



**the dtic**

Department:  
Trade, Industry and Competition  
REPUBLIC OF SOUTH AFRICA

MHCV-AIS Guideline March 2023

# **Medium and Heavy Commercial Vehicles Automotive Investment Scheme (MHCV-AIS)**

## **a sub-component of the AUTOMOTIVE INVESTMENT SCHEME**

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### **PROGRAMME GUIDELINES**

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## Abbreviations and Acronyms

AGA	Associate General Accountant
AIS	Automotive Investment Scheme
B-BBEE	Broad-Based Black Economic Empowerment
CIPC	Companies and Intellectual Property Commission
IRBA	Independent Regulatory Board for Auditors
IT	Information technology
ITAC	International Trade Administration Commission of South Africa
MHCV-AIS	Medium and Heavy Commercial Vehicle - Automotive Investment Scheme
OEMs	Original Equipment Manufacturer
PAA	Productive Asset Allowance
PFMA	Public Finance Management Act
PRECCA	Prevention and Combating of Corrupt Activities Act
R&D	Research and Development
SABS	South African Bureau of Standards
SAAM	South African Automotive Master Plan
SAICA	South African Institute of Chartered Accountants
SAIPA	South African Institute of Professional Accountants
SARS	South African Revenue Service
SOP	Start of Production
the dtic	The Department of Trade, Industry and Competition
VAT	Value-Added Tax



## 1. Preamble

- 1.1 The purpose of this document is to detail the policy and guidelines for the Department of Trade, Industry and Competition's (**the dtic's**) Medium and Heavy Commercial Vehicles Automotive Investment Scheme (MHCV-AIS), a sub-component of the Automotive Investment Scheme (AIS).
- 1.2 The guidelines set out in this document are intended to enable enterprises to present their applications to the Department, and provide a framework for the Department to evaluate such applications. The purpose of the MHCV-AIS is to advance certain industrial policy objectives of **the dtic**. Granting of the incentive or approval of the application will only be for projects that meet the policy objectives of **the dtic**, as advanced by these MHCV-AIS guidelines. In order to qualify for the incentive, investment projects must obtain prior approval from **the dtic** to proceed accordingly, and any such decision in this regard will be final.
- 1.3 The guidelines may be amended by the Department from time-to-time and these amendments will be published on the Department's website, and will be of immediate effect upon publication thereof.
- 1.4 Where the guidelines lend themselves to varying interpretations or do not deal with specific subject matter, the interpretation of the Department must be requested, and such interpretation will be decisive and final; and may, from time-to-time, be published on the Department's website.
- 1.5 Approval of applications will be subject to the availability of funds and compliance with the incentive guidelines and relevant provisions of the Public Finance Management Act (PFMA).
- 1.6 **the dtic** retains the discretion not to approve an application despite the applicant meeting all the requirements as listed in the guidelines.



- 1.7 The approval of an incentive application does not give the Beneficiary any right to payment. An approval merely allows the Beneficiary to submit a claim form in accordance with the requirements and conditions of the incentive guidelines and this schedule.

## **2. Services Delivered by the Department**

- 2.1 No fees or charges are levied by the Department for the processing or evaluation of any MHCV-AIS applications or claims, and applicants are welcome to contact the Department directly for assistance and guidance on how to complete the application or claim forms.
- 2.2 It is the responsibility of the applicant to ensure that the application submitted to the Department is accurate and complete.

## **3. Programme Description**

- 3.1 The Medium and Heavy Commercial Vehicles Automotive Investment Scheme (MHCV-AIS) is a sub-component of the Automotive Investment Scheme (AIS), an incentive designed to support the continued growth and development of the South African automotive sector through contributing to the following key industry development objectives by 2035:
  - 3.1.1 Grow South African vehicle production to 1% of global output;
  - 3.1.2. Increase local content in South African assembled vehicles as envisaged in the SAAM;
  - 3.1.3 Double total employment in the automotive value chain;
  - 3.1.4 Transformation of the South African automotive industry value chain; and
  - 3.1.5. Deepen value addition within South African automotive value chains.
- 3.2 The MHCV-AIS provides for a non-taxable reimbursable cash grant as follows:
  - 3.2.1 Twenty percent (20%) of the value of qualifying investment in productive assets by medium and heavy commercial vehicle manufactures.



- 3.2.2 Twenty five percent (25%) of the value of qualifying investment in productive assets by component manufactures<sup>1</sup> and tooling companies for MHCV's as approved by the Department.
- 3.2.3 Notwithstanding the maximum investment, the maximum incentive amount will be guided by funds at hand and the investment proposition.
- 3.3 The MHCV-AIS programme provides investment support to medium and heavy commercial vehicle manufacturers, MHCV component manufacturers, MHCV tooling manufacturers and New Energy Vehicles (NEVs).
- 3.4 In all cases, grant payment is subject to an evaluation by the Department to determine whether the project complies with the guidelines and stipulated performance requirements.
- 3.5 The effective date of these guidelines is **1 April 2023**.

## 4. Qualifying Investment Period

- 4.1 The maximum qualifying investment period for the approved MHCV-AIS grant will comprise of:
- 4.1.1 A maximum investment period of twenty-four (24) months for commissioning, where such commissioning is applicable; and/or
- 4.1.2 A maximum investment period of twenty-four (24) months from Start of Production (SOP) date.

## 5. Mandatory Conditions

- 5.1 The applicant must be a registered legal entity in South Africa in terms of the Companies Act, No. 71 of 2008 (as amended); Companies Act, 1973 (as amended);

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<sup>1</sup> Component manufacturers are automotive component manufacturers, deemed component manufacturers, automotive tooling manufacturers and bus and truck body manufacturers as per Section 4 of the Customs and Excise Acts (4.60.17). This includes the value addition processes towards the final component.



or the Close Corporations Act, 1984 (as amended), and must undertake manufacturing in South Africa.

- 5.2 The applicant must be a taxpayer in good standing and must, in this regard, provide a valid tax clearance certificate and/or SARS PIN at all claim stages.
- 5.3 Existing original equipment manufacturers (OEM) applicants must be B-BBEE compliant in terms of the B-BBEE codes of good practice (achieve level 1 to level 4) and submit a valid B-BBEE certificate of compliance or sworn affidavit, as per the revised B-BBEE codes of good practice published in October 2013 (as amended) as of 1 July 2021.
  - 5.3.1 All OEM applications and claims submitted to the Department must be B-BBEE compliant in terms of the B-BBEE codes (achieve level 1 to 4). A valid B-BBEE certificate of compliance or sworn affidavit must be submitted, as per the revised B-BBEE codes published in October 2013 (as amended).
- 5.4 All CM applications and claims submitted to the Department must be B-BBEE compliant in terms of the B-BBEE codes (achieve level 1 to 6). A valid B-BBEE certificate of compliance or sworn affidavit must be submitted, as per the revised B-BBEE codes published in October 2013 (as amended).
  - 5.4.1 From the 31 December 2023 all CM applications and claims submitted to the Department must be B-BBEE compliant in terms of the B-BBEE codes (achieve level 1 to 4). A valid B-BBEE certificate of compliance or sworn affidavit must be submitted, as per the revised B-BBEE codes published in October 2013 (as amended).
- 5.5 New manufacturing enterprises in South Africa must be B-BBEE compliant in terms of the B-BBEE codes (achieve level 1 to 4) within thirty-six (36) months from the date of incorporation in South Africa. Prior to the thirty-six (36) month period, new manufacturing enterprises must be B-BBEE compliant in terms of achieving level 1 to 8 of the B-BBEE codes.
- 5.6 Exempted **Micro Enterprises (EME's)** as contained in the codes of good practice may submit a sworn affidavit as per applicable B-BBEE codes.
- 5.7 The grant will only be applicable to investment in assets that will be used in the entity's/project's South African operations.



- 5.8 The applicant must retain and create plant base year employment levels during the entire incentive period from application stage and throughout all claim periods for the approved project. For subsequent applications, the applicant must demonstrate that they have maintained or increased plant base year employment.
- 5.9 All applicants must adhere to applicable sectorial minimum wage confirmed by an independent external auditor or accredited person with all claims
- 5.10 The applicant must submit a business plan with a detailed marketing and sales plan, a production plan, budget and projected financial income statement and balance sheet, for a period of at least three (3) years for the project.
- 5.10.1 The applicant must, in addition to the information supplied in 5.10, submit a projected financial income statement and balance sheet for a period of at least three (3) years of the relevant division where the project is located, if applicable.
- 5.10.2 In the case of component manufacturers and tooling companies; the following documents but not limited to a letter of intent/confirmation letter and/or purchase order on the letterhead of the awarding OEM/customer, should be submitted with the application.
- 5.10.3 Completed applications should reach the offices of the Department no later than:
- 5.10.3.1 One hundred and twenty (120) calendar days prior to start of production for medium and heavy commercial vehicle manufacturers; and
- 5.10.3.2 Ninety (90) calendar days prior to start of production for all component manufacturers.

## **6. Transitional Provisions**

- 6.1 All projects with a start of production (SOP) date until 31 March 2023 will be considered under the previous MHCV-AIS guidelines.
- 6.2 Projects for both medium and heavy commercial vehicle manufacturers and all component manufacturers with a SOP date from 1 April 2023 to 31 July 2023, should reach the offices of the Department no later than 1 August 2023 (and do not have to comply with 5.10.3).





- 6.3 All projects with a SOP from 1 August 2023 and beyond, should comply with provisions of section 5.10.3.

## 7. Qualifying Projects

- 7.1. Medium and heavy motor vehicle manufacturers that wish to participate have to register with the International Trade Administration Commission of South Africa (ITAC) and thereafter register with the South African Revenue Service (SARS). The registration with ITAC is in terms of Note 1 to Chapter 98 of the Customs and Excise Act, 1964.
- 7.1.1 The requirements for registration will be determined by ITAC through its registration process and provisions thereof will be stipulated on the ITAC registration certificate.
- 7.2 The project must be undertaken by a component manufacturer, a deemed component manufacturer, an automotive tooling company, new energy vehicles component manufacturers as well as Bus and Truck body manufacturer who are part of the original equipment manufacturer (medium and heavy commercial vehicle manufacturer) supply chain.

## 8. Eligibility Criteria

### 8.1 Truck Manufacturers

- 8.1.2 An existing or new manufacturer of medium and heavy motor vehicles (trucks) has to comply with the extent of assembly (i.e. C.K.D. definition as specified in Note 5 to Chapter 98.) The minimum extent of assembly required to be undertaken within SA for purposes of participating in the MHCV entails that:
- 8.1.2 The 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;
- 8.1.3 The body or cab has to be fitted to the floor pan or chassis frame within South Africa.



## **8.2 Bus Chassis Manufacturers**

- 8.2.1 The chassis, engine and transmission assemblies must comply with the CKD definition of Note 5 as stipulated in Chapter 98 of the Customs and Excise Act", 1964".
- 8.2.2 Projects will be required to comply with the amended CKD definition as specified. The projects that do not comply with the revised definition will not be supported under the MHCV-AIS.

## **8.3 New Energy Vehicles (NEVs) OEM and component manufacturers requirements**

### **8.3.1 To qualify for the grant of 30%, new energy vehicles manufacturers must demonstrate the following:**

- 8.3.1.1 Produce a minimum of 1000 production units per annum unless otherwise stipulated as per approved policy directive.
- 8.3.2 For New Energy Vehicle component manufacturers, a contract must have been awarded of above R2 million by an entity or OEM for the manufacture of components to supply directly into a new energy vehicle (NEV) automotive investment project locally and/or internationally.

## **8.4 Component Manufacturers**

### **To qualify for the base grant of 25%, component manufacturers must demonstrate the following:**

- 8.4.1. A component manufacturer that can prove that a contract is in place and/or a contract has been awarded and/or 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
- 8.4.2. A local/ international OEM supply chain turnover of at least twenty-five percent (25%) of total entity turnover; or R10m in OEM supply chain invoicing per annum.
- 8.4.3 In the case of Bus Body Manufacturers where the contract is awarded by the entity to the original equipment manufacturer (OEM) to supply the chassis (for example if the Bid to supply busses was awarded to the Body Manufacturer), proof must be provided

that the bid has been awarded and a contract has been entered to with the OEM for the supply of the chassis to the Body Manufacturing entity.

8.5 All applicants must adhere to legislative requirements governing the sector.

## 9. Qualifying Productive Assets and Investment Costs

The following productive assets and investment costs (to be used in the entity's South African operations) may qualify for assistance under the MHCV-AIS:

### 9.1 Owned buildings and/or improvements to owned buildings

9.1.1 The investment in qualifying buildings must constitute newly acquired or constructed buildings and/or building improvements at cost, whether as part of a new project or expansion, and **must be owned by the applying entity**. Calculation of the investment grant, with respect to buildings, will take into account the area of the factory and, warehousing space utilised for the project. The cost of qualifying investment in buildings is limited to the cost of the qualifying investment in machinery and equipment.

### 9.2 New plant, machinery, equipment and tooling

9.2.1 Plant, machinery, equipment and tooling (owned by the applicant/legal entity or leased by way of a financial lease, capitalised in the financial statements), at cost, will qualify.

9.2.2 By way of example such plant, machinery and tooling include:

- Jigs, dies and moulds;
- In-plant logistics (software and hardware);
- Raw material handling equipment;
- Fork Lifts;
- Production, testing and design equipment; and
- Information technology (IT) equipment and supporting software, used in the manufacturing process.



### 9.3 Second-hand, refurbished and upgraded plant, machinery and tooling

- 9.3.1 Only actual costs of second-hand, upgrading or refurbishing and installing plant, machinery, equipment and tooling may be considered.
- 9.3.2 In this context **'second-hand', 'refurbished' or 'upgraded' and installed' plant, machinery and tooling** refers to those assets that have not been used previously by the applicant, have not been previously owned by the related or connect party and have not formed the basis for receipt of any South African government incentive or grant.
- 9.3.3 Any claim for second-hand, refurbished or upgraded and installed plant, machinery and tooling assets must be accompanied by the Department's consulting engineer's asset verification assessment report or a **dtic** inspection report confirming the cost of the asset, as well as the invoice of the asset. The Department will accept the lower value of the consulting engineer's assessment or **the dtic** inspection report or the invoice.
- 9.3.4 All imported second-hand assets **not previously owned by the related or connected party** must be accompanied by an asset verification assessment report from the Department's appointed consulting engineer, certifying the level of technology to be equivalent or better than the level currently used in South Africa. The intention is to ensure that assets brought into the local industry are of an acceptable level of technology and is claimed against at fair value.
- 9.3.5 Where an applicant/legal entity applies or claims for the refurbishment or upgrading and installation of plant, machinery or tooling, of which the legal entity is the owner, only the actual costs of upgrading or refurbishing may qualify.
- 9.3.6 Second-hand plant, machinery, equipment or tooling may be regarded as qualifying investment assets provided they meet the following conditions:
- 9.3.6.1 Those productive assets that will be second hand, upgraded or refurbished must be specified. Full motivation must be provided why the second hand assets should qualify in terms of the overall objectives of the MHCV-AIS as set out in these guidelines. In



particular it should be motivated that the use of the 'second-hand' assets would but not limited to:

- be technologically advantageous to the project;
- provide for high standard production facilities;
- lead to the manufacture of products that meet/exceed the quality standards required for sustained competitiveness in the global market;
- have at least, a three (3) years productive life span for the purpose of use in the project; or have the same productive life span as a new asset where the productive life span of a new asset is less than three years.

#### **9.4 Capital Investment Costs in Energy Efficiency (UPS/Solar)**

9.4.1 Capital Investment in energy efficiency may qualify for an incentive to a maximum grant of two (2) million Rand.

9.5 Approval of all assets set out above will be provisional pending the consulting engineer's assessment or **the dtic** inspection report and recommendation at the claim assessment phase.

### **10. Competitiveness Improvement Costs for Component Manufacturers**

10.1 The objective of this benefit is to enhance the competitiveness of component manufacturers through the improvement of processes, products, quality standards and related skills development through the use of business development services.

10.2 This grant will be based on the grant percentage that the component manufacturer's investment project has been approved for and must be linked to an investment in assets (as per paragraph 9) to be used in support of a contract to supply into a medium and heavy commercial vehicle manufacturer supply chain locally or internationally.

10.2.1 Where the competitiveness improvement grant application is made separately from an application for a capital investment grant the grant will be capped at fifteen percent (15%) of the qualifying costs. To qualify for this grant the applicant must have an OEM contract that is current<sup>2</sup>.

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<sup>2</sup> Provide proof that a contract is in place and/or a contract has been awarded for the manufacture of components to supply into the Medium and Heavy Commercial Vehicles manufacturers supply chain locally and/or internationally and that the applicant is currently (at the date of application for competitiveness improvement grant) servicing that OEM contract.



10.3 The grant will be limited to the competitiveness improvement costs incurred within the first two (2) years after the start of production date and also limited to a total grant amount of R1 million per entity per two (2) year cycle.

10.4 Projects that have benefited from any other competitiveness enhancement programmes of the Department cannot claim this benefit.

**10.5 Qualifying costs are as follows:**

FOCUS AREAS	CATEGORIES	CONSULTING FEES AND EXPENSES
Process improvement/ Optimisation	Process improvement	Introducing new improved processes
Conformity Assessment	Quality management improvement, Environmental management improvement, process capability improvement and Product quality improvement	Costs for preparations for certification and pre/initial assessment costs
	Accreditation  Energy efficiency and cleaner production audits, e.g. ISO 50001, ISO 50010	Costs for preparations for accreditation and pre-/initial assessment  Audit and accreditation costs  -Certification, measurement and verification costs
Product improvements	Product efficiency, or improvement of production techniques	Fees for the design of production information systems
Skills Development	Training accredited by SAQA as well as internationally recognised	Short Course fees <sup>3</sup>

<sup>3</sup> The duration of a short course is one that is for a period of five (5) weeks or one hundred and fifty (150) national hours or below.



	training in automotive manufacturing related technical fields.	
Information technology Systems	Acquisition and deployment of systems	Acquisition of software for integrated production, information systems

## 11. Exclusions and Limitations

### 11.1 Non-Qualifying Assets/Investment Costs

The following is a list of assets and investment costs that do **NOT** qualify under the MHCV-AIS:

- 11.1.1 Any assets that are not directly utilised in the manufacturing of the product;
- 11.1.2 Assets acquired by way of an operational lease agreement;
- 11.1.3 Land, lease holding improvement on the buildings & leased buildings;
- 11.1.4 Vehicles, including prototypes;
- 11.1.5 Loose implements/hand tools classifiable under Chapter 82 of the Customs and Excise Act;
- 11.1.6 Office administration building and equipment/furniture;
- 11.1.7 Canteens, canteen furniture and catering equipment;
- 11.1.8 Site services, parking, consumables such as but not limited to fuel and maintenance, even if related to qualifying assets;
- 11.1.9 Vehicle Distribution Centres;
- 11.1.10 Housing;
- 11.1.11 Revaluated assets;
- 11.1.12 Developmental cost & In-house labour costs and connected party costs as determined by **the dtic**);
- 11.1.13 Value-Added Tax (VAT) and finance charges on assets; and
- 11.1.14 Rates and taxes;
- 11.1.15 Travel and accommodation costs associated with overseas and local training courses.
- 11.1.16 Any pre-production expenses incurred outside South Africa such as training, salaries, consulting fees, but not limited to this.
- 11.1.17 Marketing equipment and billboards;
- 11.1.18 Miscellaneous costs including (capitalisation of) costs such as Management Fees, etc or as determined by **the dtic**.



## **11.2 General Exclusions and Limitations**

- 11.2.1 Projects by component manufacturers with a qualifying investment below R2 million and projects without a contract or letter of intent to supply the OEM, will not qualify for assistance under the MHCV-AIS. This excludes NEV component manufacturers.
- 11.2.2 Standalone competitiveness improvement applications by component manufacturers, and tooling companies below R250 000, will not qualify for assistance under MHCV-AIS.
- 11.2.3 Projects by original equipment manufacturers, below R50 million and/or without ITAC registration, will not qualify for assistance under the MHCV-AIS.
- 11.3 Projects that benefit from other capital investment incentives offered by the Department will not qualify for assistance under the MHCV-AIS grant.  
Further:
  - 11.3.1 Non-Profit Organisations (NPOs) and trusts do not qualify;
  - 11.3.2 The approved project must notify the Department in writing within thirty (30) calendar days from the date of approval letter of any changes in the start of production date. The new SOP date must be within ninety (90) calendar days of the original approved SOP date.
  - 11.3.3 Financial lease assets must be capitalised in the balance sheet in order to be considered as qualifying for purposes of the incentive claim.
  - 11.3.4 Component manufacturers that do not meet the requirements of paragraph 8.3.

## **12. Grant Disbursements**

- 12.1 Grant payment schedule and performance requirements will be included in the approval letter.

## **13. Claims Submission**

- 13.1 It is the responsibility of the entity to provide complete and accurate information to the Department in order to enable speedy and correct evaluation and processing of the investment grant.





- 13.2 Only a claimant that demonstrates an investment in qualifying assets on an approved project may claim for the MHCV-AIS grant.
- 13.2.1 Documented capital expenditure and tagged assets for all claims for OEMs and for first claims for Component Manufacturers may be certified by an accredited Consulting Engineer appointed by the Department. This may entail an inspection on site.
- 13.3 The Department reserves the right to have an independent audit done in respect of the approved project at any claim stage.
- 13.4 To claim for the MHCV-AIS grant, the entity must submit the following documents to the MHCV-AIS Programme Manager at the Department:
- 13.4.1 A completed claim form, duly signed by a person authorised by a resolution of the Board of Directors of the company and an independent external auditor or accredited person must be submitted. Each page of the claim form as well as the asset list/schedule must be initialled by the authorised representative of the applicant; as well as the external auditor or accredited person. On the last page of the claim form a full signature (s) is required.
- 13.4.2 The following supporting documents must be submitted together with each claim:
- 13.4.2.1 Latest audited financial statements not older than two (2) years for the entity and the project as well as management accounts in the case of divisions, cost centres and branches; not older than two (2) years.
- 13.4.2.2 A duly signed Factual Findings Report for the claim period.
- 13.4.2.3 A valid B-BBEE verification certificate reflecting compliance to the B-BBEE codes of good practice as per **Section 5.3** or a sworn affidavit for entities with a turnover of less than 10 million.
- 13.4.2.4 A valid tax clearance certificate or SARS PIN of the entity; and
- 13.4.2.5 A duly completed credit order instruction form not older than six (6) months as well as written confirmation of the bank details of the approved entity.
- 13.4.2.6 A copy of the approval letter received from the Department.
- 13.4.2.7 The confirmation of sound financial management in terms of section 38(1) (J) of the PFMA, to be on the company's letter head, duly signed by the authorised person.
- 13.4.2.8 Declaration by the applicant.
- 13.4.2.9 ITAC registration certificate for OEMs.



- 13.4.2.10 Purchase Order or Supply Agreement or Invoice or Letter of intent or Delivery notes for the project.
- 13.4.3 A schedule of the qualifying productive assets stating; description, new/second-hand/refurbished, date purchased, date taken into production, asset numbers, source of origin and capitalisation values/costs.
- 13.5 The value of the claim may be based on investment in qualifying assets as certified by a Consulting Engineer or External Auditor of the claim or internal processing of the claim including **the dtic** inspector's report.
- 13.6 Each asset must be provided with a unique asset number that must be affixed or engraved on the asset wherever possible. This must be done in a manner that should endure for the duration of the project as prescribed in attachment to the approval letter. Such asset numbers must correspond to those in the claim asset list as specified.
- 13.7 Confirmation of employment breakdown at plant level in terms of race, gender, youth and disability aligned to the claim form.

## 14. Conditions Regarding Grant Disbursement

- 14.1 Claims must be submitted within four (4) months after the end date of the specified claim period.
- 14.2 Payments shall be made directly into the bank account of the approved entity only. The name and addresses of the account holder must be the same as that of the applicant.
- 14.3 Offshore assets of approved MHCV-AIS entities will be excluded for grant calculation
- 14.4 Should there be material changes to the main business under which the grant was approved, the Department must be informed without delay and this may cause the grant approval to be cancelled in which event the entity shall be expected to reapply to the Department, provided that the entity will be evaluated as at the date of the new application and will be subject to all the requirements applicable to applicants as at the date of the new application. The Department does not accept any liability should the entity undergo material changes and does not qualify for a new application due to e.g. time period lapses or any other reason.



## 15. General Conditions

- 15.1 The Department must be notified in writing of any material changes related to the investment project and the changes must be approved by the Department prior to being effected.
- 15.2 The Department may, under certain market or production circumstances, adjust the requirements and conditions of the scheme or grant approval. Any such adjustments will be at the sole discretion of the Department. The decision of the Department in this regard will be final.
- 15.3 In order to evaluate the impact of the programme, the Department may require that for a period of two (2) years after completion of the claim period, the client completes the project monitoring report annually. This requirement forms part of the terms and conditions subject to which the MHCV-AIS grant is approved and paid out.

## 16. Additional Legal Conditions

- 16.1 The following are *inter alia* considered a circumvention of MHCV-AIS Guidelines and will lead to the rejection of an application or claim:
- 16.1.1 Changing the business set-up, composition, structure or operations, processes or products in order to make the project qualify.
- 16.1.2 Manipulation of inter-company assets, products, services and processes.
- 16.1.3 Any other action that, at the sole discretion of the Department, can be regarded as circumvention to allow the entity, which otherwise would not have qualified, to qualify for assistance under the MHCV-AIS grant.



## 17. Decision Review Process

- 17.1 Any dispute relating to a decision (including the rejection of an application and/or claim and/or cancellation of an approved project) by **the dtic** may be subjected to one internal appeal.
- 17.2 An appeal must be lodged within thirty (30) days of the date of issue as set out in the notification letter.
- 17.3 An applicant (hereinafter referred to as “the appellant) who is aggrieved by any decision taken by **the dtic** is limited to one (1) appeal in respect of that decision as the same matter may not be referred back for appeal unless the matter has been referred back for further information/investigation.
- 17.4 The appeal must be accompanied by a written explanation setting out the decision appealed against and the issues to be considered and any documentary evidence upon which the appeal is based.
- 17.5 Although there is no prescribed format for the submission for an appeal, the appeal must:
- 17.5.1 Be submitted in duplicate, if submitted physically.
  - 17.5.2 Attach a letter communicating the decision appealed against.
  - 17.5.3 If longer than 15 typed pages (excluding annexures), contain an executive summary of no more than two pages, be indexed and paginated.
  - 17.5.4 Be signed by and provide full details of the Appellant or his/her/its representative and, in the latter instance, include proof of mandate to lodge the appeal on behalf of the applicant.
- 17.6 An appeal must be lodged with the Director: Legal Services: Industrial Financing Branch at the following email address: Appeals@thedtic.gov.za or hand delivered at:
- DEPARTMENT OF TRADE, INDUSTRY AND COMPETITION
- the dtic** Campus, 77 Meintjies Street
- Block A



Sunnyside, Pretoria, 0002

Attention: Director: Legal Services

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- 17.7 Receipt of the appeal will be acknowledged in writing within five (5) working days of such receipt.
- 17.8 The outcome of the appeal will be communicated to the Appellant.

## **18. Criminal, Misleading, Dishonest and/or Irregular Activities**

- 18.1 The Department may, upon a suspicion of any of the above activities, suspend payments that may be due or may become due to an applicant. The Department shall not be liable for any damages or interest, pending the finalisation of any forensic investigation and any criminal proceedings brought as a result of the investigation.
- 18.2 Findings of an investigation indicating such activities will be sufficient to allow the Department to cease all payments and reclaim any payments already made, with mora interest.
- 18.3 The Department subscribes to the principles set out in the Prevention and Combating of Corrupt Activities Act, 12 of 2004 (PRECCA). Applicants are requested to contact the Department fraud hotline on 0800 701 701 should they wish to report any suspicious behaviour.
- 18.4 A duty rests on the applicant and/any other person that may benefit from the scheme to disclose everything that may have an influence on the adjudication of the application and/or claim. Failure thereof will lead to termination/cancellation/suspension of the application/claim and criminal prosecution and or civil claim.



## 19. Monitoring, Reporting and Impact Assessment

- 19.1 All approved projects may be monitored to assess how MHCV-AIS is contributing towards the strategic objectives of the grant and its intended outcomes.
- 19.2 The Department, and/or its appointed accredited consulting engineer, may conduct a site visit to a project/entity at application stage, at any claim stage or any time after an application or claim has been submitted.
- 19.3 In addition to the site inspection, the Department may request project monitoring information at each claim stage and may require clients to complete a project monitoring report.
- 19.4 The information in the claim form may be used for monitoring purposes.
- 19.5 In addition to the site inspection and project monitoring information, the Department may conduct evaluation studies, as and when required. Approved applicants are required to participate in these processes in order to inform how best to improve the effectiveness and efficiency of the incentive. These processes may occur up to three (3) years after the final claim and the company may be required to provide supporting documentation as verification of the information.

## 20 PROTECTION OF PERSONAL INFORMATION

- 20.1 **the dtic** processes personal information as defined in the Protection of Personal Information Act, 2013 (Act No. 04 of 2013) in lieu of the business activities that it performs. The department uses this information to assess and evaluate applications/claims.
- 20.2 In the majority of instances personal information will be collected directly from the Applicant/Claimant/Recipient through application/claims forms and other means. **the dtic** may, however, also supplement information provided with information received from other governmental bodies such as the SARS; or information provided by you through third parties such as National Treasury and the South African Police Service (SAPS).



- 20.3 **the dtic** may disclose personal information to other Government departments/entities or third parties in line with the purpose for which the information was collected.
- 20.4 Any person has the right of access to their personal information in the possession of **the dtic** and the right to request that **the dtic** correct any errors relating to the information that **the dtic** has on record.
- 20.5 Any person who is dissatisfied with the manner in which **the dtic** is processing his/her/its personal information is entitled to lodge a complaint with the Information Regulator, whose contact details are:
- JD House, 27 Stiemens Street, Braamfontein, Johannesburg, 2001
- P.O Box 31533, Braamfontein, Johannesburg, 2017
- Complaints email: [complaints.IR@justice.gov.za](mailto:complaints.IR@justice.gov.za)
- 20.6 **the dtic's** detailed Privacy Policy can be obtained at: <http://www.thedtic.gov.za/wp-content/uploads/Privacy-Policy.pdf>

## 21. Annexure A:

### Section A: Glossary of Terms and Definitions

1.	<b>'MHCV-AIS approval'</b> : The document from the Department to the applicant, setting out the terms and conditions of the MHCV-AIS incentive being offered to the applicant, which will by implication include the terms and conditions set out in these guidelines ('implied terms').
2.	<b>'Applicant' or 'Entity'</b> : This refers to a business registered as a legal entity in South Africa. The word 'entity' is used here to refer to an applying business, or one that has qualified for the incentive, or one which is claiming from the MHCV-AIS incentive programme.
3.	<b>'At cost'</b> : This refers to the actual asset price at purchase time. For purposes of the incentive programme, the investment grant will be calculated and paid based on the lower of the actual historical cost paid for the asset; cost price of the asset; the market value of the asset; or a valuation by an independent valuator.
4.	<b>'Automotive tooling'</b> : Refers to (i) dies for drawing and extruding metal; (ii) tools for pressing, stamping or punching; (iii) work holders; (iv) assembly jigs and assembly lines; (v) injection moulds, moulding patterns and moulds where the principle use is for the manufacture of specified motor vehicles, heavy vehicles and automotive components for such vehicles.
5.	<b>'Buses'</b> : Refers to motor vehicles for the transport of thirty six (36) or more persons, including the driver
6.	<b>'Capital work-in-progress'</b> : These are assets that are not yet fully installed or are still being prepared for the production process and are not yet part of the production process.
7.	<b>'Start of production date'</b> : This refers to the date commercial production started.
8.	<b>'Component manufacturers' including 'deemed component manufacturers'</b> : This refers to medium and heavy commercial component manufacturers, including deemed component manufacturers and
9.	<b>'Connected party/persons/non-arm's length transactions'</b> : A 'connected party', as described in the Income Tax Act, No. 58 of 1962, which, as at April 2007, could be defined, in relation to a natural person, as any relative, and any trust of which such natural person or such relative is a beneficiary. In relation to this definition, 'arm's length transactions' will mean the opposite.
10.	<b>'Employees'</b> : These are persons who work a minimum of forty (40) hours a week for the same employer and are on the employer's payroll.
11.	<b>'Financial year'</b> : This denotes the period referred to in the entity's financial statements, and as registered with the Companies and Intellectual Property Commission(CIPC), irrespective of the calendar period thereof.
12.	<b>'Full-time Equivalent Employment'</b> : This term refers to contract/seasonal/temporary employees. One full-time employee will be the equivalent to 1 920 hours worked per year.





13.	<b>'Full investment'</b> : This refers to an investment that enables a project to start producing commercially.
14.	<b>'Independent external auditor' or 'accredited person'</b> : - In respect of a Company, this means the independent external auditor. - In respect of a Close Corporation, this means practising members of the South African Institute of Professional Accountants (SAIPA); practising members and Associate General Accountants (AGAs) of the South African Institute of Chartered Accountants (SAICA) and/or AGAs; and individuals or enterprises/practices registered as auditors 26 with the Independent Regulatory Board for Auditors (IRBA).
15.	<b>'Investment commissioning'</b> : This refers to the process of assuring that plant and machinery are installed, tested and operated, according to the operational requirements of the project.
16.	<b>'Machinery and equipment and tools'</b> : These are the machinery, implements, tools, utensils or articles used in a qualifying production process. 'Machinery and equipment' does not include <i>inter alia</i> commercial vehicles, office furniture, or office equipment.
17.	<b>'Material changes'</b> : These are changes that, if known at application stage, could have affected approval of the project e.g. changes in business set-up, location, composition, structure of operations, processes or products as well as a change in the physical address/location of the approved project.
18.	
19.	<b>'Plant Base year employment'</b> : This term refers to a period of twelve (12) months prior to start of production.
20.	<b>'Project'</b> : This refers to any investment in plant, machinery and equipment by a medium and heavy commercial vehicle manufacturer to produce in accordance with the complete knock down principle or to contribute to the competitiveness of the plant. In respect of a component manufacturer it means any investment in plant, machinery and equipment to manufacture components for the medium and heavy commercial vehicle manufacturers meeting the requirements of 8.4.
21.	<b>'Real terms'</b> : This term refers to an increase in nominal value, adjusted to the effect of inflation, i.e. less average inflation.
22.	<b>'Second-hand'</b> : This refers to a production asset that has already been in productive operation, while a 'new asset' refers to one that has not yet been in production. A production asset that has been upgraded, refurbished, modernised, or reconstructed is regarded as second-hand.
23.	<b>'Shareholding'</b> : This refers to shareholding in a Company, membership in a Close Corporation, or membership/ownership of a Co-operative.
24.	<b>'Substantial'</b> : This term is determined by taking into consideration the entity's current status, improvements over a period of time, industry benchmarks and prevailing market conditions. The entity should be comparative to similar plants in South Africa or anywhere in the world. In this regard, the Department may be contacted for guidance on what would constitute 'substantial', with reference to a specific project.
25.	<b>'Total qualifying investment costs' or 'total qualifying assets'</b> : In respect of new projects, this refers to the investment, qualifying and non-qualifying, to be made in the project. In respect of expansions, this refers to all additional investments already made, as well as the qualifying and non-qualifying investments to be made in the expansion.
26.	<b>'Trucks'</b> : This refers to a commercial vehicle for the transport of goods
27.	<b>'Warehousing'</b> : Refers to a commercial building for the storage of material inputs and goods/components to be used in the manufacturing as well as buildings to be used for the storage of



	finished products/ motor vehicles. The cost of the warehouse will include all fixtures that can be capitalised
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**Approved by:**

Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Designation: \_\_\_\_\_

Date: \_\_\_\_\_

**Contact Details of the MHCV-AIS Administrator**

*Programme Manager: Automotive Investment Scheme*

*Industrial Financing Branch (IFB)*

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*Sunnyside*

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