



A Guide to **the dtic** Incentive Schemes 2020/21



the dtic

Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

together, **growing** the **economy**
the dtic Customer Contact Centre: 0861 843 384
Website: www.thedtic.gov.za



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the dtic Campus
77 Meintjies Street
Sunnyside
Pretoria
0002

the dtic
Private Bag X84
Pretoria
0001

the dtic Customer Contact Centre: 0861 843 384

the dtic Website: www.thedtic.gov.za

Important Note: All incentive schemes on offer by the Department of Trade, Industry and Competition (**the dtic**) have their own specific guidelines and qualifying criteria. Please consult these before making any enquiries or decisions. Guidelines, application forms and further information about **the dtic**'s many incentive offerings are available via **the dtic** website (www.thedtic.gov.za) under financial assistance and can also be obtained from the various administrative offices at **the dtic** Campus.

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OVERVIEW OF THE DEPARTMENT OF TRADE, INDUSTRY AND COMPETITION (the dtic)



Vision

“A dynamic industrial, globally competitive South African economy, characterised by meaningful economic transformation, inclusive growth and development, decent employment and equity, built on the full potential of all citizens.”

Mission

- Promote structural transformation, towards a dynamic industrial and globally competitive economy.
- Provide a predictable, competitive, equitable and socially responsible environment, conducive to investment, trade and enterprise development.

- Broaden participation in the economy to strengthen economic development.
- Improve alignment between economic policies, plans of the state, its agencies, government's political and economic objectives and mandate.
- Coordinate the contributions of government departments, state entities and civil society to effect economic development.
- Continually improve the skills and capabilities of **the dtic** to effectively deliver on its mandate and respond to the needs of South Africa's economic citizens.

Strategic objectives

- Grow the manufacturing sector to promote industrial development, job creation, investment and exports.
- Improve conditions for consumers and artists and open up markets for new patent players.
- Strengthen capacity to deliver on **the dtic's** mandate.

the dtic stimulates and facilitates the development of sustainable, competitive enterprises through the provision of incentive programmes that support national priorities (i.e. sector strategies, as well as the Re-imagined Industrial Strategy). The department provides financial support to qualifying companies for various economic activities, including manufacturing, business competitiveness, export development and market access, as well as foreign direct investment.

These incentive programmes are grouped into the following clusters:

- **Industrial Innovation** promotes innovation and technology development. Its incentive programmes are the Support Programme for Industrial Innovation (SPII) and the Technology and Human Resources for Industry Programme (THRIP).
- **Manufacturing Investment** encourages additional investment in the manufacturing sector through the Automotive Investment Scheme (AIS), which includes the People-Carrier Automotive Investment Scheme (P-AIS) and the Medium and Heavy Commercial Vehicles Automotive Investment Scheme (MHCV-AIS); Black Industrialist Scheme (BIS); Agro-Processing Support Scheme (APSS); Aquaculture Development Enhancement Programme (ADEP), Manufacturing Competitiveness Enhancement Programme (MCEP) loan facility; Clothing and Textile Competitiveness Improvement Programme (CTCIP); and Strategic Partnership Programme (SPP).
- **Export Promotion** supports industrial competitiveness and consists of the Export Marketing and Investment Allowance (EMIA) programme, the Sector-Specific Assistance Scheme (SSAS) and the Capital Projects Feasibility Programme (CPFP).
- **Services Investment** stimulates increased investment and growth in the services sector through the Global Business Services (GBS) and Film and Television Production incentive programmes.
- **Infrastructure Support** leverages investments by providing infrastructure critical

to industrial development and enterprise competitiveness within an industrial cluster, as well as tax benefits for locating to geographically designated areas of the country set aside for specifically targeted economic activities, and supported through special arrangements and systems often different to those that apply to the rest of the country. The incentive programmes in this cluster are the Critical Infrastructure Programme (CIP) and Special Economic Zone (SEZ) Programme.

All incentive schemes on offer by **the dtic** have their own specific guidelines and qualifying criteria. This booklet serves only as a guide to what is on offer and who is eligible to apply. Please consult the relevant guidelines for more detailed information, available via **the dtic** website (www.thedtic.gov.za) under “Financial Assistance” or from the various administrative offices at **the dtic** Campus. Application forms can also be obtained via the website.

INNOVATION INCENTIVES



TECHNOLOGY AND HUMAN RESOURCES FOR INDUSTRY PROGRAMME (THRIP)

The THRIP is intended to leverage collaborative partnerships between government and industry (working with academia) for research and development in science, engineering and technology on a cost-sharing basis, to produce highly skilled human resources and technology solutions for improved industry competitiveness.

Objectives

The objective of the programme is to increase the number of people with the appropriate skills in the development and management of applied, research-based technology for industry.

This will be achieved through:

- improved knowledge exchange and technology transfer through increased interaction and mobility among researchers in higher education institutions (HEIs) and science, engineering and technology institutions (SETIs) as well as technology personnel in industry;
- an increase in investment by industry and government in research and technology; and
- technology transfer and product or process improvement or development, through research collaboration between enterprises (large and small), HEIs and SETIs.

Benefits

The THRIP is a cost-sharing grant of up to R8 million for a maximum period of three years for approved projects engaged in applied research and development in science, engineering and technology. Additional special inclusions in a grant may be funding for Technology Innovation Promotion through the Transfer of People (TIPTOP) and for the cost of legal advice on the development of intellectual property rights (IPR) agreements.

Eligibility criteria

1. The applicant must be a registered legal entity in South Africa.
2. The project must have a partnership, with at least one partner being a South African research institution, which includes HEIs, SETIs and national research facilities.
3. The duration of the partnership must be equal to or more than the period of the THRIP project.
4. The project must include at least four registered South African students at fourth-year level in the SET fields, who will be involved and trained throughout the research conducted.
5. The project must be focused on applied research in the fields of science, technology or engineering, the outputs of which could make a significant contribution to improving the industry partner's competitiveness.
6. The project intention should be to innovate.
7. The project must have clearly defined scientific and technology outputs.

SUPPORT PROGRAMME FOR INDUSTRIAL INNOVATION (SPII)

The SPII is designed to promote technology development in South Africa's industry, through the provision of financial assistance for the development of innovative products and/or processes. The SPII focuses specifically on the development phase, which begins at the conclusion of basic research and ends at production of a pre-production prototype.

The SPII offers two schemes:

- **SPII Product Process Development (PPD) Scheme**
 - Provides financial assistance to small and micro enterprises in the form of a non-repayable grant.
 - A percentage of 'qualifying' costs are incurred in the pre-competitive development activities associated with a specific project.
 - The scheme limit is a maximum grant of R2 million.
 - The scheme incurs 50% of the qualifying costs where the applicant has 25% or less black economic empowerment (BEE) ownership; 75% of qualifying costs where the applicant has between 25% and 50% BEE ownership or more than 50% shareholding by women or people with disabilities; and 85% of qualifying costs where the applicant has more than 50% BEE ownership.
 -

- **SPII Matching Scheme**

- Provides financial assistance to all enterprises in the form of a non-repayable grant.
- The scheme has a maximum grant limit of R5 million.
- If the applicant has less than 25% BEE ownership, 50% of qualifying costs are incurred by the scheme; between 25 and 50% BEE ownership, 65% of qualifying costs are incurred; and above 50% BEE ownership or more than 50% shareholding by women or people with disabilities, 75% of qualifying costs are incurred.
- Financial assistance under the Matching Scheme is provided to large companies on a 50% matching basis.

Criteria for SPII support

- Development should represent a significant advance in technology.
- Development and subsequent production must take place within South Africa.
- Intellectual property to reside in a South-African-registered company.
- Participating businesses must be South-African-registered enterprises.
- Government-funded institutions (e.g. the CSIR) do not directly qualify for support, but may participate as subcontractor(s).
- No simultaneous applications are allowed from the same company.

Qualifying costs

- Personnel related
- Travel expenses (defined maximum)
- Direct material
- Capital items and tooling
- Software (not general software)
- Documentation
- Testing and trials
- Licensing
- Quality assurance and certification
- Patent
- Subcontracting and consulting

Non-qualifying projects/costs

- Projects receiving other government funding
- Military projects
- Where SPII contribution is not significant (at least 20% of total project costs)
- Production and commercialisation related
- Marketing and administrative costs
- Product/process development for a single client
- Basic and applied research
- Projects that at the time of application are more than 50% (70% for PPD) complete
- All costs incurred prior to submitting a duly completed application

MANUFACTURING INVESTMENT INCENTIVES



AUTOMOTIVE INVESTMENT SCHEME (AIS)

The AIS is designed to grow and develop the automotive sector through investment in new and/or replacement models and components that will increase plant production volumes, sustain employment and/or strengthen the automotive value chain.

Objectives

- Strengthen and diversify the sector through investment in new and/or replacement models and components
- Increase plant production volumes
- Sustain employment and/or strengthen the automotive value chain

Benefits

- The AIS provides for a non-taxable cash grant of 20% of the value of qualifying investment in productive assets for original equipment manufacturers (OEMs) and 25% of the value of qualifying investment in productive assets for component manufacturers and tooling companies, as approved by **the dtic**.
- An additional non-taxable cash grant of 5% may be made available for projects that maintain their base-year employment figure throughout the incentive period, and achieve at least two of the following economic requirements:

- Tooling
- Research and development in South Africa
- Employment creation
- Strengthening of the automotive value chain
- Value addition
- Empowerment

To qualify for an additional grant of 5% (cumulative 10%), the project must demonstrate:

- in respect of light motor vehicle manufacturers, a specified increase in unit production per plant; and
- in respect of component manufacturers, a specified increase in turnover and the manufacturing of components that are currently not manufactured in South Africa.

Eligible enterprises

- The applicant must submit a valid B-BBEE certificate of compliance (i.e. B-BBEE levels 1 to 8).
- The applicant must retain base-year employment levels during the entire incentive period, from application stage to the claim period.

- **Light motor vehicle manufacturers** should have achieved or be able to demonstrate that they will achieve within three years a minimum of 50 000 annual units of production per plant.
- **Component manufacturers or deemed component manufacturers**
 - A component manufacturer that can prove a contract is in place or has been awarded, or a letter of intent has been received for the manufacture of components to supply to the light motor vehicle manufacturer supply chain locally and/or internationally.
 - A component manufacturer that can prove that after this investment it will achieve at least 25% of total entity turnover or R10 million annually by the end of the first full year of commercial production, as part of a light motor vehicle manufacturer supply chain locally and/or internationally.



PEOPLE-CARRIER AUTOMOTIVE INVESTMENT SCHEME (P-AIS)

The P-AIS is a sub-component of the AIS and provides a non-taxable cash grant of between 20% and 35% of the value of qualifying investment in productive assets approved by **the dtic**.

Qualifying projects will be evaluated on the following economic benefit requirements:

- Tooling
- Research and development (R&D) in South Africa
- Employment creation/retention

- Strengthening the automotive supply value chain
- Empowerment

The approved P-AIS grant is to be disbursed over a period of three years and, in all cases, grant payment is subject to an evaluation by **the dtic** to determine whether the project achieved the stipulated performance requirements.

Objectives

The P-AIS is designed to stimulate a growth path for the people-carrier-vehicle industry through investment in new and/or replacement models and components that will result in new jobs or the retention of employment and/or strengthen the automotive vehicle value chain.

Benefits

- **Complete-Knocked-Down (CKD) vehicle assembler**
 - CKD investments that started production from 1 January 2012 to 31 March 2015 may qualify for a grant of 25% of the qualifying investment costs.
 - CKD investments with a start production from 1 April 2015 onwards may qualify for a grant of 20%.
 - For an additional 5%, the project must demonstrate that the investment will result in the maintenance of base-year employment levels throughout the incentive and model phase-out periods.

- For a second additional 5% bonus grant (cumulative 10%), the project must meet the set economic benefit criteria.
- **Component manufacturers**
 - Component manufacturers may qualify for a grant of 25% of the qualifying investment costs.
 - For an additional 5%, the project must demonstrate that the investment will result in the maintenance of base-year employment levels throughout the incentive period and achieve at least two of the set economic benefit criteria.
 - For a second additional 5% (cumulative 10%) P-AIS grant, the project must meet the set economic benefit criteria.

Eligible enterprises

Complete Knocked Down (CKD) vehicle assemblers

- People carriers for the transport of between 10 and 35 people, including the driver, with a vehicle mass exceeding 2 000kg.
- Floor panels, body sides or roof panels are not permanently attached to each other; the engine and transmission assemblies, axles, radiators, suspension components, steering mechanisms, braking or electrical equipment or instrumentation are not fitted to such floor pans or chassis frames; the bodies/cabs are not fitted to floor pans or chassis frames.

Component manufacturers

- A component manufacturer that can prove that a contract is in place or has been awarded or a letter of intent has been received for the manufacture of components to supply the medium and heavy commercial vehicle manufacturer supply chain locally and/or internationally
- A component manufacturer that can prove that after this investment it will achieve at least 25% of total entity turnover or R10 million annually by the end of the first full year of commercial production, as part of the automotive (medium and heavy commercial vehicle) manufacturer supply chain locally and/or internationally.



MEDIUM AND HEAVY COMMERCIAL VEHICLES AUTOMOTIVE INVESTMENT SCHEME (MHCV-AIS)

The MHCV-AIS provides for a non-taxable cash grant of 20% of the value of qualifying investment in productive assets by medium and heavy commercial vehicle manufactures and 25% of the value of qualifying investment in productive assets by component manufacturers and tooling companies for MHCVs, as approved by **the dtic**.

Mandatory conditions

- The applicant must be a registered legal entity in South Africa and undertake manufacturing in the country.
- The applicant must be a taxpayer in good standing and provide a valid tax clearance certificate before the MHCV-AIS grant is disbursed.
- The grant will only be applicable to investment in assets that will be used in the entity's South African operations.
- The applicant must submit a business plan with a detailed marketing and sales plan, a production plan, budget and projected financial income statement, cash flow statement and balance sheet for a period of at least three years for the project.

- The applicant must submit a B-BBEE certificate, ITAC registration certificate, projected financial income statement, cash flow statement and balance sheet for a period of at least three years of the relevant division, cost centre or branch where the project is located, if applicable.
- The applicant must submit a cost benefit analysis for the project in cases where it cannot provide information.
- Completed applications should reach the offices of **the dtic** no later than 120 days, but not earlier than 180 days, prior to commencement of production for medium and heavy commercial vehicle manufacturers; and no later than 90 days, but not earlier than 120 days, prior to commencement of production for component manufacturers, deemed component manufacturers and /or tooling companies.

Eligibility criteria

Truck manufacturers

- An existing or new manufacturer of medium and heavy motor vehicles (trucks) has to comply with the extent of assembly (i.e. CKD definition as specified in Note 5 to Chapter 98.).
- The cab may be imported in an assembled and trimmed condition into South Africa until 31 March 2016.

- 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.
- The body or cab has to be fitted to the floor pan or chassis frame within South Africa.
- With effect from 1 April 2016, the amended CKD definition as specified in ITAC Report 419 will apply, and projects with a start of production of 1 April 2016 and beyond that do not comply with the revised definition will not be supported.

Bus chassis manufacturers

- 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.
- The chassis, engine and transmission must be assembled semi-knocked-down in South Africa and the hang-on parts (fuel tank, tyres, battery, wheel rims) for the chassis may be imported into South Africa, but have to be fitted to the floor pan or chassis frame of the bus within South Africa.
- Projects with a start of production date from 1 April 2016 onwards will be required to comply with the amended CKD definition as specified. From this date, projects that do not comply with the revised definition will not be supported under the MHCV-AIS.

Component manufacturers, deemed component manufacturers, tooling companies, and bus and truck body manufacturers

- A component manufacturer that can prove that a contract is in place and/or has been awarded and/or a letter of intent has been received for the manufacture of components to supply the medium and heavy commercial vehicle manufacturer supply chain locally and/or internationally.
- A component manufacturer that can prove that after this investment it will achieve at least 25% of total entity turnover or R10 million annually by the end of the first full year of commercial production, as part of a medium and heavy commercial vehicle manufacturer supply chain locally and/or internationally.
- In the case of bus body manufacturers, where the contract is awarded by the entity to the OEM to supply the chassis (for example, if the bid to supply buses was awarded to the body manufacturer), proof must be provided that the bid has been awarded and a contract entered into with the OEM for the supply of the chassis to the body manufacturing entity.



THE BLACK INDUSTRIALISTS SCHEME (BIS)

The purpose of the Black Industrialists (BI) policy is to leverage the state's capacity to unlock the industrial potential that exists within black-owned and managed businesses that operate within the South African economy through deliberate, targeted and well-defined financial and non-financial interventions.

Objectives

- Accelerate the quantitative and qualitative increase and participation of black industrialists in the national economy, selected industrial sectors and value chains, as reflected by their contribution to growth, investment, exports and employment.
- Create multiple and diverse pathways and instruments for black industrialists to enter strategic and targeted industrial sectors and value chains.

In short, the broader objective aims to promote industrialisation, sustainable economic growth and transformation through the support of black-owned entities in the manufacturing sector and related services linked to the manufacturing value chain.

Focus areas

The programme focuses on the following productive sectors:

1. Blue/ocean economy, including vessel building and repair
2. Oil and gas
3. Clean technology and energy
4. Mineral beneficiation
5. Aerospace, rail and automotive components
6. Industrial infrastructure
7. Information communication technologies
8. Agro-processing
9. Clothing, textiles/leather and footwear
10. Pulp, paper and furniture
11. Chemicals, pharmaceuticals and plastics
12. Nuclear
13. Manufacturing-related logistics
14. Designated sectors for localisation

Benefits

The BIS offers approved entities a cost-sharing grant ranging from 30% to 50%, to a maximum of R50 million. The size of the grant will depend on the level of black ownership and control, the economic benefit of the project and the project value.

The BIS offers support on a cost-sharing basis towards:

- capital investment costs
- feasibility studies towards a bankable business plan (to a maximum of 3% of projected investment costs)
- post-investment support (maximum of R500 000)
- business development services (maximum of R2 million)



AGRO-PROCESSING SUPPORT SCHEME (APSS)

Objectives

The APSS aims to stimulate investment by the South African agro-processing/beneficiation (agri-business) enterprises. The investment should demonstrate that it will achieve some of the following:

- increased capacity
- employment creation
- modernised machinery and equipment
- competitiveness and productivity improvement
- broadening participation

The APSS will target five key sub-sectors:

- Food and beverage value addition and processing
- Furniture manufacturing
- Fibre processing
- Feed production
- Fertilizer production

Benefits

The scheme offers a 20% to 30% cost-sharing grant to a maximum of R20 million over a two-year investment period, with a last claim to be submitted within six months of the final approved milestone.

- **the dtic** may consider an additional 10% grant for projects that meet all economic benefit criteria such as employment, transformation, geographic spread and local procurement.
- The maximum approved grant may be utilised on a combination of investment costs provided the applicant illustrates a sound business case for the proposed investment activities.

Eligibility criteria

- An applicant must submit a completed application form and business plan with detailed agro-processing/beneficiation activities, budget plans and projected income statement and balance sheet for a period of at least three years for the project. The project/business must exhibit economic merit in terms of sustainability.
- The application must be submitted within the designated application window period, prior to the start of processing/beneficiation or undertaking of activities applied for. Any assets bought and taken into commercial use, or competitiveness improvement costs incurred before applying for the incentive will be considered as non-qualifying.
- Existing entities must submit latest financial statements, reviewed by an independent external auditor or accredited person and not older than 18 months.
- The approved entity may not reduce its employment levels from the average employment levels for a 12-month period prior to the date of application, and these employment levels should be maintained for the duration of the incentive period/agreement.

Minimum qualifying investment size, including competitiveness improvement cost, will be at least R1 million.



AQUACULTURE DEVELOPMENT ENHANCEMENT PROGRAMME (ADEP)

The ADEP is an incentive programme available to South-African-registered entities engaged in primary, secondary and ancillary aquaculture activities in both marine and freshwater classified under SIC 132 (fish hatcheries and fish farms) and SIC 301 and 3012 (production, processing and preserving of aquaculture fish). The grant is provided directly to approved applications for new projects or the upgrading of existing projects.

The programme offers a reimbursable cost-sharing grant of up to a maximum of R20 million qualifying costs in machinery, equipment, bulk infrastructure, owned land and/or buildings, leasehold improvements, and competitiveness improvement activities as outlined in section 8 of the ADEP guidelines.

Objectives

The objective of the incentive is to stimulate investment by commercially viable enterprises in the aquaculture sector. The secondary objectives are to:

- create and/or sustain jobs;
- broaden participation;
- increase production; and
- geographical spread

Benefits

ADEP's contribution is up to 50% (capped at R20 million) of qualifying costs for new, upgrading or expanding projects in the following:

- Machinery, equipment and tools
- Bulk infrastructure (only in water and electrical infrastructure)
- Owned land (only applicable to small black enterprises)
- Buildings (ponds, cages, tanks, etc.)
- Leasehold improvements, capitalised in the balance sheet, where lease agreement is at least 10 years
- Rental costs, (only for small black enterprises), capped at R20 000 per month and claimable at stage two only
- Aquaculture feed, up to a maximum of 10% of total costs, (capped at 20% for small black enterprises)
- Commercial vehicles or work boats (owned or capitalised financial lease), not to exceed 50% of total qualifying costs

- Competitiveness improvement activities (e.g. skills development) up to R500 000
- Environmental impact assessments (EIA) and permit authorisation costs (only for small black enterprises)
- Mentorship (only for small enterprises), up to R200 per hour, eight hours per day capped at R200 000 per approved project or application

Eligible enterprises

Primary aquaculture operations

- Hatchery facilities and operations (e.g. broodstock, seed, spat, fry, fingerling, etc.);
- Nursery facilities and operations;
- Grow-out facilities and operations [e.g. rafts, net closures, net pens, cages, tanks raceways and ponds; Recirculating Aquaculture System (RAS), ranching, etc.]

Secondary aquaculture operations

- Primary processing: post-harvest handling, gutting, packing, quick freezing
- Secondary processing: filleting, portioning, packaging, setting up trader, and distribution networks
- Tertiary processing or value adding: curing, brining, smoking, further value adding such as terrines, roulades, pates, paters
- Waste stream

Ancillary aquaculture operations

- Aquaculture feed manufacturing operations

Small black enterprises

ADEP's definition of small black enterprises:

- 100% black-owned
- Exercises operational and management control over the business
- Makes a long-term commitment to the business and is a medium- to long-term investor
- Investment of less than R5m

the dtic may consider an additional 5% grant for small black-owned enterprises that achieve a score of eight, and other enterprises that achieve a score of 10 in the economic benefit criteria outlined in Section 7 of the ADEP Guidelines.



MANUFACTURING COMPETITIVENESS ENHANCEMENT PROGRAMME (MCEP) LOAN FACILITY

The MCEP is designed to make existing South African manufacturing companies more competitive. The programme provides working capital loans to qualifying companies. Plant and equipment loans are also provided to manufacturing companies that are owned by black industrialists. Both the working capital loan and plant and equipment loan are priced at a preferential rate fixed of 4% per annum.

Qualifying criteria for a working capital loan

- The facility is available for working capital
- It is not applicable to start-ups
- Capped at R50 million per annum

- Only applicable to manufacturers under Standard Industry Classification Code 3
- The maximum repayment term is 48 months (including moratorium)
- The first drawdown must be within six months of the date of approval
- The applicant may not cut jobs during the term of the facility
- The applicant should be at B-BBEE level 4 – if not, this status should be achieved within 24 months of approval of the loan
- Fees are not applicable

Qualifying criteria for plant and equipment loan

- Only available for black industrialists
- Start-up businesses may apply
- The maximum term for plant and equipment loans is 84 months (including moratorium)
- Maximum loan amount of R50 million per qualifying applicant
- Pre- and post-business-development sector support will be capped at R3 million per application
- Applicants must meet **the dtic's** definition of black industrialist

The Industrial Development Corporation (IDC) administers the programme.



CLOTHING AND TEXTILE COMPETITIVENESS IMPROVEMENT PROGRAMME (CTCIP)

The CTCIP aims to build capacity among clothing and textile manufacturers and in other areas of the apparel value chain in South Africa to enable them to effectively supply their customers and compete on a global scale. Such competitiveness encompasses issues of cost, quality, flexibility, reliability, adaptability and the capacity to innovate.

Objectives

The main objective of the CTCIP is to create a group of globally competitive clothing and textile companies, thus ensuring a sustainable environment that will retain and grow employment.

The IDC administers the programme.

STRATEGIC PARTNERSHIP PROGRAMME (SPP)

The SPP provides cost-sharing grants to develop and support programmes/ interventions aimed at enhancing the manufacturing and service capacity of SMME suppliers with linkages to strategic partner supply chains, industries or sectors.

Objectives

The objective of the SPP is to encourage large private-sector enterprises in partnership with government to support, nurture and develop small and medium enterprises within the partner's supply chain or sector to be manufacturers of goods and suppliers of services in a sustainable manner.

Qualifying costs

The following costs are eligible for support:

- Machinery, equipment and tools
- Infrastructure linked to the strategic partner's supplier development initiative (owned/leased buildings, leased improvements)
- Product or service development
- Information and communication technology
- Operational costs
- Business development services

Grant support

The grant approval is capped at a maximum of R15 million (VAT inclusive) per financial year over a three-year period towards qualifying costs, based on the number of qualifying suppliers, and is subject to the availability of funds. The SPP offers a cost-sharing support of 50:50 towards manufacturing projects and 70:30 for projects that support manufacturing-supply-chain-related services and deemed strategic by **the dtic**.

Eligibility criteria

- A South African registered legal entity in terms of the Companies Act, 1973 (as amended) or the Companies Act, 2008 (as amended); the Close Corporation Act, 1984 (as amended) or the Co-operatives Act, 2005 (as amended).
- An entity with a minimum turnover of R100 million per annum for at least two consecutive years at application stage, confirmed by the latest available audited financial statements.
- An association with five or more registered legal entities.
- An association that can organise itself for this purpose and must in this regard provide a letter(s) of commitment from manufacturer(s) that control(s) and/or has a direct influence in the market/manufacturing value chain to be developed.

EXPORT PROMOTION INCENTIVES



EXPORT MARKETING AND INVESTMENT ASSISTANCE (EMIA)

In order to grow export markets, the EMIA individual exporter incentives provide cost-reimbursable grants to individual exporters in order to grow export markets for South African products and services.

Objectives

- Provide export event marketing assistance to develop new and grow existing export markets.
- Assist with the identification of new export markets through international exhibitions and market research.
- Assist companies to increase their competitiveness by supporting patent registrations, quality marks and product marks.
- Assist with facilitation to grow foreign direct investment (FDI) through missions and FDI research.
- Increase the contribution of black-owned businesses and small, medium and micro enterprises (SMMEs) to South Africa's economy.

Benefits

- **Capped costs for individual exhibition participation.**
 - a. Transport of samples

- b. Rental of exhibition space
- c. Construction of stands
- d. Interpretation fees
- e. Internet connection
- f. Telephone installation
- g. Subsistence allowance per day
- h. Return economy-class airfare
- i. Exhibition stand fees

- **Capped Primary market research and FDI**

Exporters will be compensated for the following capped costs incurred while recruiting new FDI into South Africa through personal contact in foreign countries:

- a. Return economy-class airfare
- b. Subsistence allowance per day
- c. Transport of samples
- d. Marketing material
- e. 50% of patent registration costs

- **Capped individual inward missions**

- a. Assistance is provided to South African entities organising an inward buying investor, to make contact with them to conclude an exporter's order or to attract FDI.
- b. Return economy-class airfare
- c. Subsistence allowance per day
- d. Rental of vehicle

Eligible enterprises

- South African individual exporters
- South African export trading houses representing at least three SMMEs or businesses owned by historically disadvantaged individuals (HDIs)
- South African commission agents representing at least three SMMEs/HDI-owned businesses
- South African exports councils, industry associations and joint action groups (JAGs) representing at least five South African entities



SECTOR-SPECIFIC ASSISTANCE SCHEME (SSAS)

The SSAS is an upfront and reimbursable cost-sharing incentive, which grants financial support to registered sector coordinators that are recognised by **the dtic**, supporting the development of industry sectors and contributing to the growth of South African exports. The incentive is also available for international exhibition support.

Objectives

- Developing an industry sector as a whole
- Developing new export markets
- Stimulating job creation
- Broadening the export base
- Developing and implementing sector-wide solutions to factors inhibiting export growth
- Promoting broader participation of black-owned companies and SMMEs to the economy

Nature of SSAS projects

- A project is a task with a predetermined outcome, a defined or short-term timeframe and measurable milestones.
- The project must be developmental or promotional in nature.
- The project should benefit the sector as a whole in terms of the SSAS objectives.

Note: Any research/studies undertaken or databases obtained will become the property of **the dtic**.

Benefits of sector-specific project funding

Funding in sectors and sub-sectors of industry prioritised by **the dtic**.

- Sector-specific export development and promotional costs
- Sector-focused export product and service development costs
- Sector-specific projects that enhance export capabilities

Nature of SSAS exhibition projects

International exhibitions arranged by **the dtic** recognised sector coordinators on behalf of groups of qualifying emerging exporters of between 10 and 20 exporters per event.

Benefits of exhibition funding for emerging exporters

- Compensation of costs in respect of activities aimed at the development of South African emerging exporters, for travel and accommodation, transport of samples and marketing materials, exhibition costs, subsistence allowance, specialised training (product development, project management, etc.).
- Maximum funding allocation per exhibition project is R1.9 million

Eligible coordinators

- Export councils established through application to **the dtic** (an export council is a Section 21 non-profit company that represents the developmental and promotional objectives of a particular industry on a national level)
- Industry associations, which are representative of sectors or sub-sectors of industry prioritised for development and promotion by **the dtic**, as determined by the relevant customised sector desk and export promotion unit
- JAGs that are groups of three or more entities that seek to cooperate on a project in a particular sector or sub-sector in industry prioritised for development and promotion by **the dtic**
- Provincial investment and economic development agencies
- Business chambers
- Small Enterprise Development Agency (**seda**)
- Local municipalities
- Metropolitan councils



CAPITAL PROJECTS FEASIBILITY PROGRAMME (CPFP)

The CPFP is a reimbursable cost-sharing grant that contributes to the cost of feasibility studies likely to lead to projects that will increase local exports and stimulate the market for South African capital goods and services.

Objectives

The primary objective of the programme is to facilitate bankable feasibility studies (BFS) that are likely to lead to high-impact projects that will stimulate value-adding economic activities in South Africa, through the export of capital goods and services that align with the country's industrial policy.

Secondary objectives include:

- attracting high levels of domestic and foreign investments through capital projects;
- strengthening international competitiveness of South African capital goods sector and allied industries;
- creating sustainable jobs in South Africa;
- creating a long-term demand for South African capital goods and services;
- stimulating project development in Africa and in particular the Southern African Development Community (SADC) countries as well as support for the objectives of the New Partnership for Africa's Development (Nepad); and

- stimulating upstream and downstream linkages with SMMEs and BEE companies.

Benefits

The grant is capped at R8 million for qualifying capital project BFS internationally, and domestically for manufacturing projects not exceeding 50% of the qualifying cost of the BFS project.

For projects in the rest of Africa, it is capped at 55% of the qualifying cost.

Eligibility criteria

South-African-registered legal entities are eligible for the CPFP. A foreign entity will only be considered if it partners with a South-African-registered entity and the application is submitted by the South African entity.

BFS projects that fulfil the following non-financial criteria are eligible:

- New projects and expansions or rehabilitation of existing projects domestically or internationally
- Achieve minimum South African local content of 50% for capital goods and 70% for professional services

- Satisfy all the mandatory qualifying criteria such as B-BBEE and TCC compliance
- Demonstrate the ability and credentials to complete the BFS successfully
- Clarity of the BFS project scope and work schedule
- Entities with applications for the BFS in South Africa must be engaged in the manufacturing sector (SIC3)

Additional evaluation criteria that could be considered as motivational factors include the following:

- The project would have a positive impact on other developmental aspects, including job creation, skills development, linkages with SMMEs etc.
- A minimum of 10% of the total professional services involved during the feasibility study should be sub-contracted to South African black-owned professionals/entities.
- A clear, detailed time period within which the project emanating from the feasibility study will be realised.
- Buy-in and other sources of funding from private and public sector organisation(s) to realise the project.

SERVICES INVESTMENT INCENTIVES



GLOBAL BUSINESS SERVICES (GBS)

South Africa provides a robust enabling environment for potential investors, as well as a deeper domain skills advantage, a young and empathetic workforce, significant cost savings and world-class infrastructure for those who set up their operations in the country. The GBS incentive programme was designed to ensure that South Africa offers a globally competitive business case to investors. The GBS incentive programme was implemented from 1 January 2019 to attract investment and create employment opportunities, predominantly for youth in the country, through offshoring activities.

Objectives

The primary objective of the incentive is to create employment in South Africa through offshore activities.

The secondary objectives of the programme are to:

- create employment opportunities for the youth (age 18-34 years); and
- contribute to the country's export revenue from offshoring services.

Eligibility criteria

- The applicant must:
 - be a registered legal entity in South Africa in terms of the Companies Act, 1973 (as amended) or the Companies Act, 2008, the Close Corporations Act, 1984 (as amended) or the Co-operatives Act, 2005 (as amended);
 - be a taxpayer in good standing and must in this regard provide a valid tax clearance certificate;
 - be B-BBEE compliant in terms of the B-BBEE Codes of Good Practice, 2013 and submit a valid B-BBEE certificate of compliance or affidavit;
 - pay a minimum wage of R5 000 per month, or in the case of inclusively hired resources pay a minimum wage of R4 000 per month for the first 12 months of employment; and
 - be involved in starting a new operation or expanding an existing operation in order to perform GBS activities and which may be operated from more than one physical location in South Africa.

- The new project or expansion of an existing project must:
 - have created at least 50 new offshore jobs in South Africa by the end of the three years from the start of operation, as defined by these guidelines;
 - be financially viable;

- commence operations no later than six months from the date of the GBS incentive grant approval;
- in a joint venture arrangement, at least one of the parties must be registered in South Africa as a legal entity; and
- a pilot project must result in investment and the creation of jobs within the six-month trial period.

Benefits

- The base incentive is calculated on projected offshore jobs to be created, based on a tapering scale and is awarded on actual offshore jobs created as per the definition of full-time equivalents.
- The base incentive offers a differential (three-tier structure) incentive for non-complex, complex and highly complex jobs based on a fully loaded operating cost per job.
- The base incentive is paid for a period of five years (60 months) from the date on which an offshore job is created.
- The base incentive will be determined at application stage, depending on the fully loaded operating costs.
- The bonus incentive is to be paid only at the end of year five, when the applicant becomes eligible for it.

- The bonus incentive for non-complex jobs is only available to applicants that create and maintain more than 500 offshore jobs over a five-year period.
- The bonus incentive for complex jobs is only available to applicants that create and maintain more than 200 offshore jobs.
- The bonus incentive for highly complex jobs is only available to applicants that create and maintain more than 100 offshore jobs.

Non-eligible applicants

An applicant will not qualify if it is:

- expected to displace existing jobs within South Africa, for example, by way of relocating an existing facility in full or part within South Africa; and/or
- entitled to concurrent incentive benefits under the BPS incentive, Black Business Supplier Development Programme (BBSDP) or the Jobs Fund.



SOUTH AFRICAN EMERGING BLACK FILMMAKERS INCENTIVE

Objectives

The objectives of the South African Emerging Black Filmmakers Incentive, a sub-programme of the South African Film and Television Production and Co-Production Incentive, is to nurture and capacitate emerging black filmmakers to take up big productions and contribute towards employment opportunities.

Benefits

- A rebate of 50% on the Qualifying South African Production Expenditure (QSAPE).
- The costs for the purchase of key production equipment may qualify once-off under this incentive programme to a maximum cost-sharing incentive of R2 million.

Eligible projects

- The QSAPE must be a minimum of R500 000 for all qualifying production formats and a minimum of R500 000 for documentaries.
- At least 14 calendar days and 80% of the principal photography must be filmed in South Africa.
- The QSAPE must account for at least 75% of the total production budget.
- The majority of intellectual property must be owned by South African citizens.
- The copyright must be registered with the Companies and Intellectual Property Commission (CIPC) and the certificate of registration must be provided at claim stage.
- Both the director and the producer must be black South African citizens who will be credited for their roles.
- The top writer and producer credits must include South African citizens, either exclusive or shared collaboration credits.

- The majority of the five highest-paid performers must be South African citizens.
- The majority (51%) of heads of departments (HODs) and key personnel must be black South African citizens.
- The holding company must have been in existence, operational and involved in the film industry for at least six months, with at least a 10-minute trailblazer or short film produced.
- Both the holding company and SPCV must achieve at least a level two B-BBEE contributor status respectively, in terms of the B-BBEE Codes of Good Practice.



FOREIGN FILM AND TELEVISION PRODUCTION AND POST-PRODUCTION

Objectives

To encourage and attract large-budget films and television productions and post-production work that will contribute towards employment creation, enhancement of international profile, and increase the country's creative and technical skills base.

Benefits

- The Foreign Film and Television Production and Post-Production Incentive provides an incentive of 25% of the QSAPE..
- An additional incentive of 5% of QSAPE is provided for productions conducting post-production in South Africa and utilising the services of a black-owned service company.
- The Foreign Film and Television Production and Post-Production Incentive provides an incentive of 20% of the Qualifying South African Post-Production Expenditure (QSAPPE) of at least R1.5 million.
- An additional incentive of 2.5% of QSAPPE is provided for spending at least R10 million of the post-production budget in South Africa; or an additional incentive of 5% of QSAPPE is provided for spending at least R15 million of the post-production budget in South Africa.
- The incentive programme offers a reimbursable grant to the maximum of R50 million per qualifying project.

Production Benefits

- Incentive is calculated at 25% of QSAPE.
- An additional incentive of 5% of QSAPE is provided for productions shooting and conducting post-production in South Africa and utilising the services of a black-owned service company.

Post-Production Benefits

- Conducting post-production in South Africa, the incentive is calculated at 20% of QSAPPE;
- An additional incentive of 2.5% of QSAPPE is for spending at least R10 million of the post-production budget in South Africa.
- For post-production with QSAPPE of R15 million and above, the incentive is calculated at 25% of QSAPPE.
- The incentive programme offers a reimbursable grant to the maximum of R50 million per qualifying project.

Eligible projects

The Foreign Film and Television Production and Post-Production Incentive is available to foreign-owned and South African qualifying post-production companies that meet the following criteria:

- .At least 21 calendar days and 50% of principal photography must be filmed in South Africa.
- Must have a minimum of R15 million for all qualifying production formats.
- Must have a minimum of R12 million for level one (1) B-BBEE contributor status service companies.
- The QSAPPE must be at least R1.5 million for all qualifying post-production activities.

SA FILM AND TV PRODUCTION AND CO-PRODUCTION

Objectives

The South African Film and Television Co-Production Incentive, which is a sub-programme of the South African Film and Television Production Incentive Programme, aims to support official co-productions and contribute towards employment opportunities in South Africa.

Benefits

- The rebate is calculated at 35% of QSAPE.
- An additional 5% of QSAPE is provided for productions hiring at least 20% black South African citizens as HODs and procuring at least 30% of the QSAPE from 51% South African black-owned entities, which have been operating for at least a period of one year.
- The incentive programme offers a reimbursable grant to the maximum of R50 million per qualifying project.

Eligible projects

- Must have a minimum QSAPE of R2.5 million for all qualifying production formats and a minimum of R500 000 for documentaries.

- Must submit a copy of the advance ruling at application stage and a copy of the final ruling at claim stage.
- At least 14 calendar days and 50% of principal photography must be filmed in South Africa.
- The director must be a South African citizen, unless the production requires the inclusion of an individual not covered by this clause, in which case approval may be given at the provisional approval stage.
- The writer and producer credits must include South African citizens, unless the production requires the inclusion of an individual not covered by this clause, in which case approval may be given at provisional approval stage (either exclusive or shared collaboration credits).
- At least two highest-paid performers must be South African citizens, unless the production requires the inclusion of an individual who is not a South African citizen, in which case approval must be requested at application stage.
- The majority of the film's HODs and key personnel must be South African citizens, unless the production requires the inclusion of an individual who is not a South African citizen, in which case approval must be requested at application stage.
- The holding company and SPCV must achieve at least a level three and level four B-BBEE contributor status respectively in terms of the B-BBEE Codes of Good Practice.



SA FILM AND TV PRODUCTION INCENTIVE

Objectives

To support the local film industry and contribute towards employment opportunities in South Africa.

Benefits:

- The incentive is calculated at 35% of QSAPE.
- An additional 5% of QSAPE is provided for productions hiring at least 30% of black South African citizens as HODs and procuring at least 30% QSAPE from 51% South African black-owned entities that have been operating for at least a period of one year, with a cap of R50 million per project.

Eligibility criteria:

- Productions must have a minimum QSAPE of R1.5 million for all qualifying production formats and a minimum of R500 000 for documentaries.
- At least 14 calendar days and 60% of principal photography must be filmed in South Africa. This requirement may be waived for productions with a minimum QSAPE of R50 million.
- A minimum of 75% of the total production budget (TPE) must be QSAPE.
- The majority of intellectual property must be owned by South African citizen(s)

and the copyright must be registered with the CIPC.

- The director must be a South African citizen, and credited for this role.
- The top writer and producer credits must include South African citizens, with either exclusive or shared collaboration credits.
- The majority of the five highest-paid performers must be South African citizens.
- The majority of HODs and key personnel must be South African citizens, with at least 20% of the HODs on core production functions being black South African citizens.
- Must have secured a minimum of 25% of the total budget.
- The holding company and SPCV must achieve at least a level three and level four B-BBEE contributor status respectively, in terms of the B-BBEE Codes of Good Practice.

General conditions for all programmes

- The applicant must procure a minimum of 20% of qualifying goods and services from entities that are 51% black-owned by South African citizens and have been operating for at least one year.
- The applicant must complete and submit an application no earlier than 45 calendar days prior to the commencement of principal photography.

- The applicant must demonstrate adherence to the industry-specific code of professional standards that includes sexual harassment and health and safety protocols.

The principal photography must not commence until an approval letter is received from **the dtic**.

INFRASTRUCTURE INVESTMENT INCENTIVES



SPECIAL ECONOMIC ZONE (SEZ) PROGRAMME

SEZs are geographically designated areas of a country set aside for specifically targeted economic activities, and supported through special arrangements (that may include laws) and systems that are often different from those that apply in the rest of the country.

The purpose of the SEZ programme is to:

- expand the strategic industrialisation focus to cover diverse regional development needs and context;
- provide a clear, predictable and systematic planning framework for the development of a wider array of SEZs to support industrial policy objectives, the Reimagined Industrial Strategy and the New Growth Path;
- clarify and strengthen governance arrangements, and expand the range and quality of support measures beyond provision of infrastructure; and
- provide a predictable financing framework to enable long-term planning.

SEZs have been identified as key contributors to economic development. They are the growth engines towards government's strategic objectives of industrialisation, regional development and employment creation. SEZs may be sector-specific or multi-product, and the following categories have been defined as per the SEZ Act

No. 16 of 2014:

- **Industrial Development Zone** means a purpose-built industrial estate that leverages domestic and foreign fixed direct investment in value-added and export-oriented manufacturing industries and services.
- **Free Port** means a duty-free area adjacent to a port of entry where imported goods may be unloaded for value-adding activities within the SEZ for storage, repackaging or processing, subject to customs import procedures.
- **Free Trade Zone** means a duty-free area offering storage and distribution facilities for value-adding activities within the SEZ for subsequent export.
- **Sector Development Zone** means a zone focused on the development of a specific sector or industry through the facilitation of general or specific industrial infrastructure, incentives, technical and business services primarily for the export market.

Benefits of operating within an SEZ

A number of incentives will be available to ensure SEZ growth, revenue generation, creation of jobs, attraction of FDI and international competitiveness.

These SEZ incentives include:

- **Preferential 15% corporate tax**

Businesses (prescribed in section 24(4) of the SEZ Act) that are located in a SEZ may be eligible for tax relief, including the reduced rate of corporate income taxation. In addition to satisfying the requirements of the SEZ Act, further criteria for some of the available tax incentives are stipulated in the Income Tax Act, 1962 (Act No. 58 of 1962).

- **Building allowance**

Businesses and operators (prescribed in section 1 of the SEZ Act) operating within a SEZ may be eligible for tax relief, including a building allowance, subject to requirements contained in the Income Tax Act.

- **Employment incentive**

Businesses and operators operating within a SEZ may be eligible for tax relief, including the employment tax incentive, subject to requirements contained in the Employment Tax Incentive Act, 2013 (Act No. 26 of 2013).

- **Customs-controlled area**

Businesses and operators located within a customs-controlled area of a SEZ will be eligible for tax relief as per the Value-Added Tax Act, 1991 (Act No. 89 of 1991), the Customs and Excise Act, 1964 (Act No. 91 of 1964), the Customs Duty Act, 2014 (Act No. 30 of 2014) and the Customs Control Act, 2014 (Act No.31 of 2014).



CRITICAL INFRASTRUCTURE PROGRAMME (CIP)

The CIP aims to enhance investment by supporting critical infrastructure and thus lowering the costs of investment. It is made available to approved eligible enterprises upon the completion of the project concerned. Infrastructure for which funds are required is deemed to be 'critical' if the investment would not take place without the said infrastructure or the said investment would not operate optimally.

Objectives

The programme is primarily designed to leverage private investment, but will also promote certain public-sector investments that create an enabling environment that leads to private investments.

Benefits

- The CIP offers a grant of 10% to 30% of the total qualifying infrastructural development costs, up to a maximum of R50 million, based on the achieved score in the economic benefit criteria.
- Agro-processing applicants and state-owned aerospace and defence national strategic testing facilities: The CIP will offer a grant of 10% to 50% of the total infrastructural development costs, up to a maximum of R50 million.
- Projects that alleviate water and/or electricity dependency on the national grid: The CIP will offer a grant of 10% to 50%, up to a maximum of R50 million.
- Distressed municipalities and state-owned industrial parks: The CIP offers a maximum grant of up to 100%, capped at R50 million for infrastructural development. Applicants are encouraged to make a contribution according to affordability.

Eligible enterprises

- The applicant must be a registered legal entity in South Africa.
- The project must be at least a level four B-BBEE contributor in terms of the Codes of Good Practice for B-BBEE. This requirement takes into account the exemptions in terms of Qualifying Small Enterprises (QSEs) as set out in terms of the Codes of Good Practice.
- For FDI (i.e. foreign investors incorporated in South Africa), where it can be proven that such a foreign investor does not enter into any partnership arrangements in foreign countries, the Codes of Good Practice make provision for the recognition of contributions in lieu of a direct sale of equity.
- For all projects, a grace period of 15 months after date of submission of the application is given to be able to comply. In all cases, a B-BBEE certificate should be submitted at claims stage.
- The envisaged investment projects that may qualify for benefits under any investment incentive schemes offered by **the dtic** are eligible to apply for the CIP, provided such application is not for the same infrastructure activity items proposed by the project.
- Projects that have applied for the Shared Economic Infrastructure Facility (SEIF) will not be funded or co-funded for the same infrastructure activity under CIP.



the dtic Campus
77 Meintjies Street
Sunnyside
Pretoria
0002

the dtic
Private Bag X84
Pretoria
0001

the dtic Customer Contact Centre: 0861 843 384

Website: www.thedtic.gov.za



the dtic

Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

together, **growing the economy**
the dtic Customer Contact Centre: 0861 843 384
Website: www.thedtic.gov.za

