant per employee is paid over 5 years from the date the offshore job is created (and maintained) as follows:

	Non-complex job (Tier 1)	Complex jobs (Tier 2)	Highly complex job (Tier 3)
2019/20	R30 000	R45 000	R60 000
2020/21	R30 000	R45 000	R60 000
2021/22	R30 000	R45 000	R60 000
2022/23	R26 000	R40 000	R55 000
2023/24	R26 000	R40 000	R55 000
2024/25	R26 000	R40 000	R55 000
2025/26	R26 000	R40 000	R55 000
2026/27	R26 000	R40 000	R55 000
2027/28	R26 000	R40 000	R55 000

**Non-complex job category refers to full-loaded operating costs ≤ to R300 000 per annum, complex job > R300 000 – R600 000 per annum, and highly complex job > R600 000 per annum.*

Who can benefit

- Entities that are expanding or starting new global business services operations operations (Included but not limited to: Finance and accounting services; Human resource functions; Contact centres; Back office processes; IT and technical services; Other specialist services).
- The entity must have secured at least a 3 year fixed-term contract for offshore activities.
- The entity must pay a minimum wage of R5 000 per month (R4 000 for youth (18-34 years) living in a poor household and community with low/ no levels of employment).
- For projects performing mostly non-complex jobs, the project must, by the end of 3 years from the start of the operation, have created and maintained at least 50 South African new offshore jobs, and have at least 80% youth employment as part of the approved project.
- For projects performing mostly complex and highly complex jobs, the project must, by the end of 3 years from the start of the operation, have created and maintained at least 30 South African new offshore jobs, and have at least 60% youth employment as part of the approved project.
- Entities must be B-BBEE compliant.

Timing

- Entities must submit an application prior to the engagement of qualifying employees.
- The project must commence with operations and engagement of employees not later than six months from the date of the grant approval.
- Projects must commence between 1 January 2019 and 31 March 2028.

Tourism Grading Support Programme (GSP)

This cash rebate incentive is designed to encourage wider participation in the Tourism Grading System and ensure uniform and consistent quality standards in the facilities and services provided by accommodation and meetings, exhibitors and special events (MESE) establishments.

Benefits	**Rebates are offered in the awarded star grading by the Tourism Grading Council of South Africa (TGCSA) as follows:** – 30% new member rebate (first year). – 35% first renewal rebate (second year). – 40% second renewal rebate (third year). – 45% third renewal rebate (fourth year). – 50% loyalty rebate upon renewal of membership. – Additional 10% transformation rebate.
Who can benefit	Privately owned South African tourism establishments that offer accommodation and MESE facilities, and: – Have applied for assessment or re-assessment by the TGCSA. – Are compliant with the Tourism B-BBEE code. – Are graded by the TGCSA.
Timing	Applicants who have been awarded star grading by the TGCSA, effective January 2015. Proof of payment for the grading assessment fee must be provided.

Tourism International Market Access Support Programme (IMASP)

This re-imbursive incentive is designed to broaden and facilitate strategic and coordinated access to specific new and strategic tourism export markets.

Benefits	**Reimbursement of the following capped amount of expenses for one representative per qualifying enterprise for:** — The cost of economy class return airfare. — The cost of accommodation linked to duration of the exhibition or roadshow, including the day before the exhibition or roadshow. — An amount towards certain pre-determined exhibition and participation costs. Limited to three occasions in 5 year period on a diminishing basis (100,75,50% reimbursement).
Who can benefit	Small and medium size inbound tourism enterprises that offer integrated and packaged experiences inclusive of a range of products across the tourism value chain, and: — Is a majority South African and privately owned entity. — Has an annual turnover not exceeding R45 million. — Is compliant with the Tourism B-BBEE code. — Is able to demonstrate experience in selling local packages and experiences to international inbound markets.
Timing	From October every year, the Department will publish a list of predetermined international exhibitions and roadshows identified for the following financial year (April to March), after which they will issue calls for applications for support to participate in a particular exhibition or roadshow. Applications are to be submitted before an exhibition or roadshow.

Incentive landscape

Department of Trade, Industry and Competition (DTIC)

- Agro-Processing Support Scheme (APSS)
- Aquaculture Development and Enhancement Programme (ADEP)
- Automotive Investment Scheme (AIS)
- People-Carrier Automotive Investment Scheme (P-AIS)
- Medium & Heavy Commercial Vehicles Automotive Investment Scheme (MHCV-AIS)
- Black Industrialists Scheme (BIS)
- Global Business Services (GBS)
- Cluster Development Programme (CDP)
- Critical Infrastructure Programme (CIP)
- Capital Projects Feasibility Programme (CPFP)
- Export Marketing and Investment Assistance (EMIA)
- Manufacturing Competiveness Enhancement Programme (MCEP)
- Manufacturing Incentive Tax Allowance (S12I)
- Foreign film & television production and post-production incentive
- South African film and television production & co-operation incentive
- South African emerging black filmmakers incentive
- Special Economic Zones (SEZ)
- Strategic Partnership Programme (SPP)
- Technology and Human Resources for Industry Programme (THRIP)

International Trade Administration Commission (ITAC)

- Automotive Production Development Programme (APDP)
  - Production Rebate Credit Certificate (PRCC)
  - Volume Assembly Allowance (VAA)

Department of Tourism (DT)

- Tourism Grading Support Programme (GSP)
- Tourism International Market Access Support Programme (IMASP)

Department of Science and Innovation (DSI)

- Research & Development (SIID)

Industrial Development Corporation (IDC)

- Support Programme for Industrial Innovation (SPII)

Small Enterprise Development Agency (SEDA)

- SEDA Technology Programme (STP)

South African Revenue Services (SARS)

- Employment Tax Incentive (ETI)
- Research & Development (SIID)
- Learnership Agreements (S12H)
- Energy Efficiency Allowance (S12L)
- Special Economic Zones (S12R)

Why KPMG?

This is KPMG

This is why we are here

Inspire Confidence

Empower change

This is our Purpose

This is what we believe in

- Lead by example
- Respect the individual
- Work together
- Communicate openly and honestly
- Seek the facts and provide insight
- Improve communities
- Act with integrity

These are our Values

This is what we want to be

The Clear chose:

- Our people are extraordinary
- Our clients see a difference in us
- The public trust us

This is our Vision

This is how we want the world to see us

With passion and purpose, we work shoulder-to-shoulder with you, integrating innovative approaches and deep expertise to deliver real results.

This is our Promise

This is how we will get there

A bold ambitions to be most trusted and trustworthy professional services firm with revenues of US$45billion by 2022.

Driving consistency by investing together in the same priorities:

- Quality & Integrity | upholding the highest standards
- Motivated people | building a firm of extraordinary talent
- Digital platform | embedding technology in everything we do
- Capabilities | creating market-leading capabilities
- Coverage | building teams and solutions around clients and markets of the future
- Delivery & distribution optimizing how we go to market

Driving accountability by enhancing our governance and structure to deliver our Collective Strategy with confidence and conviction

This is our Collective Strategy

OUR HISTORY

The origins of KPMG South Africa go back to 1895 and through organic growth and strategic mergers, we have grown into one of the largest Audit, Tax and Advisory firms in the region, offering a wide range of services to clients in the private and public sectors.

Serving the South African

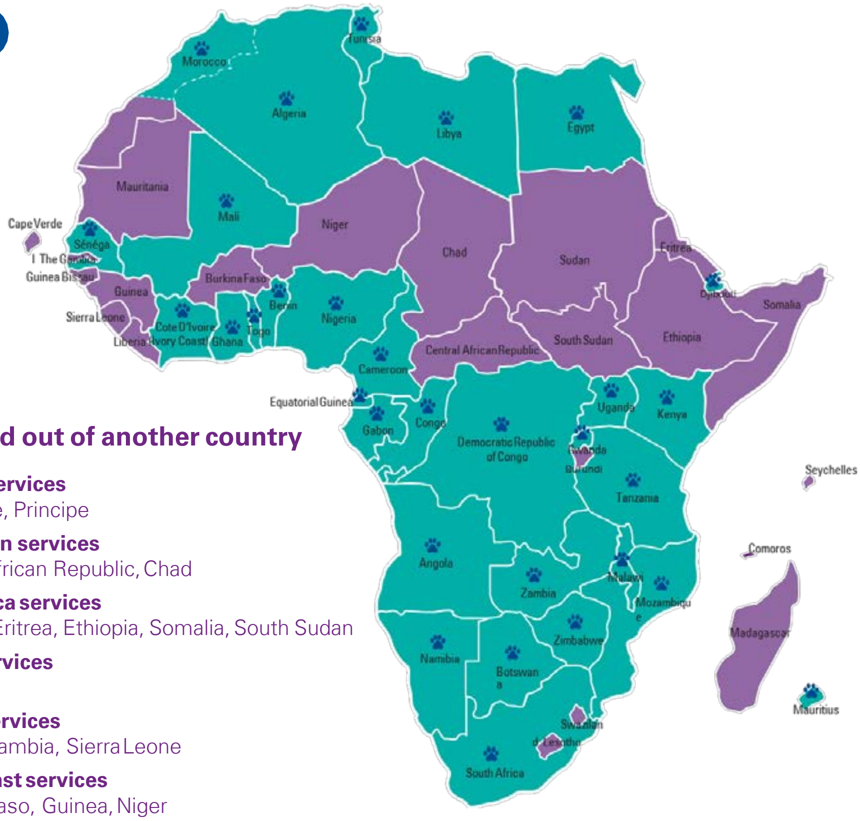
120 years

KPMG in Africa

The KPMG Africa footprint is well established, allowing our member firms across the continent to work together to provide globally-minded and forward-thinking solutions that are informed by deep-seated local expertise in each country. This enables us to deliver informed perspectives and clear, value-adding solutions.

Our Africa Footprint

29 practices servicing 54 countries



KPMG office

Serviced out of another country

Angola services
São Tomé, Principe

Cameroon services
Central African Republic, Chad

East Africa services
Burundi, Eritrea, Ethiopia, Somalia, South Sudan

Egypt services
Sudan

Ghana services
Liberia, Gambia, Sierra Leone

Ivory Coast services
Burkina Faso, Guinea, Niger

Mauritius services
Comoros, Madagascar, Seychelles

Portugal services
Cape Verde

Senegal services
Guinea-Bissau, Mauritania

South Africa services
Lesotho, Malawi, Eswatini, Swaziland

KPMG Africa Business Guide App

Looking to invest in Africa? The KPMG Africa Business App is your companion to 'Understanding Africa'. An all-in-one app to understand the economies, countries, and nuances to investing in Africa. All content is stored offline so that users can have access to the resource without an internet connection.

KPMG Africa Incentive Survey

Your guide to understanding the landscape of incentives offered by African countries, both to local and foreign investors. This survey is an excellent first reference for any company looking to invest or expand their business into Africa.

https://home.kpmg/za/en/home/insights/2018/11/africa-incentive-survey-2017-2018.html

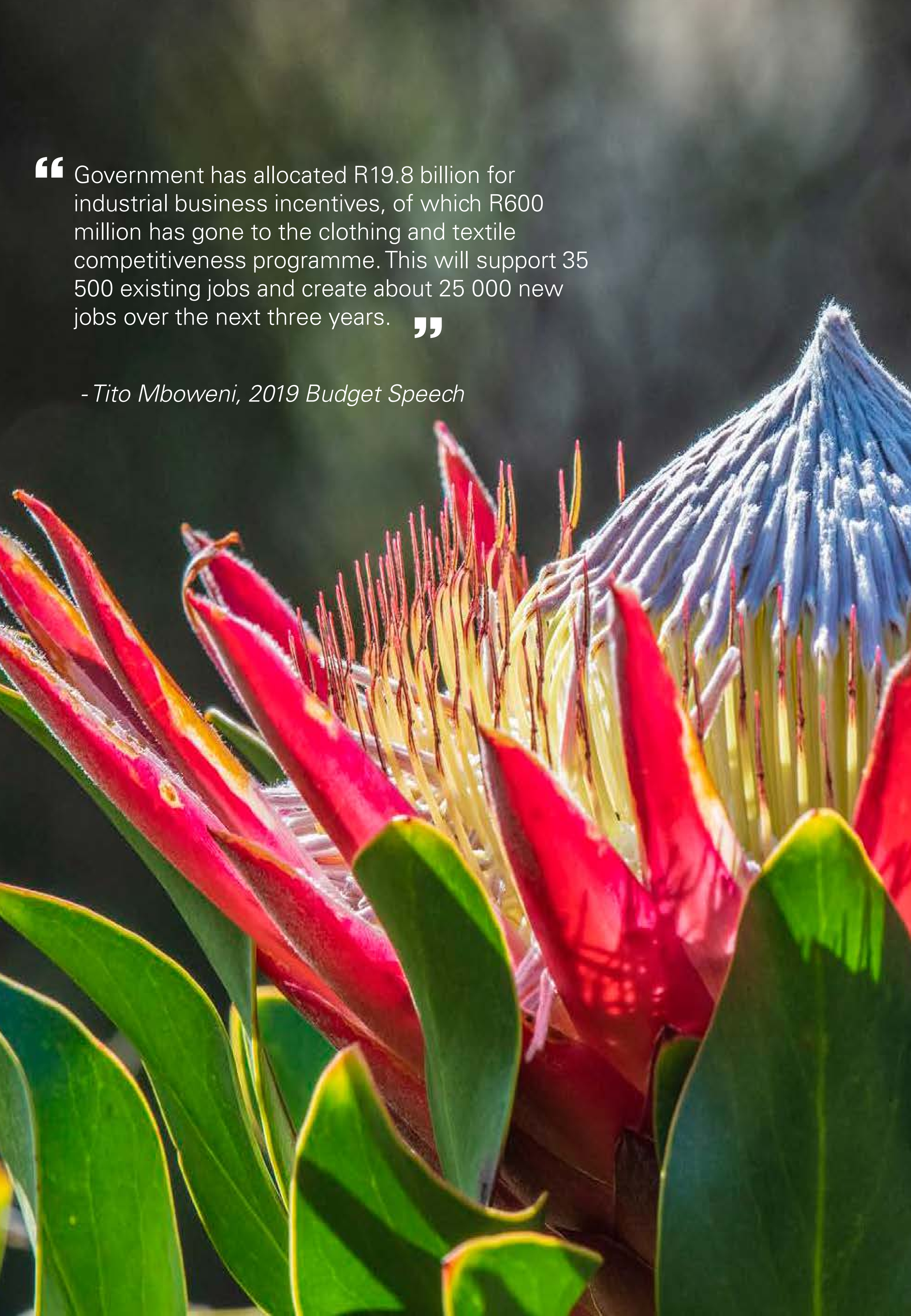
Acronyms

List of commonly or frequently used terms

ADEP	Aquaculture Development and Enhancement Programme
AIS	Automotive Investment Scheme
APDP	Automotive Production Development Programme
APSS	Agro-Processing Support Scheme
B-BBEE	Broad-Based Black Economic Empowerment
BIS	Black Industrialist Scheme
CDP	Cluster Development Programme
CIP	Critical Infrastructure Programme
CMO	Cluster Management Organisation
CPFP	Capital Projects Feasibility Programme
dtic	Department of Trade, Industry and Competition
EMIA	Export Marketing And Investment Assistance
ETI	Employment Tax Incentive
FDI	Foreign Direct Investment
GBS	Global Business Services
GSP	Tourism Grading Support Programme
HOD	Heads of Department
IMASP	Tourism International Market Access Support Programme
MCEP	Manufacturing Competitiveness Enhancement Programme
MESE	Meetings, Exhibitors and Special Events
MHCV-AIS	Medium & Heavy Commercial Vehicles Automotive Investment Scheme
MIDP	Motor Industry Development Programme
NPC	Non-Profit Company
NQF	National Qualifications Framework
OEM	Original Equipment Manufacturer
P-AIS	People-carrier Automotive Investment Scheme
PAYE	Pay As You Earn
QSAPPE	Qualifying South African Post-Production Expenditure
R&D	Research and Development
SAAM	South African Automotive Masterplan
SANEDI	South African National Energy Development Institute
SEDA	Small Enterprise Development Agency
SEZ	Special Economic Zones
SIC	Standard Industrial Classification
SME	Small Micro Enterprises
SMME	Small Medium and Micro Enterprises
SPCV	Special Purpose Corporate Vehicle
SPII	Support Programme For Industrial Innovation
SPP	Strategic Partnership Programme
STP	SEDA Technology Programme
TGCSA	Tourism Grading Council of South Africa
THRIP	Technology and Human Resources for Industry Programme

> "Government has allocated R19.8 billion for industrial business incentives, of which R600 million has gone to the clothing and textile competitiveness programme. This will support 35 500 existing jobs and create about 25 000 new jobs over the next three years."

- Tito Mboweni, 2019 Budget Speech



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