the dti Incentive Programmes

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Austrian roundtable discussion
DBSA
**TEO’s mission statement**

- To stimulate and facilitate the development of sustainable, competitive enterprises through efficient provision of effective and accessible funding mechanisms (i.e. incentive schemes) that support national priorities

**TEO’s Strategic Objective**

- Facilitate transformation in the economy, to promote industrial development, investment, competitiveness and employment creation
## INCENTIVE SCHEMES

<table>
<thead>
<tr>
<th>CLUSTER</th>
<th>INCENTIVE SCHEME</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BROADENING PARTICIPATION</strong></td>
<td>• Black Business Supplier Development Programme (BBSDP)</td>
</tr>
<tr>
<td></td>
<td>• Co-operative Incentive Scheme (CIS)</td>
</tr>
<tr>
<td></td>
<td>• Incubator Support Programme (ISP)</td>
</tr>
<tr>
<td><strong>COMPETITIVENESS INVESTMENT</strong></td>
<td>• Sector Specific Assistance Scheme (SSAS)</td>
</tr>
<tr>
<td></td>
<td>• Export Marketing &amp; Investment Assistance (EMIA)</td>
</tr>
<tr>
<td><strong>MANUFACTURING INVESTMENT</strong></td>
<td>• Manufacturing Investment Programme (MIP)</td>
</tr>
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<td>• Capital Projects Feasibility Programme (CPFP)</td>
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<td>• 12i Tax Incentive</td>
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<td></td>
<td>• Automotive Incentive Scheme (AIS)</td>
</tr>
<tr>
<td></td>
<td>• Manufacturing Competitiveness Enhancement Programme</td>
</tr>
<tr>
<td><strong>SERVICES INVESTMENT</strong></td>
<td>• Film &amp; Television Production</td>
</tr>
<tr>
<td></td>
<td>• Business Process Services (BPS)</td>
</tr>
<tr>
<td><strong>INFRASTRUCTURE INVESTMENT</strong></td>
<td>• Critical Infrastructure Programme (CIP)</td>
</tr>
<tr>
<td></td>
<td>• IDZs (SEZ)</td>
</tr>
</tbody>
</table>
Incubation Support Programme

MARKET FAILURE
• Low entrepreneurial base and start-up activities
• Access to finance
• Survivalist and informal sector
• Youth unemployment

OBJECTIVES
• Encourage private sector partnership with government to support incubators in order
  • to develop SMMEs and nurture them into sustainable enterprises that can provide
  • employment and contribute to economic growth
ELIGIBILITY CRITERIA

The applicant must either be a:

- South African registered legal entity
- registered higher education or further education institution
- licensed and/or registered science council.

Qualifying incubators

- New incubator / expansion of existing incubator
- Offer physical and/or virtual incubation support services
- A corporate incubator; a private investors’ incubator; an academic or research institution incubator in partnership with industry
- Incubators focused on establishing and/or growing enterprises that will graduate to sustainable enterprises.
GRANT SUPPORT

- 50:50 cost-sharing support for large private sector investors
- 60:40 cost-sharing support support for SMMEs
- Capped at a maximum of R10 million per financial year over a 3 year period.

QUALIFYING COSTS (infrastructure and business development services)

- Business development services
- Machinery, equipment and tools
- Infrastructure linked to incubator (buildings, furniture)
- Feasibility studies for establishing and expanding incubators
- Product or service development
- Information and Communication Technology
- Market access
- Operational costs
## ENTERPRISE INVESTMENT PROGRAMME (EIP)

<table>
<thead>
<tr>
<th>EIP PROGRAMME</th>
<th>PURPOSE</th>
<th>Qualifying Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing Investment Programme (MIP)</td>
<td>To promote investment in manufacturing in lead sectors (automotive, chemicals, textiles, etc)</td>
<td>Cost of machinery, equipment, plant, commercial vehicles, land &amp; buildings</td>
</tr>
<tr>
<td>* Suspended</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Enterprise Investment Programme
MIP Grant structure

FIG: 15% of the value of qualifying imported machinery and equipment

FIG: the actual transport costs of relocating qualifying new machinery and equipment to a maximum of R10m

15% for projects above R30m (large projects capped at R200m of investment)

30% - 15% for projects between R5m – R30m (medium projects)

30% for projects below R5m (small projects)
AUTOMOTIVE INVESTMENT SCHEME (AIS)

The AIS

A taxable cash grant of 20% of the value of qualifying investment in productive assets
To grow and develop the automotive sector through investment in new and/or replacement models and components
To stimulate the increase of plant production volumes, sustain employment and/or strengthen the automotive value chain

Target

Light motor vehicle manufactures (180 days prior to commencement)
Automotive component manufacturers (90 days prior to commencement)

Grant structure

Grant is disbursed over 3 years
An additional taxable cash grant of 5 or 10% is offered to projects that are found to be strategic by the dti
## AUTOMOTIVE INVESTMENT SCHEME (AIS)

<table>
<thead>
<tr>
<th>QUALIFYING ASSETS</th>
<th>EXCLUSIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Owned buildings and/or improvements to owned buildings</td>
<td>• Projects below R1m by component manufacturers</td>
</tr>
<tr>
<td>• New plant machinery, equipment and tooling</td>
<td>• Projects below R30m by light motor vehicle manufacturer</td>
</tr>
<tr>
<td>• Second hand, refurbished and upgraded plant, machinery and tooling</td>
<td>• Projects already benefiting from other dti investment incentives</td>
</tr>
<tr>
<td></td>
<td>• Section 21 companies and trusts</td>
</tr>
</tbody>
</table>
## AIS ELIGIBILITY CRITERIA

<table>
<thead>
<tr>
<th>Light motor vehicle manufacturer</th>
<th>Component manufacturer</th>
</tr>
</thead>
</table>
| An existing light motor vehicle manufacturer that has achieved or can demonstrate that it will achieve, a minimum of 50,000 annual units of production per plant within 3 years. | • Should prove that a contract / letter of intent is in place / has been awarded for the manufacture of components to supply into the light motor vehicle manufacture supply chain locally and/or internationally  
• Can prove that after the investment it will achieve at least 25% of total entity turnover or R10m annually by the end of the first year of commercial production |
MANUFACTURING COMPETITIVENESS ENHANCEMENT PROGRAMME (MCEP)

• Encourage enterprises to **upgrade** their production facilities, processes, products and up-skill workers
• Provide for upgrading of **sectors** in order to maximise output and employment
• Reduce the price of **working capital** for exporters and businesses participating in govt infrastructure programmes
• Expand existing IDC distressed funding facility to SMEs, and **reduce cost of capital** for distressed enterprises
• Strengthen the responsiveness of available incentive schemes to the current economic challenges
Manufacturing Value Addition

Sales / Turnover

less

Sales value of imported goods

less

Sales value of other bought goods

less

Material Input Costs

= MVA
Qualifying Costs

• Non-taxable grant calculated as a % of Manufacturing Value Added (MVA) and capped as follows:
  – 7% of MVA - enterprises with assets >R200m
  – 10% of MVA - enterprises with assets >R30m – ≤R200m
  – 12% of MVA - enterprises with assets between >R5m – ≤R30m
  – 15% of MVA – 100% black-owned enterprises with assets below R5m

• Available over a two year period

• Grant more favourable to SMEs
THE MCEP OFFERING

• Production Incentive (the dti: TEO)
  – Capital Investment
  – Green Technology and Resource Efficiency Improvement
  – Enterprise-Level Competitiveness Improvement
  – Feasibility Studies
  – Cluster Competitiveness Improvement

Loan Facilities (IDC)
  Pre/post-dispatch Working Capital Facility
  Distress Funding interest make-up facility
  Niche Fund Facility
# MCEP (PI) Components

<table>
<thead>
<tr>
<th>MCEP Component</th>
<th>Max Grant</th>
<th>Assets</th>
<th>Grant</th>
<th>10% Bonus Grant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Investment</td>
<td>R50m</td>
<td>&lt; R5m</td>
<td>50%</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td></td>
<td>R5m to R30m</td>
<td>40%</td>
<td>&gt;10</td>
</tr>
<tr>
<td></td>
<td></td>
<td>&gt;R30m</td>
<td>30%</td>
<td>&gt;20</td>
</tr>
<tr>
<td></td>
<td></td>
<td>&gt;R200m</td>
<td></td>
<td>&gt;25</td>
</tr>
<tr>
<td>Green Technology &amp; Resource efficiency</td>
<td>R50m</td>
<td>&lt; R5m</td>
<td>50%</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td></td>
<td>R5m to R30m</td>
<td>40%</td>
<td>&gt;10</td>
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<td>30%</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>&gt;R200m</td>
<td></td>
<td>&gt;25</td>
</tr>
<tr>
<td>Enterprise Level Competitiveness</td>
<td>N/A</td>
<td>&lt; R5m</td>
<td>70%</td>
<td>N/A</td>
</tr>
<tr>
<td>Improvement</td>
<td></td>
<td>R5m to R200m</td>
<td>60%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>&gt;R200m</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td>Feasibility Studies</td>
<td>R7.5m</td>
<td>&lt; R30m</td>
<td>70%</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td></td>
<td>R30m to R200m</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td>Cluster Competitiveness Improvement</td>
<td>R50m</td>
<td>N/A</td>
<td>80%</td>
<td>N/A</td>
</tr>
</tbody>
</table>
MARKET FAILURE

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

OBJECTIVES

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

TAX ALLOWANCE COMPONENTS (SEC 12I)

- Tax allowance for investment
- Tax allowance for training
Eligibility Criteria

- **Greenfield projects** with minimum investment of **R200 million**
- **Upgrades and expansion** projects of at least **R30 million** or **25%** of existing industrial assets
- **Manufacturing sector**, excluding Tobacco, alcoholic beverages, arms & ammunition, etc.
- Projects that result in **10% energy demand reduction** in the year that investment is realised relative to base year for expansions / upgrades and relative to industry benchmark energy consumption for Greenfields.
- Projects that spend a minimum of **2% of wage bill on training**
Point Scoring Criteria

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

**QUALIFYING STATUS**

Minimum 5 points on qualifying criteria (2 must be for employment and/or training)

**35% investment tax allowance**

- Maximum **R550 million** per *Greenfield* project
- Maximum **R350 million** per *upgrading* or *expansion* project

**Training** expenses tax allowance of **R36 000 per employee** to a maximum of **R20 million** per entity over **4 years**
Benefits

PREFERRED STATUS
Minimum 8 points on qualifying criteria (2 must be for employment and/or training)

55% investment tax allowance
- Maximum R900 million (Greenfield) and R550 million (upgrades & expansions)

Training expenses tax allowance of R36 000 per employee to maximum of R30 million per entity over 4 years
Objective of incentive: To attract investment and create employment in SA through offshoring activities.

Types of business processes: e.g. back office processes, contact centres, finance and accounting services, human resources functions, IT and technical services etc.

Offering:
A baseline incentive which offers a 3-year operational expenditure on actual jobs created
A graduated bonus incentive which is offered for greater job creation paid once in the year in which the bonus level is first achieved.
## Grant calculation

<table>
<thead>
<tr>
<th>Incentive scheme</th>
<th>Jobs created and sustained each year</th>
<th>2011/12</th>
<th>2012/13</th>
<th>2013/14</th>
<th>2014/15</th>
<th>2015/16</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Incentive</td>
<td>R112 000</td>
<td>R104 000</td>
<td>R88 000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10 - 400</td>
<td>Base incentive</td>
<td>R40 000</td>
<td>R40 000</td>
<td>R32 000</td>
<td>R32 000</td>
<td>R24 000</td>
</tr>
<tr>
<td>401 - 800</td>
<td>20% once off bonus</td>
<td></td>
<td></td>
<td></td>
<td>Bonus calculated for each job between 401 and 800</td>
<td></td>
</tr>
<tr>
<td>801 +</td>
<td>30% once off bonus</td>
<td></td>
<td></td>
<td></td>
<td>Bonus calculated for each job in excess of 800</td>
<td></td>
</tr>
</tbody>
</table>
FILM AND TELEVISION INCENTIVES

South African Film and Television Production and Co-production Incentive
Support the local film industry and contribute towards employment opportunities

Foreign Film and Television Production and Post-Production Incentive
To encourage and attract large-budget films and television productions and post-production work that will contribute towards employment creation, enhancement of international profile, and increase the country’s creative and technical skills base.
Incentive calculation is based on qualifying South African production expenditure (QSAPE)

<table>
<thead>
<tr>
<th>South African Film and Television Production and Co-production Incentive</th>
<th>ELIGIBILITY CRITERIA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Application required <strong>before</strong> commencing principal photography</td>
<td></td>
</tr>
<tr>
<td>Minimum QSAPE of R2.5m</td>
<td></td>
</tr>
<tr>
<td><strong>50%</strong> of principal photography in SA and a minimum of <strong>2 weeks</strong></td>
<td></td>
</tr>
<tr>
<td>Minimum production length of <strong>80 minutes</strong></td>
<td></td>
</tr>
</tbody>
</table>
Foreign Film and Television Production and Post Production Incentive

Incentive calculation is based on qualifying South African production expenditure (QSAPE)

<table>
<thead>
<tr>
<th>Foreign Film and Television Production and Post Production Incentive</th>
<th>ELIGIBILITY CRITERIA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Application required <strong>before</strong> commencement of principal photography / before conducting online post production</td>
<td></td>
</tr>
<tr>
<td>Minimum QSAPE of R12m</td>
<td></td>
</tr>
<tr>
<td><strong>50%</strong> of principal photography in SA and a minimum of <strong>4 weeks</strong></td>
<td></td>
</tr>
<tr>
<td>Uncapped incentive of <strong>20%</strong> of QSAPE</td>
<td></td>
</tr>
<tr>
<td>Minimum production length of <strong>80 minutes</strong></td>
<td></td>
</tr>
</tbody>
</table>
Foreign Film and Television Production and Post Production Incentive

Incentive calculation is based on qualifying South African production (QSAPE) and post production expenditure (QSAPPE)

<table>
<thead>
<tr>
<th>Foreign Film and Television Production and Post Production Incentive</th>
<th>ELIGIBILITY CRITERIA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shooting on location in SA and conducting post-production with QSAPPE of <strong>R1,5 million</strong> in SA, = 20% of QSAPE and 2,5% QSAPPE</td>
<td></td>
</tr>
<tr>
<td>Shooting on location in SA and conducting post-production with a QSAPPE <strong>&gt;R3 million</strong> in SA, the incentive will be calculated as 25% of QSAPE and QSAPPE</td>
<td></td>
</tr>
<tr>
<td>Foreign post-production only with QSAPPE of <strong>R1,5 million</strong>: the incentive is calculated as 22,5% of QSAPPE</td>
<td></td>
</tr>
<tr>
<td>Foreign post-production with QSAPPE <strong>&gt;R3 million</strong>: the incentive is calculated as 25% of QSAPPE.</td>
<td></td>
</tr>
</tbody>
</table>
**Eligible Formats**

- **South African Film and Television Production and Co-production Incentive**
- **Foreign Film and Television Production Incentive**

<table>
<thead>
<tr>
<th>Eligible formats</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feature films</td>
</tr>
<tr>
<td>Telemovies</td>
</tr>
<tr>
<td>Television drama series or mini series</td>
</tr>
<tr>
<td>Documentary or documentary mini series or documentary feature</td>
</tr>
<tr>
<td>Animation</td>
</tr>
<tr>
<td>Digital content and Video gaming</td>
</tr>
</tbody>
</table>

**Excluded**

- Reality TV, discussion programmes; etc.
To develop export markets

Recruiting Foreign Direct Investment

Eligible Applicants

SA manufacturers of products registered with SARS.

SA export trading Houses

SA manufacturers of products registered with SARS

SA commission agents

SA Export Councils and Industry Assoc.
## Individual Support

<table>
<thead>
<tr>
<th>INDIVIDUAL PARTICIPATION</th>
<th>AIRFARE</th>
<th>ALLOWANCE</th>
<th>TRANSPORT SAMPLES</th>
<th>EXHIBITIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual Missions</td>
<td>HDIs &amp; SMME: 100% Max of R13 000</td>
<td>R2 000 p/day Max 5 days</td>
<td>R200 p/day:- Vehicle rental Max 5 days</td>
<td>R10 000 pa: Mrktg Materials</td>
</tr>
<tr>
<td>Individual Exhibition Assistance</td>
<td>HDIs:100% Max of R13 000</td>
<td>R2 000 p/day Max 15 days</td>
<td>R17 500 incl. Forwarding &amp; Clearing charges</td>
<td>100% Max of R45 000</td>
</tr>
<tr>
<td>Primary Market Research and Foreign Direct Investment</td>
<td>HDIs &amp; SMME 100% Max of R13 000</td>
<td>R2 000 p/day Max 10 days</td>
<td>R1 000 max per trip</td>
<td></td>
</tr>
</tbody>
</table>

Patent registrations: 50% of cost – maximum **R100k**
SECTOR SPECIFIC ASSISTANCE SCHEME (SASS)  
EMERGING EXPORTERS (EE)

To offer support to projects that promote the development of emerging exporters.

- Funding benefits projects that:
  - Develop export markets
  - Broaden the export base
  - Stimulate the participation of SMMEs, HDIs, women and physically challenged in international trade
SASS: EMERGING EXPORTERS (PFEE)

**Eligible Applicants**
- Export Councils
- Industry Associations
- Provincial Investment and Economic Development Agencies
- Business Chambers
- SEDA

**Incentive Benefit**
- 100% of the cost of the approved project
- Local and International air travel
- Accommodation & Daily allowance
- Transportation of samples
- Exhibition space
THE SECTOR SPECIFIC ASSISTANCE SCHEME (PF)

Is a reimbursable 80:20 cost-sharing scheme whereby financial support is granted to non-profit business organisations in Sectors and Sub-sectors of industries prioritised by the dti. e.g.

Automotive / agro-processing / aerospace / BPS / creative industries / metals and allied industries / textile & clothing / electro-technical / capital equipment / film production / tourism / chemicals and allied industries / ICT
Benefit & Requirements

Benefit: cannot be > 80% of the cost of the project

Project tasked with pre-determined outcome, a defined or short-term time frame and measurable milestone.

Project must be essentially developmental in nature.

Research/studies undertaken or database obtained will become the property of the dti
A cost-sharing scheme towards the cost of feasibility studies that are likely to lead to *capital intensive* projects outside South Africa that will increase local exports and stimulate the market for SA capital goods and services.

<table>
<thead>
<tr>
<th>The Advance Structure for Total Feasibility Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Projects in Africa</strong></td>
</tr>
<tr>
<td>R100k – R5m &lt; 55%</td>
</tr>
</tbody>
</table>

**Non-financial criteria**

- New projects, expansions and rehabilitation of existing projects
- Should be capital goods sectors
- Projects with a minimum of 50% local content (study & goods and services)
- Projects can be situated anywhere in the world (excl. SA)
Critical Infrastructure Programme

A 70:30 cost-sharing grant scheme intended to leverage strategic investment projects (green and brown fields) by financially supporting infrastructure critical to such projects, enabling them to establish

Qualifying Projects
Transport systems
Electricity and distribution systems
Telecommunications systems
Transmission systems
Sewage systems
Waste storage, disposal and treatment systems
Fuel supply systems
Qualifying Costs

Costs incurred directly in the installation, construction and demolition of infrastructure
Cost of material directly consumed during the installation, construction and demolition of the infrastructure
Remuneration costs incurred by the applicant for payment of employees undertaking project work
Cost of new capital items
Website: www.thedti.gov.za

Government incentives website: www.investmentincentives.co.za
Thank you