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SECTION 1: BACKGROUND

The South African Government seeks to transform the economy into a globally competitive industrial economy, built on the full potential of all citizens and regions.

One of the critical tools for accelerating the country’s industrial development agenda is on the new Special Economic Zone (SEZ) Programme, which was mandated by the SEZ Act, proclaimed in February 9, 2016. SEZs are a tool to help (i) promote industrial agglomeration, (ii) build the required industrial infrastructure, (iii) promote coordinated planning among key government agencies and the private sector, and (iv) guide the deployment of other necessary development tools. Below is a list of designated and planned SEZs in South Africa.
1. LIST OF DESIGNATED SEZs

South Africa has 11 SEZs located in different provinces, namely:

1.1. COEGA SEZ (EASTERN CAPE)

The Coega SEZ is the largest in Southern Africa. It was designated in 2001 and became South Africa’s first IDZ. It is strategically located in the Nelson Mandela Bay Metropolitan Municipality on the East-West trade route, to service both world and African markets. The Coega SEZ leverages public-sector investment to attract foreign and domestic direct investment in the manufacturing sector with an export orientation. The SEZ has attracted investment in the agro-processing, automotive, aquaculture, energy, metals logistics and business process services sectors. This has advanced socio-economic development in the Eastern Cape through skills development, technology transfer and job creation.

For more information, visit www.coega.co.za

1.2. RICHARDS BAY SEZ (KWAZULU-NATAL)

The Richards Bay SEZ is a purpose-built and secure industrial estate on the north-eastern South African coast. The N2 business corridor links the province’s two major ports, Durban and Richards Bay, and connects with Maputo in Mozambique and, ultimately, areas of East Africa. It is linked to an international sea port of Richards Bay, tailored for the manufacturing
and storage of minerals and products to boost beneficiation, investment, economic growth and, most importantly, the development of skills and employment. First-world infrastructure allows for full exploitation of the area’s natural and strategic advantages. Through the superb industrial infrastructure, well-established network of shipments, and tax- and duty-free incentives, the SEZ aims to encourage international competitiveness and attract export-orientated manufacturing investment.

For more information, visit www.rbidz.co.za

1.3. EAST LONDON SEZ (EASTERN CAPE)

Innovation, efficiency, growth and sustainability are key to the East London SEZ (ELSEZ). Established in 2003 as part of the South African Government initiative to improve industrial competitiveness and economic growth in the country, the zone has become a prime industrial park, renowned for its customised solutions for various industries, including automotive, agro-processing and aquaculture. The ELSEZ offers growth-oriented companies a specialised manufacturing platform, innovative industrial and business solutions, and access to new markets and strategic industry networks.

The SEZ is located in Buffalo City, the municipal area that incorporates Bhisho, the province’s capital, and King William’s Town. It is one of the first IDZs in South Africa to be operational and is an ideal choice for the location of
exported manufacturing and processing, providing investors with connections to major markets, locally and across the globe.

For more information, visit www.elidz.co.za

1.4. SALDANHA BAY IDZ (WESTERN CAPE)

Former President Jacob Zuma launched the Saldanha Bay SEZ (SBSEZ) in the Western Cape on 31 October 2013 and handed over the operator permit. It is envisioned that this SEZ will serve as the primary oil, gas and marine repair engineering and logistics services complex in Africa, servicing the needs of the upstream oil exploration industry and production service companies operating in the oil and gas fields off Sub-Saharan Africa. Situated approximately two hours north of Cape Town, the SBIDZ will include logistics, repairs and maintenance, and fabrication activities.

For more information, visit www.sbidz.co.za

1.5. DUBE TRADEPORT SEZ (KWAZULU-NATAL)

Dube TradePort is a catalyst for global trade and a portal between KwaZulu-Natal and the world. It is the only facility in Africa that brings together an international airport, cargo terminal, warehousing, offices, retail sector, hotels and agricultural area. Located 30km north of Durban, Dube TradePort is positioned between the two biggest sea ports of Southern Africa, and linked to the rest of Africa by road and rail.
Areas that have been designated as the SEZ are the Dube TradeZone and the Dube AgriZone. The facility offers space for warehousing, manufacturing and assembly of goods, complete with a single facility in which all freight-forwarders and shippers are located (Dube TradeHouse). There is also a direct link to the adjacent Dube Cargo Terminal via an elevated cargo conveyor system.

The Dube AgriZone is a high-tech, future-farming facility that hosts the continent’s largest climate-controlled growing area under glass and focuses on high-value, niche agricultural and horticultural products. The AgriLab will look into specialised tissue culture, greenhouses, and flowers and plants, all of which require swift air transportation.

For more information, visit www.dubetradeport.co.za

1.6. MALUTI-A-PHOFUNG SEZ (FREE STATE)

Maluti-A-Phofung SEZ in Harrismith, Free State, lies at the mid-point of the crucial Durban-Johannesburg logistics route. This newly established SEZ offers exporters a logistics base that facilitates access to the Port of Durban, and intermodal logistics solutions for the transfer of freight between road and rail. The zone is well-suited and licensed for general manufacturing, offering a convenient production base for light and medium manufacturing. With excellent logistics links by road or rail to South Africa’s industrial heartland, the Port of Durban and the southern Bloemfontein-Cape Town route, the
SEZ is a natural choice for investors seeking a cost-effective location to service domestic and export markets.

In addition, the SEZ intends building on existing strengths to attract agro-processing industries to an area that has good access to the products of the agriculturally rich Free State. It harbours intentions of acting as an agglomeration, storage and logistics point for agricultural produce. Owned by the Free State Development Corporation, this site has existing facilities that can be leased immediately, and is currently upgrading both the internal road and utility infrastructure to meet expected demand.

For more information, visit www.fdc.co.za

1.7. OR TAMBO SEZ (GAUTENG)

The OR Tambo SEZ aims to develop land around OR Tambo International Airport to stimulate economic development through the use of the SEZ mechanism. The OR Tambo SEZ supports the growth of the beneficiation of precious metals and minerals sector, with a focus on light, high-margin, export-oriented manufacturing of South African precious and semi-precious metals. The multi-site development at OR Tambo SEZ consists of several industry-specific precincts and will be developed in phases over a 10- to 15-year period.

For more information, visit www.gidz.co.za
1.8. **MUSINA/MAKHADO SEZ (LIMPOPO)**

The Musina/Makhado SEZ comprises two geographical locations that address unique industrial clusters. The site in Musina targets the light industrial and agro-processing clusters, while the Makhado site is a metallurgical/mineral beneficiation complex. A third site has been identified to target the petrochemical industries.

The SEZ is strategically located along the N1 North-South route into the Southern African Development Community (SADC), very close to the border between South Africa and Zimbabwe. It forms part of the Trans-Limpopo Spatial Development Initiative (SDI) and has been developed as part of greater regional plans to unlock investment and economic growth and address the development of skills and employment. Newly built infrastructure enables full utilisation of the area’s unique combination of mineral endowments and supports industries in the full-value chains for mineral beneficiation, agro-processing and light industrial manufacturing.

The strategic location of the SEZ and its close proximity to the main land-based route into SADC and the African continent, together with supporting incentives and a good logistics backbone, will make it the location of choice for investment in the mineral beneficiation, agro-processing and petrochemical industries.

For more information, visit www.mmsez.co.za
1.9. **ATLANTIS SEZ (WESTERN CAPE)**

The proposed Atlantis SEZ is part of the City of Cape Town’s initiative taken in 2011 to establish a greentech manufacturing hub in Atlantis. This was in response to the Department of Energy’s Renewable Energy Independent Power Producer Programme (REIPPP). Localisation of manufacturing and the resultant job creation is one of the key priorities of Government through the REIPP programme.

Situated on the West Coast of South Africa, 40km from Cape Town, the proposed Atlantis SEZ (ASEZ) capitalises on the province’s already booming renewable energy and green technology sector. Greentech refers to green technologies that reduce or reverse the impact of people on the planet. This includes renewable energy technologies. Wind turbines, solar panels, insulation, biofuels, electric vehicles, materials recycling and green building materials are all examples of green technology. The hub has already attracted its first large greentech investor, Gestamp Renewable Industries (GRI). A wind tower manufacturer, GRI has already invested R300 million and is in full-scale production.

Five reasons for the renewable energy and green technology sector to locate in the Atlantis SEZ:

1. Strong and growing South African and African markets for greentech
2. Well-located and development-ready area
3. Strong support base and existing relationships for investors to tap into
4. One-Stop-Shop for wide-ranging investor support
5. Incentives for investors and tenants

For more information, visit www.greencape.co.za
1.10. **NKOMAZI SEZ (MPUMALANGA)**

The Nkomazi SEZ is located in the Nkomazi Local Municipality, which is in the eastern part of Ehlanzeni District Municipality and approximately 65km from the central business district of Nelspruit in Mpumalanga. The geographic location of the Nkomazi area is its main competitive advantage. The area is strategically placed between northern Swaziland and the southwest of Mozambique. It is linked to Swaziland by two national roads, the R570 and R571, and with Mozambique by a railway line and the national road, the N4, which together form the Maputo Corridor.

The Nkomazi SEZ is conceptualised as an agro-processing hub, which will be supported by mixed services such as warehousing and logistics. The processing of agricultural products in the Nkomazi SEZ will be based on automated and semi-automated as well as high-tech manufacturing technologies, which will be largely based on green or renewable energy uses. The supporting services will include logistics (intermodal logistic and production logistics) and warehousing facilities, which will also promote the utilisation of green sources of energy. The targeted value chains of the proposed Nkomazi SEZ include secondary and tertiary stages of the processing of citrus and sub-tropical fruits, aromatic plants/herbs, ground and tree nuts, sugarcane, nutraceuticals, meat processing, leather goods and agri-inputs such as fertilizer. The designation of SEZ status for the Nkomazi area will transform what historically has been a rural corridor into an economic "high-tech agri-hub" thereby improving the productivity of the region.

For more information, visit www.nkomazisez.co.za
1.11. THE TSHWANE AUTOMOTIVE SPECIAL ECONOMIC ZONE

The Tshwane Automotive SEZ (TASEZ) is Africa’s first automotive city, located in the country’s capital city of Tshwane, Gauteng. It is an attractive world-class automotive city and a preferred investment destination for the automotive industry on the African continent. The proximity of the SEZ to an established automotive industry allows for increased economies of scale and scope, thereby lowering the cost of doing business. It offers world-class customised solutions, incentives, support services and systems for manufacturers seeking excellence, and a productive and progressive location.

The SEZ is a catalyst for employment, transformation, socio-economic development and industry growth. It boasts the most skilled labour in the sector, easy access to a strong consumer base, and connectivity to both suppliers and potential markets, while promoting export-orientated industries and local integration. Located on more than 162.6ha, the TASEZ offers
direct and ready linkages to regional and international markets, making it easy to export to SADC.

The TASEZ is a leading investment destination, offering:

• a secure, business environment with world-class manufacturing and logistics infrastructure that support freight-orientated activities through rail connectivity to ports designed to accommodate both containerised goods and ro-ro ships;
• a number of additional value-added business solutions that will support businesses within the precinct;
• a professional team of sector specialists, who drive the development of the TASEZ and ensure that it remains a competitive business environment, linking both investors and developers to various regulatory bodies and facilitating the development process;
• national government support - the Department of Trade, Industry and Competition (the dtic), through the SEZ Fund, provides financial support for investor-related infrastructure; and
• provincial and local government support – the Gauteng Department of Economic Development and the City of Tshwane provides financial support and resources necessary to manage and implement the SEZ.

For more information, visit www.tasez.co.za
2. PROPOSED/NON-DESIGNATED SEZS

Work is under way between the dtic and the provinces on the planning and implementation of new SEZs. The current work package focuses on infrastructure planning, designation process and investment promotion.

2.1. BOJANALA SEZ (NORTH WEST)

The proposed Bojanala SEZ is also known as the Platinum Valley SEZ, which clearly indicates its focus on mineral beneficiation of platinum group metals (PGM), including Platinum (Pt), Palladium (Pd), Rhodium (Rh), Osmium (Os), Ruthenium (Ru) and Iridium (Ir).

This process is spearheaded by the North-West Development Corporation (NWDC)

For more information, visit www.nwdc.co.za
The SEZ falls within the originally conceptualised Platinum Corridor, with the focus on the North-West portion of the East-West Corridor that links Maputo with Walvisbay through Nelspruit, Pretoria, Rustenburg, Lobatse and Windhoek; the Treasure Corridor, to strengthen developments from Johannesburg to Potchefstroom, Klerksdorp and further south along the N12; and the Western Corridor, to strengthen a North-South initiative from SADC through Botswana and the North West to the Northern Cape.

The SEZ targets PGM beneficiation, mining equipment and machinery, renewable energy products and components and logistics, including the upstream value chain as well as several downstream opportunities.

The primary focus of the SEZ is on PGM beneficiation industries and key opportunities include catalysts (automotive catalytic converters), electrical and electronics components, biomedical and pharmaceutical products (cancer treatment and micro implants), high-performance alloys (labware, optical equipment and turbine blades), fuel cells and jewellery.

The SEZ will capitalise on the area’s well-established mining industry, good infrastructure and a large labour pool to drive investment and economic growth, skills development and employment. It is perfectly located to take advantage of the main trade routes into SADC and Africa, as well as international destinations by air, attracting investment and supported by the dtic’s SEZ incentives, as well as other incentives pertaining to customs and VAT that enhance the competitiveness of export-driven industries in the area.
SECTION 2: SEZ TAX INCENTIVES

To complement the dtic SEZ strategy, a package of tax incentives will be available to companies locating in certain SEZs, subject to specific criteria. The tax incentives that companies may qualify for include VAT and customs relief if located within a Customs-Controlled Area (CCA), employment tax incentive, building allowance and reduced corporate income tax rate.

The design and eligibility criteria for each incentive seeks to strike a balance between achieving the objectives of higher levels of investment, growth and employment creation, and ensuring that the incentives are appropriately targeted for efficiency purposes, while minimising any deadweight loss to the fiscus.

Business located within a CCA will qualify for VAT and customs relief (similar to that for the current IDZs). The employment tax incentive will be available to businesses located in any SEZ. Businesses operating within approved SEZs (by the Minister of Finance, after consultation with the Minister of Trade, Industry and Competition) will be eligible for two additional tax incentives. Firstly, all such businesses can claim accelerated depreciation allowances on capital structures (buildings) and, secondly, certain companies (carrying on qualifying activities within an approved SEZ) will benefit from a reduced corporate tax rate (i.e. 15% instead of 28%).
1. VAT AND CUSTOMS RELIEF

Companies located within a CCA will be eligible for VAT and customs relief, as per the current IDZs.

Characteristics of a CCA include the following:

- Import duty rebate and VAT exemption on imports of production-related raw materials, including machinery and assets, to be used in production with the aim of exporting the finished products;
- VAT suspension under specific conditions for supplies procured in South Africa; and
- Efficient and expedited customs administration.

More information on CCAs can be found on the SARS website www.sars.gov.za

2. EMPLOYMENT TAX INCENTIVE

All employers of low-salaried employees (below R60 000 per annum) in any SEZ will be entitled to the employment tax incentive (ETI). This aims to encourage employers to hire young and less experienced work seekers. However, the employee age restriction will not apply to SEZs. It reduces an employer’s cost of hiring people through a cost-sharing mechanism with Government, while leaving the wage the employee receives unaffected. The employer can claim the ETI and
reduce the amount of Pay-As-You-Earn (PAYE) tax payable by the amount of the total ETI calculated in respect of all qualifying employees.

3. BUILDING ALLOWANCE

Businesses operating within approved SEZs (by the Minister of Finance, after consultation with the Minister of Trade, Industry and Competition) will be eligible for an accelerated depreciation allowance on capital structures (buildings). The special rate of capital (depreciation) allowances in lieu of normal allowances will be available for erecting or improving buildings and other fixed structures. This rate will equal 10% per annum over 10 years.

Companies engaged in the following activities, based on the Standard Industrial Classification Code issued by Statistics South Africa, will not qualify for the building allowance:

- Spirits and ethyl alcohol from fermented products and wine (SIC code 3051)
- Beer and other malt liquors and malt (SIC code 3052)
- Tobacco products (SIC code 3060)
- Arms and ammunition (SIC code 3577)
- Bio-fuels if that manufacture negatively impacts on food security in South Africa
4. REDUCED CORPORATE INCOME TAX RATE

Certain companies will qualify for a reduced corporate income tax rate of 15%, instead of the current 28% headline rate. To qualify, the following conditions must be satisfied:

• The company must be located in a SEZ that is approved by the Minister of Finance;
• It must be incorporated or effectively managed in South Africa;
• At least 90% of the income must be derived from the carrying on of business or provision of services within that SEZ; and
• The company must not be engaging in activities listed in the Government Gazette No. 39930.
The following decision tree can be used to assist companies in determining whether they are eligible for the tax incentives:

[Diagram of decision tree]

Is the company located in a SEZ designated by the Minister of Trade and Industry?

Yes  No  No tax concessions

Tax concessions:
- VAT and customs relief (as provided for in current 160(1))
- Employment tax incentive

Is the company incorporated in SA, or is it effectively managed in SA? (129(3)(a))

Yes  No (to either)  Company does not qualify for 129 or 121

Is the SEZ in which the company is located approved by the Minister of Finance? (129(1)(b))
- Is the business/service carried on from a fixed place of business situated within a SEZ? (129(1)(c)(iii))
- Is at least 90 per cent of the income of the company derived from the carrying on of business within a SEZ? (129(1)(c)(iv))

Yes (to all)  No (to any)  Company does not qualify for 129 or 121

“Qualifying company” status has been reached:

Does the company conduct any of the following manufacturing activities? (129(4)(a)(ii))
- a. Spirits and other alcohol from fermented products and wine (SIC code 2011)
- b. Beer and other malt liquors and malt (SIC code 2062)
- c. Tobacco products (SIC code 2066)
- d. Arms and ammunition (SIC code 3077)
- e. Bio-fuels if that manufacture negatively impacts on food security in SA

No  Yes  Company does not qualify for 129 or 121

Company is eligible for the building allowance (121), but has to satisfy a further requirement to obtain the 15 per cent corporate income tax rate

Does the company conduct activities listed in the draft regulations issued by the Minister of Finance? (129(4)(a)(ii))

No  Yes  Company does not qualify for the reduced corporate income tax rate

Company is eligible for both the 15 per cent corporate income tax rates (129(2)(i)) and the building allowance (121)