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Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

THE NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NO. 4079

MP Mr M J Cuthbert (DA) to ask the Minister of Trade, Industry and Competition:

Whether he will furnish Mr M J Cuthbert with a list of special economic zones that offer a reduced income tax rate; if not, why not; if so, what (a) total number of companies have utilised the specified benefit in the (i) 2021-22 and (ii) 2022-23 financial years and (b) is the corresponding value of the tax discount for each specified financial year? NW5355E

REPLY:

(a) The Special Economic Zone (SEZ) tax incentive was introduced into the Income Tax Act to promote investment, growth and job creation in the South African manufacturing sector and the development of designated regions. On 6 July 2018, the Minister of Finance issued Government Gazette 41758, with the following SEZ's eligible for purposes of the reduced income tax rate:

- COEGA Special Economic Zone
- Dube Trade Port Special Economic Zone
- East London Special Economic Zone
- Maluti-a-Phofung Special Economic Zone
- Richards Bay Special Economic Zone
- Saldanha Bay Special Economic Zone

A qualifying company can only benefit from the tax incentive if it is located within an eligible SEZ and based on financial considerations to the state, as required by section 12E(3) of the Income Tax Act. The potential benefits are:

- A reduced corporate income tax rate of 15%; and

- An accelerated depreciation allowance of 10% on cost of any new and unused buildings or improvement owned by the qualifying company.

In terms of the qualifying criteria, 90% of the companies income must be derived from the carrying on of business or provision of services within that SEZ; and no more than 20% of the deductible expenses incurred or 20% of the income received by or accrued to the company are from transactions with connected persons that are residents or with non-residents and those transactions are attributable to a permanent establishment in the Republic.

With regards to the depreciation allowance, companies do not qualify, if the buildings are owned by the SEZs themselves.

(i) and (ii) According to information provided by the qualifying SEZs for the financial years 2020-21 and 2022-23, 9 companies applied for the reduced income tax rate. Three (3) companies in COEGA and six (6) companies applied in Dube Trade Port for the reduced income tax rate.

(b) The disclosure of the total value of the tax discounts for companies is governed in terms of the Tax Administration Act, 2011, administered by SARS. Taxpayer information is subject to the confidentiality provisions, which contained in Chapter 6 (sections 67 to 74) of the Act.

Access to information can be directed through the relevant portfolio committee to SARS.

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