



Enterprise Development Consultants

Take Advantage of Lucrative Cash Incentives!



Automotive Investment Scheme

The Department of Trade and Industry (DTI) incentivises those entities that are engaged in the Automotive Manufacturing Sector. Specific incentives are made available to Automotive Component and Tooling Manufacturers to which the information herein pertains.



Incentive Benefits

A non-taxable (s12P - Income Tax Act) cash benefit is available against qualifying Productive Assets and Competitiveness Improvement Costs

Productive Asset benefit percentages:

Base incentive rate of 25% potentially increasing to 30%* or 35%**

Competitiveness Improvement benefit percentages:

Same qualifying incentive rate as the Productive Asset benefit if the application is both for Productive Assets and Competitiveness Improvements else the incentive rate will be 20%

Application Process

- Be a registered legal entity in terms of the Companies Act or the Close Corporations Act
- Submit the application not less than 90 days and not more than 120 days prior to the anticipated commencement of production date
- Have a Letter of Intent to supply into the light motor vehicle supply chain locally/ internationally
- At least 25% of entity turnover or R10 million, at the end of the first full year of commercial production must originate from the light motor vehicle supply chain locally/ internationally
- Manufacturing pertaining to the investment project must occur in South Africa
- The project must be commercially viable and future projections must be attainable

Productive Assets

Qualifying assets include the following:

- Newly acquired/ constructed buildings
- Building improvements
- Machinery and tooling
- Jigs, dies and moulds
- Production testing and design equipment
- Raw material handling equipment
- IT equipment supporting logistics/ production

Minimum project value must be R1 million

Competitiveness Improvements

Qualifying costs include consulting fees and related expenses for the following focus areas:

- New process improvements
- Assessment and preparation costs for quality, environmental, process and product certifications
- Design of production information systems
- SAQA/ internationally recognised training in automotive manufacturing related short course fees
- New processes to improve energy saving/ resource efficiency
- Software to integrate production systems

Minimum competitiveness related costs for a stand alone application must be R100,000

Additional 5% Qualification Criteria

(* Total incentive benefit of 30%)

Maintain base year employment levels for incentive term AND two of:

Tooling:

Greater of 20% of tooling budget or 20% increase from base year in the tooling budget to support local tooling industry

R & D:

5% of investment project value (minimum of R1,5m) must be spent on R & D in South Africa

Employment Creation:

Maintain base employment and create 1 job per R1m invested or an additional 50 jobs

Strengthening the Automotive Chain:

New components, products or processes not currently performed by that entity or that the component or tool is not currently made for that OEM in South Africa

Value Addition:

Substantial increase in local content with respect to value addition

Empowerment:

Minimum of a B-BBEE level 3 contributor

Additional 10% Qualification Criteria

(** Total incentive benefit of 35%)

Attain additional 5% qualification criteria AND:

Existing Entity: Existing Types of Components/ Tools

- 20% turnover increase from base for the division/ plant in year 1
- 30% turnover increase from base for the division/ plant in year 2

Existing Entity: New Types of Components/ Tools

- 20% turnover increase from base for the legal entity in year 1
- 30% turnover increase from base for the legal entity in year 2

New Entity:

- Components/ tools of a type not currently manufactured for that OEM in South Africa
- Need to obtain two of the 5% qualification criteria over and above the Strengthening the Automotive Supply Chain criteria option

Claim Process

Productive Assets: Claim 1

- A claim for 20% of the qualifying incentive benefit can be submitted if the project hasn't commenced but:
 - commissioning spans more than 6 months and
 - 50% of the qualifying investment is installed
- A claim for 40% of the benefit can be submitted once commercial production has commenced

Productive Assets: Claim 2

- A claim for 70% of the benefit can be submitted 12 months after commercial production has commenced

Productive Assets: Claim 3

- A claim for 100% of the benefit can be submitted 24 months after commercial production has commenced

Competitiveness Improvements: Claim 1

- A claim can be submitted at the earlier of:
 - Completion of the focus area activities or
 - 12 months after commencement

Competitiveness Improvements: Claim 2

- Claim submitted on completion of the focus area activities

A valid tax clearance certificate from SARS must accompany all claims

Programme Objectives

- Increase production volumes
- Sustain employment
- Strengthen the Automotive Value Chain

EDC Company Profile

Enterprise Development Consultants (EDC) is a privately owned consultancy practice that specialises in Department of Trade and Industry (DTI) incentives. The DTI have over a number of years formulated sector specific incentive packages whereby new or expanding entities that are involved in 'qualifying activities' are able to secure cash incentives.

The management of EDC have collectively in excess of 30 years experience in DTI incentives and are 100% involved in the application and subsequent claiming processes. A performance related fee structure assures our clients that an application submitted by EDC is likely to qualify for the relevant incentive benefit. Further, EDC are committed to ensuring clients claims are paid by the DTI within the shortest possible time frame.

It is our experience that many industrialists have foregone significant incentive benefits due to a lack of knowledge in respect of the various incentive programmes. Further, industrialists often do not have the resources to research and administer these often changing and complex incentive benefits.



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