



Enterprise Development Consultants

Production Incentive Programme



The Industrial Development Corporation (IDC) targets the textile industry through the Production Incentive Programme, offering cash, tax free incentive. PIP focuses on rewarding capital investment, operational improvements and training costs.



What is the Production Incentive?

- A cash based, tax free incentive grant, focused on textile / footwear / CMT and leather manufacturers to improve overall competitiveness in these industries
- Offered through the IDC
- Focuses on upgrading of processes, products and people
- Aimed to assist industry compete against low cost producing countries
- Applications required to be submitted by 31 January each year
- Revised programme guidelines issued on 1 April each year

Who Qualifies

- SA and Foreign owned companies* based in SA engaged in the manufacture of:
 - Clothing
 - Textiles
 - Footwear
 - CMT (cut make and trim) operators
 - Leather processors and manufacturers**
 - Design houses

* (Pty) Ltd or CC
 ** Automotive leather goods manufacturing excluded
Excluded: Sec 21 / NGO's / Trusts / Partnerships

What is the Benefit

- Tax Free Cash Benefit
- Benefit may be applied to qualifying historical and future expenditure
- Calculated on the Manufacturing Value Addition (MVA)
- Current incentive is 7.5% of calculated MVA

| MANUFACTURING VALUE ADDITION (MVA) | |
|------------------------------------|---|
| | Net sales |
| Less | Net sales value of goods manufactured outside of SA |
| Less | Net sales value of other bought in finished goods |
| Less | Material input costs |
| Less | Outsourced CMT |
| = | MVA |

Upgrade Grant Facility

- Aimed at improving levels of competitiveness
- Benefit to be used for:
 - New equipment
 - Upgrading equipment
 - Developing people
 - Improved manufacturing processes
 - Optimising materials used
 - Developing new products
 - Settle existing loans used to fund qualifying expenditure

Competitiveness Improvements

- The following interventions may qualify
 - **People**
Training and wellness programmes
 - **Product**
New processes and new technologies
 - **Process**
Industrial engineering, world class manufacturing principles
 - **Market Development**
Market research, virtual showroom design, brand development

Claims Process / Redemption

- Applicants are required to acquire relevant investments included in the original application and/or to implement those interventions approved by the IDC
- Amendments in respect of qualifying expenditure will require a new redemption application to be prepared and approved

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.

Non-Qualifying Costs

- Normal operating costs
- Staff costs
- Vehicles
- Land and buildings

Claims Process

- Full benefit valid for period of two years from date of application approval
- Valid bargaining council compliance certificate required
- Upgrading investment costs to be linked directly to productivity and competitiveness improvement activities in the company

Application

- The MVA is calculated on audited annual financial statements not older than 15 months*
- Valid Tax Clearance Certificate
- FICA compliance documents
- Valid bargaining council compliance
- Latest EEA2 forms submitted to the department of labour
- Application to be submitted by 31 January

* Benefit may be applied to offset additional audit costs for close corporations



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