

Policy Considerations for the Competitiveness of South Africa's Industrial Sectors

DATE: 23 October 2026



the dtic

Department
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

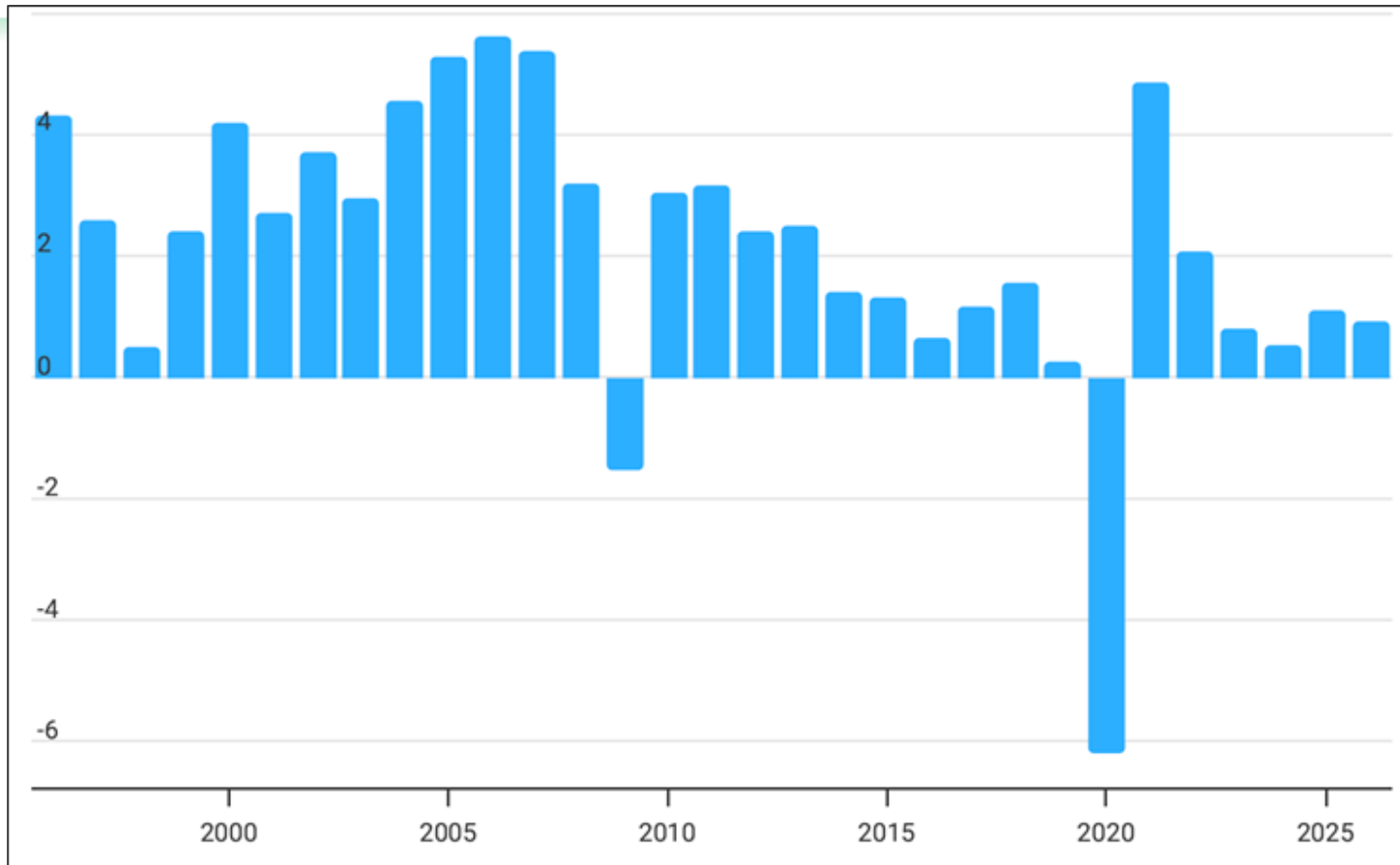
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GDP Growth in South Africa

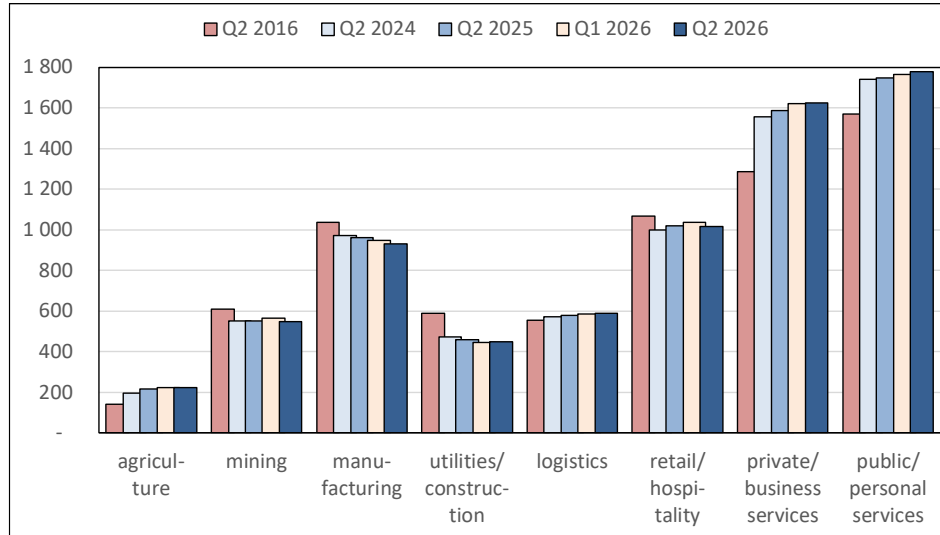


Source: Stats SA, TIPS, the dtic

South Africa's economic performance underscores the urgency of revitalising manufacturing, expanding domestic value addition and strengthening industrial competitiveness.

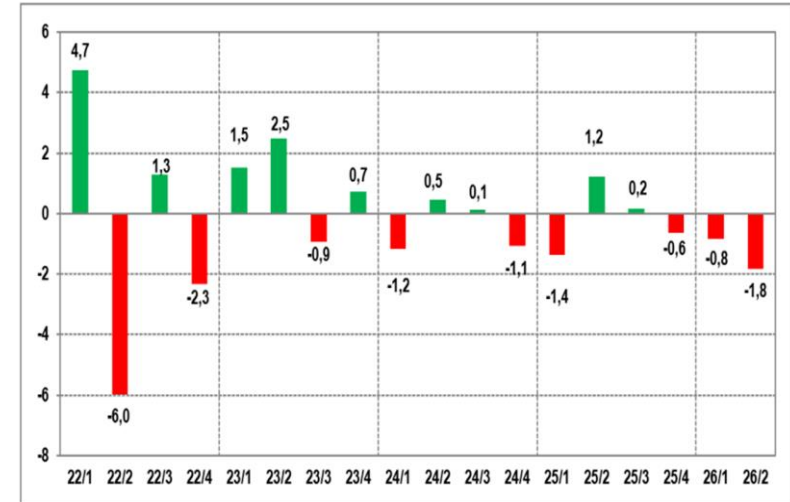
Highlights on the South African Economy

Value Addition by Sector



Source: Stats SA, TIPS, the dtic

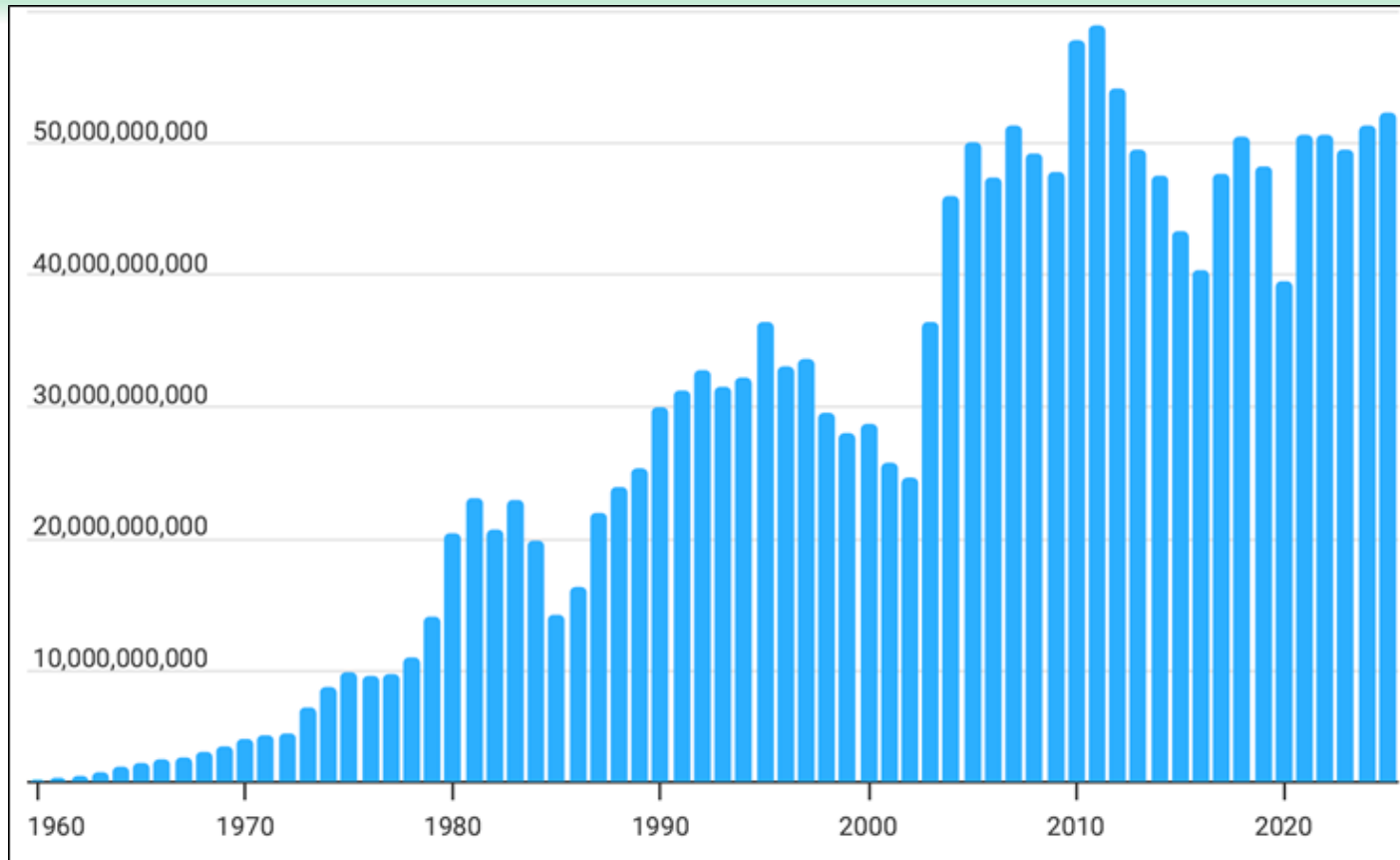
Manufacturing value addition



- The South Africa economy is driven mainly by the tertiary sector, which includes services such as public/personal services; private/business services; retail/hospitality and logistics.
- **The services sector is bigger than manufacturing, mining and agricultural sectors combined.**
- In the second quarter of 2026, growth in private and public services as well as in logistics was offset by a continued decline in manufacturing; construction; a modest drop in mining and a sharp fall in retail and hospitality.

South Africa Manufacturing Output in South Africa (1960-2025)

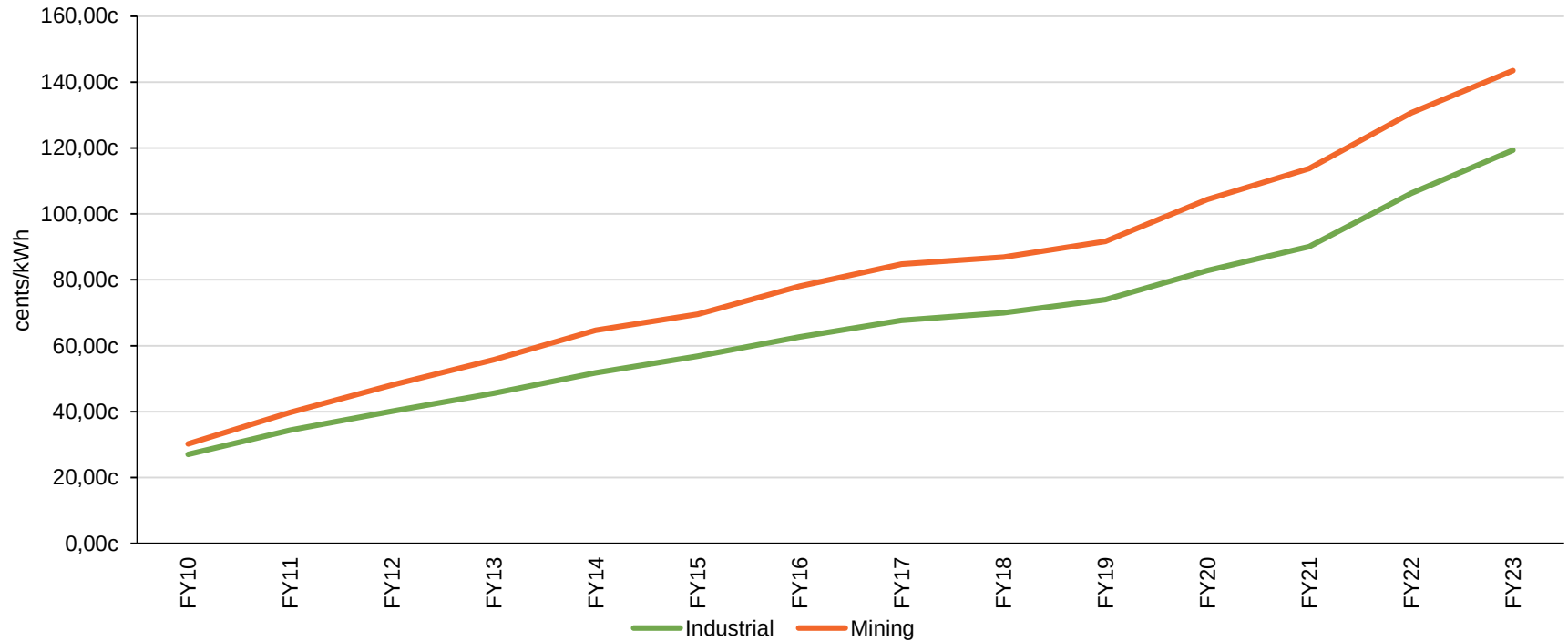
Billions of US \$



Source: Stats SA, TIPS, the dtic

- South Africa manufacturing output for 2025 was 52.35 billion US dollars, a **1.97% increase from 2024**.
- South Africa manufacturing output for 2024 was 51.34 billion US dollars, a **3.69% increase from 2023**.
- South Africa manufacturing output for 2023 was 49.51 billion US dollars, a **2.4% decline from 2022..**

Rapidly Increasing Electricity Prices and the Impact on the Mining and Industrial Sectors



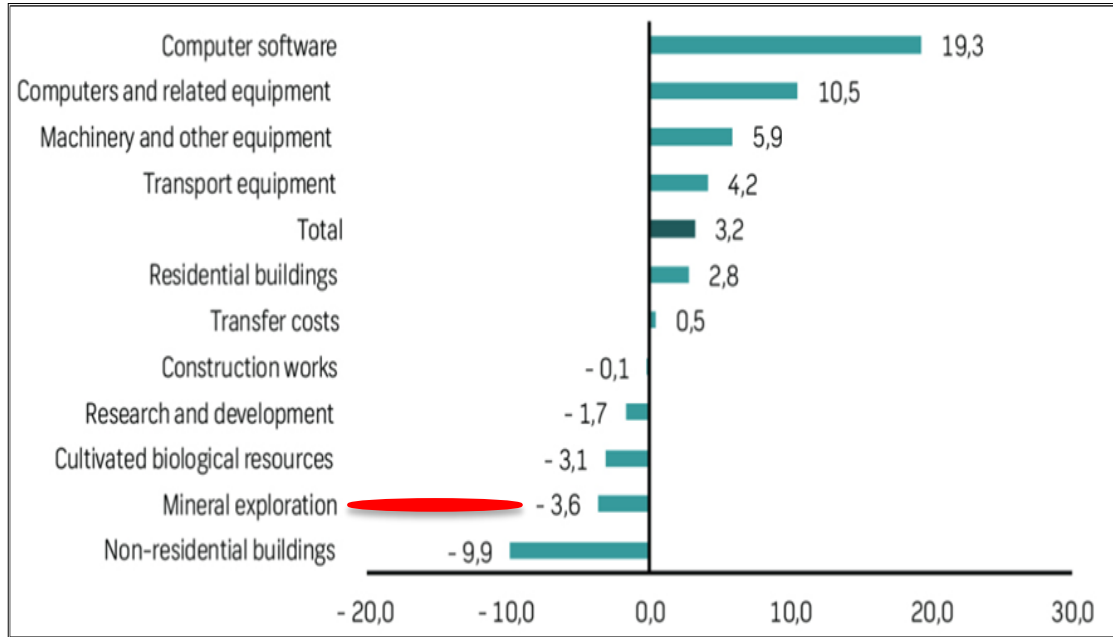
The smelting sector is a crucial part of the metals industry, using intense heat and chemical agents to extract pure metals (like iron, copper, aluminum, zinc) from their ores, beneficiating and adding value to raw materials, creating jobs, and supplying materials for industries from construction to steel and auto sectors.

Smelting Capacity in RSA: Ferrochrome and Ferroalloys



In 2019, about 34 of the 59 chrome furnaces were shut down, and that led to the growth in the unprocessed export of the chromium ore.

Investment Outcomes in Capital & Equipment In South Africa (2021-2023)

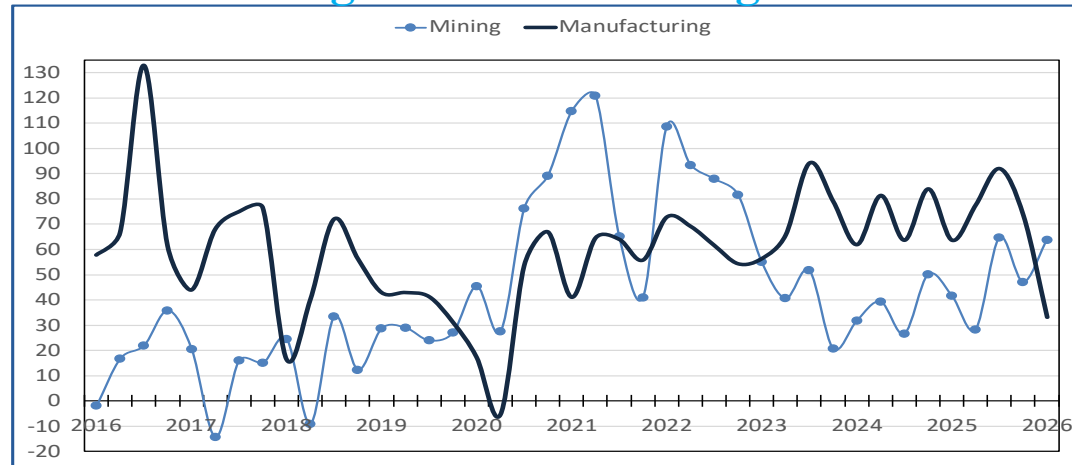


- Since 2019, fixed investment by the construction sector has experienced rapid growth, averaging 7.5% per annum between 2020 and 2023. By the end of 2023, fixed investment by this sector was 33% above its pre-pandemic level of R12.8 billion.
- Fixed investment by the agriculture, forestry, and fishing sector grew by 2.0%, sitting 7.4% above its 2019 level, while the transport, storage, and communication sector experienced 1.8% average growth and settled 4.7% above its 2019 level by the end of 2023.
- **However, fixed investment declined in the rest of the other five sectors, including mineral exploration.**

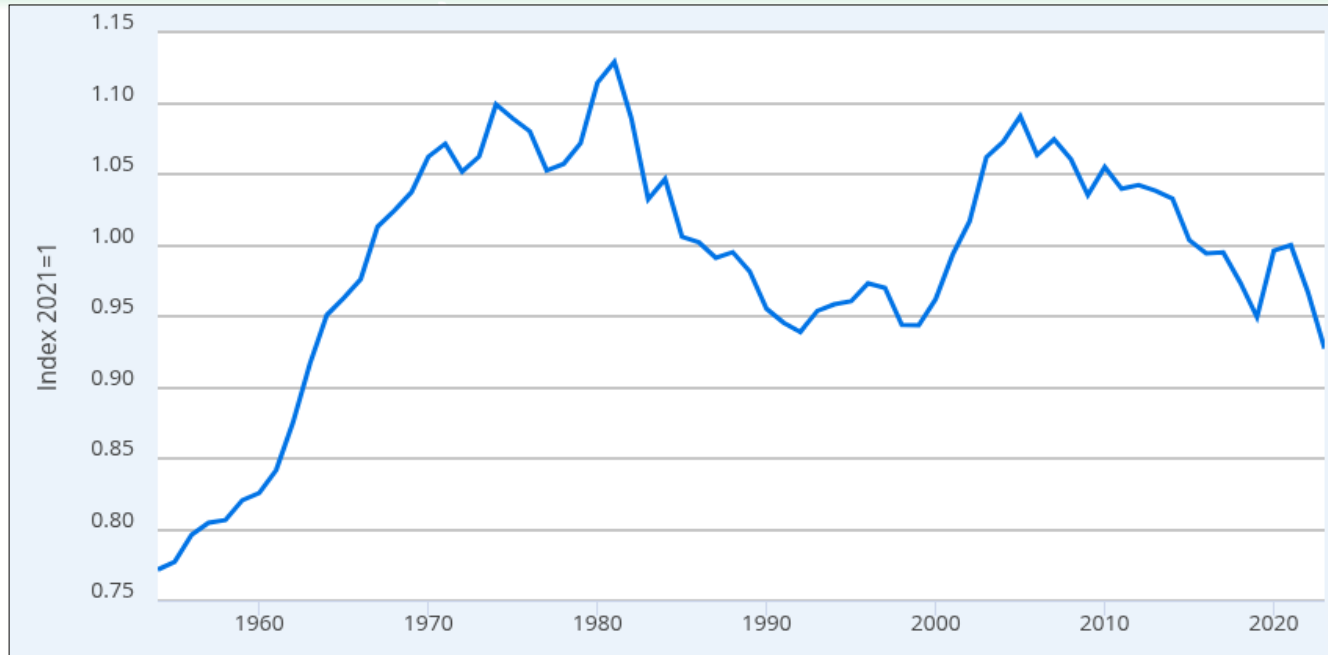
Profitability in Mining and Manufacturing Sectors in South Africa

- The main factors influencing employment are the cost of production, economic output (Gross Domestic Product) and aggregate demand.
- Labour is a derived demand and firms do not recruit people for the purpose of employing them; the demand for jobs is contingent on the demand for the products and services labour produces.
- When government, business and households buy more goods and services in line with the declining cost of production, industries will expand production and hire more workers to meet that demand.

Mining and Manufacturing Profits



Total Factor Productivity at Constant National Prices for South Africa

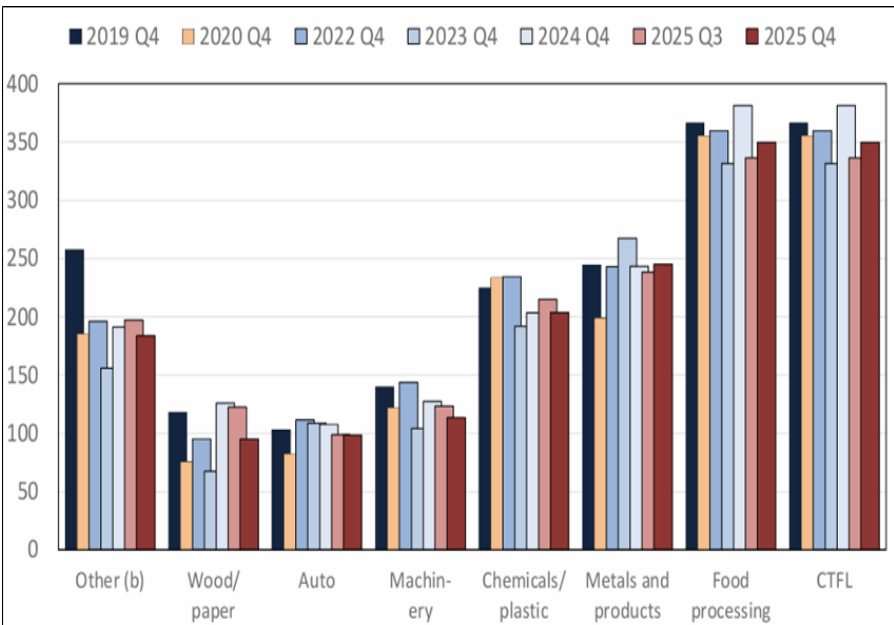


Source: University of California, Davis; University of Groningen via FRED

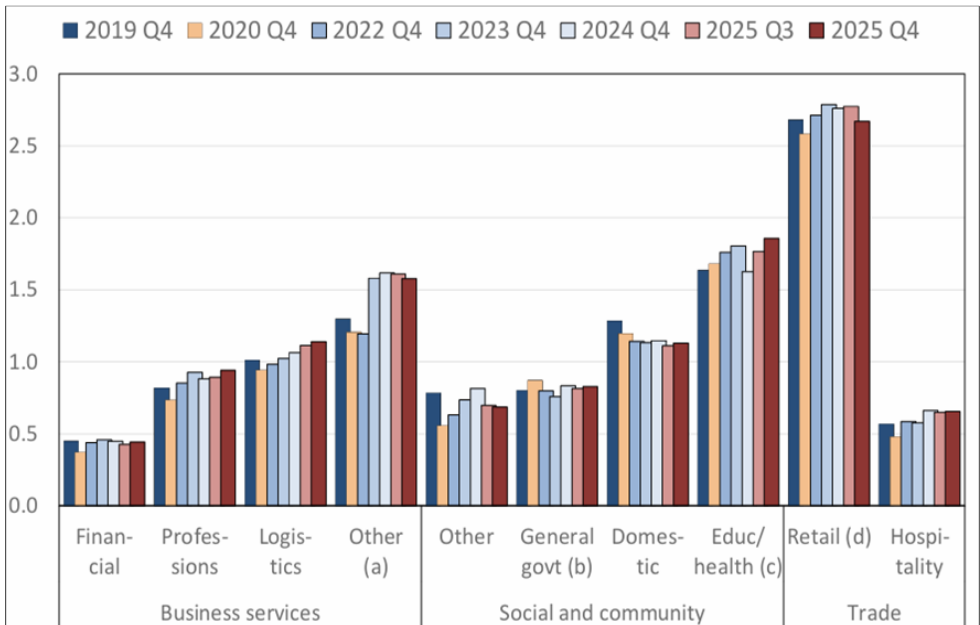
- Total Factor Productivity (TFP) measures the efficiency with which inputs (**e.g. labour and capital**) into production are used to produce economic output (e.g. GDP).
- Productivity is the main driver of per capita income growth over the long-term and for assessment of the historical and potential growth of an economy.
- Productivity growth in South Africa has slowed since the global financial crisis and fallen further since the pandemic.
- Production has shifted to sectors with little exposure to international competition and low productivity growth.

EMPLOYMENT IN MANUFACTURING AND SERVICES SECTORS, IN THOUSANDS, FOURTH QUARTER 2019 TO THIRD QUARTER 2025

Employment in the Manufacturing Sector



Employment in the Services Sector



Source: Stats SA, TIPS, the dtic

Highly concentrated markets are more likely to see increases in concentration

competition commission
South Africa

Percentage of industries with changing levels of concentration over the last 5-8 years

	Industries with increasing concentration	Industries with declining concentration	Relatively consistent (≤ 2 percentage points)	Total
Highly concentrated with a presumptively dominant market participant	59.5%	19.0%	21.4%	42
Highly concentrated without a presumptively dominant market participant	35.9%	35.9%	28.2%	39
Moderately concentrated	31.8%	45.5%	22.7%	22
Less concentrated	25.0%	41.7%	33.3%	12
Total	42.6%	32.2%	25.2%	115

- Farming inputs (seed, storage, fungicides and insecticides, fertiliser)
- Agro-processing (grain processing for human and animal consumption, fisheries, ostriches)
- The so-called sin industries (alcohol, gambling)
- Healthcare (medical schemes and administration, pharmacy)
- Communications (fibre to the home)
- Upstream steel value chain (iron and ferrochrome mining)
- Financial services (specialist insurance)

South African Corporate Income Tax Assessment In 2024

Taxable income group	Number of taxpayers	Taxable income (R million)	Tax assessed (R million)	Average tax rate ¹
Loss	224 844	- 1 286 259	498	N/A
R nil	392 168	–	2 654	N/A
R1 to R1 million	159 477	31 613	6 460	20,4%
R1 million to R100 million	35 047	242 499	67 627	27,9%
R100 million +	770	472 276	128 562	27,2%
Total	812 306	746 387	205 801	27,6%
Percentage shares				
Loss	27,7%	-172,3%	0,2%	
R nil	48,3%	–	1,3%	
R1 to R1 million	19,6%	4,2%	3,1%	
R1 million to R100 million	4,3%	32,5%	32,9%	
R100 million +	0,1%	63,3%	62,5%	
Total	100%	100%	100%	

Note: The average tax rate is calculated as tax assessed divided by taxable income.

ANCHORS OF INDUSTRIAL DEVELOPMENT: PATHWAYS FOR GROWTH, JOB CREATION, AND INCLUSION

Pathway 1: Decarbonisation



Advancing low-carbon economy through clean technology investments, developing energy transition infrastructure

- Optimising **investments** linked to the decarbonisation of the economy
- **Autos**: Reforming the support measures for the automotive industry
- Optimisation and decarbonisation of the **steel value chain**
- **Mining** linked to **Critical Minerals and Beneficiation**
- Leveraging **energy investments** for industrial development

Pathway 2: Diversification



Industrial value chain development, export diversification, strengthening SMME & innovation ecosystems, regional industrial development, trade partnerships

- **Agriculture linked to Agro-processing**: value addition, food processing, agri-industrial development
- **Health Industries**: pharmaceuticals, biotechnology, medical manufacturing
- **Services**: tourism, finance, logistics, business services
- **Security Industries**: Aerospace and defence
- **New trade partnerships** for industrial development

Pathway 3: Digitalisation



Improving digital infrastructure and connectivity; data and innovation ecosystems; advancing digital skills development; promoting digital technologies

- **Digital economy**: ICT infrastructure development, software development, trade in digital services
- Building industrial capacity through **Capital Equipment**
- **technology & innovation**, associated sectors, including techno parks



Critical enablers: electricity, water, telecommunications, logistics, red tape reduction, ease of doing business



Industrial Policy Instruments: Industrial finance (Tax Incentives, Grants, Concessional Loans), Trade Measures, Special Economic Zones, Trade Agreements (AGOA, BRICS, CAEPA, CTIP), Export Promotion, Investment Attraction, Public Procurement, Skills Development, Competition Policy (public interest provisions).

The Choice of Industries is Based on Technology Intensity Classification

HIGH TECHNOLOGY

- Energy investments (decarbonisation-aligned)
- Electronics & telecommunications
- Health manufacturing – pharma, vaccines, devices
- Petrochemical, gas & refinery investments
- Defence materials – military, security, migration
- Beneficiation of minerals (local value addition)

MEDIUM-HIGH TECHNOLOGY

- Electrical machinery
- Motor vehicles, trailers & semi-trailers
- Chemicals (excluding pharmaceuticals)
- Transport equipment & rail rolling stock

MEDIUM-LOW TECHNOLOGY

- Basic & fabricated metal products
- Building & repairing of ships and boats
- Rubber & plastics products
- Coke, refined petroleum & nuclear fuel
- Other non-metallic mineral products

LOW TECHNOLOGY

- Circular economy & recycling
- Wood, pulp, paper, printing & publishing
- Food, beverages & tobacco
- Textiles, leather & footwear

Sectors Prioritised for Implementation in the Industrial Development Strategy (IDS)

Sectoral or Vertical Interventions	Transversal or Horizontal Interventions
1. Steel industry.	• Incentives
2. Investments in green industrialisation	• Fiscal transfers
3. Support for the smelters	• Investments (network industries, R&D)
4. Automotives	• Public Procurement
5. Agro-industry value chain	• Stable administered prices
6. Mining linked to the beneficiation of critical minerals	• Leveraging trade relationships
7. Local manufacturing of health products	
8. Defence materials	
9. Digital economy	
10. Services	

- Sectors are targeted based on their ability to increase value addition and improve growth of the manufacturing sector and overall economy.
- Sectors are also prioritised based on their employment and output multipliers, as well as their potential to move the country up the technological frontier .

Industrial Development Strategy in The Context of Just Energy Transition Pathway



**Strive for net zero emissions
by 2050**
(Transition responsibly)



JET Strategy

The Just Energy Transition is not a coal versus renewables position. Rather it is an opportunity for a considered approach towards transitioning from high emitting sources of energy towards cleaner sources of energy.



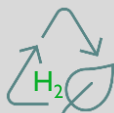
Investments in energy technologies

Renewable energy and battery storage roll out



eMobility and associated infrastructure

EV manufacturing incentives and charging infrastructure, aimed at reducing the country's carbon foot-print while creating economic value



Green Hydrogen

Hydrogen Society Roadmap identifies green hydrogen as key to energy transition, decarbonising heavy industry, transport, and power while creating export opportunities and jobs



Ramped up Clean energy pipeline

execute ~**2GW¹** of clean energy projects. Developed a pipeline of more than 20GW to diversify our energy mix beyond 2030.

- Furthering all 5 E's of Just Transition : **Employment, Environment, Economic Growth, Equity, Energy**

The Classification Critical Minerals In South Africa

Definition & List of Critical Minerals and Metals | South Africa

*While a universally accepted definition is lacking, critical minerals in the context of South Africa are “**minerals that are essential for the overall economic development, job creation, industrial advancement and contribution to national security**”.*

South Africa possesses ore reserves to a value of more than **US\$2.5 trillion**, with **16 commodities ranked in the Top 10 internationally**.

In 2023, **PGMs, Gold, Iron ore** and **Coal** together accounted for **81%** of total sales, **84%** of export sales, and **87%** of employment, with the **PGMs** being the leading sector in terms of employment at **40%**.

Chrome and **manganese together** accounted for **14%** of total sales, **13.6%** of export sales and **7.3%** of employment.

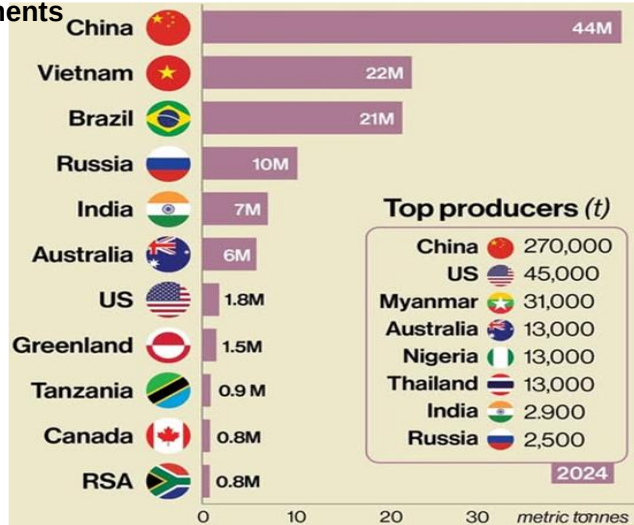
Coal accounts for more that **70%** of the country’s energy needs.

Source: DPMR

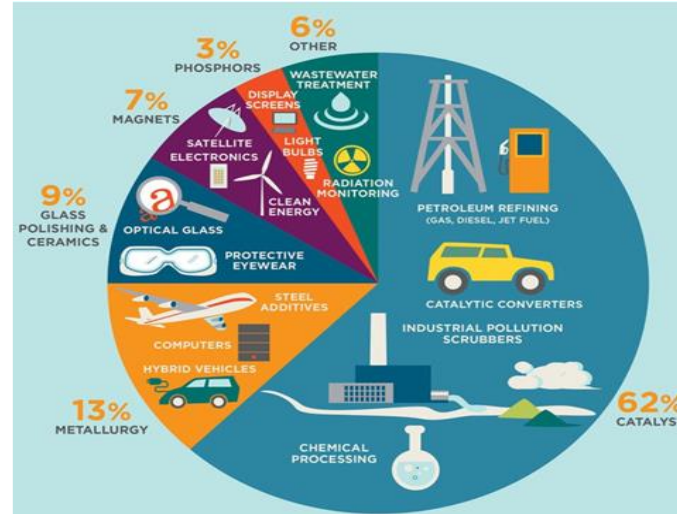
CRITICALITY	MINERALS / METALS
High-Criticality Minerals	Platinum
	Manganese
	Iron Ore
	Coal
	Chrome Ore
Minerals with Moderate to High Criticality	Gold
	Vanadium
	Palladium
	Rhodium
	Rare Earth Elements
Minerals with Moderate Criticality	Copper
	Cobalt
	Lithium
	Graphite
	Nickel
	Titanium
	Phosphate
	Fluorspar
	Zirconium
	Uranium
	Aluminium

The Importance of Rare Earth Elements (REE) for Technology and Defence Materials

Global Reserves and Production of Rare Earth Elements

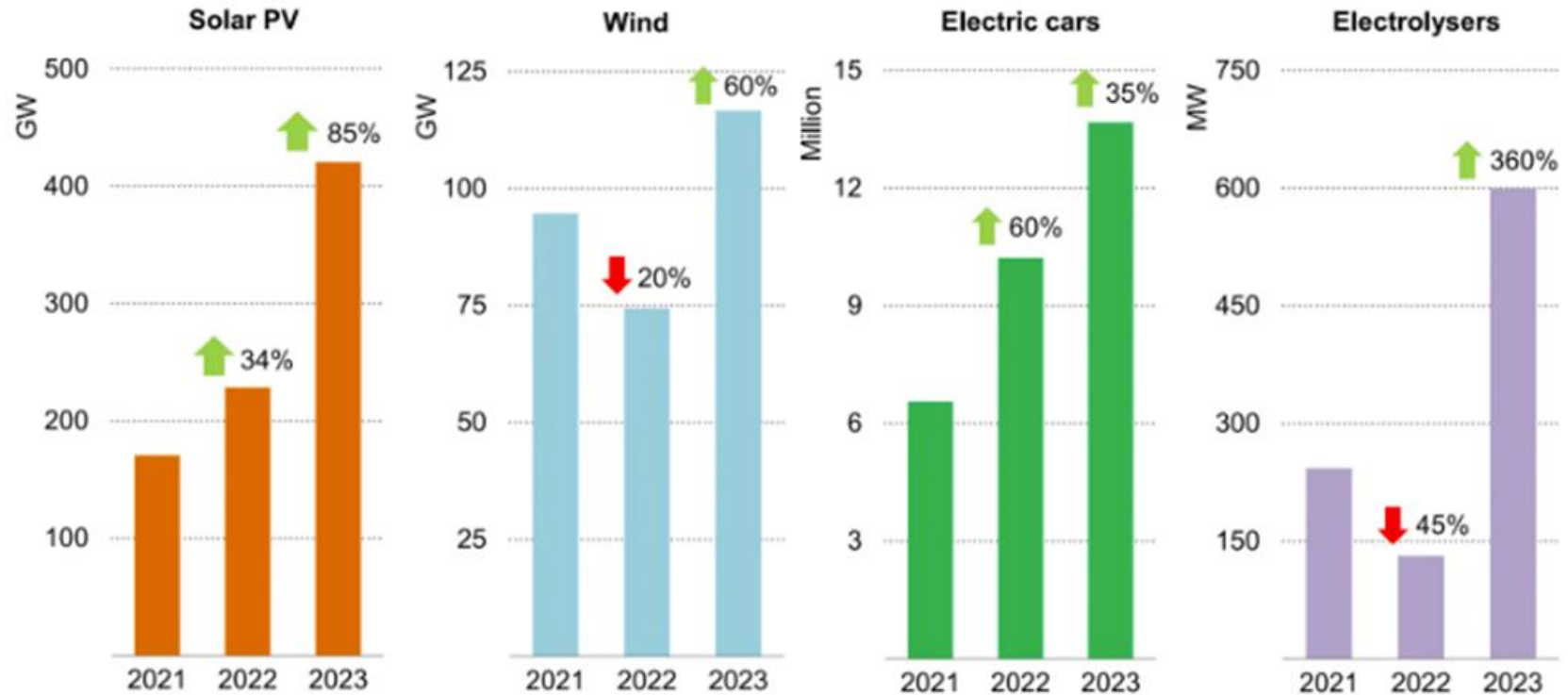


Uses of the Rare Earth Elements

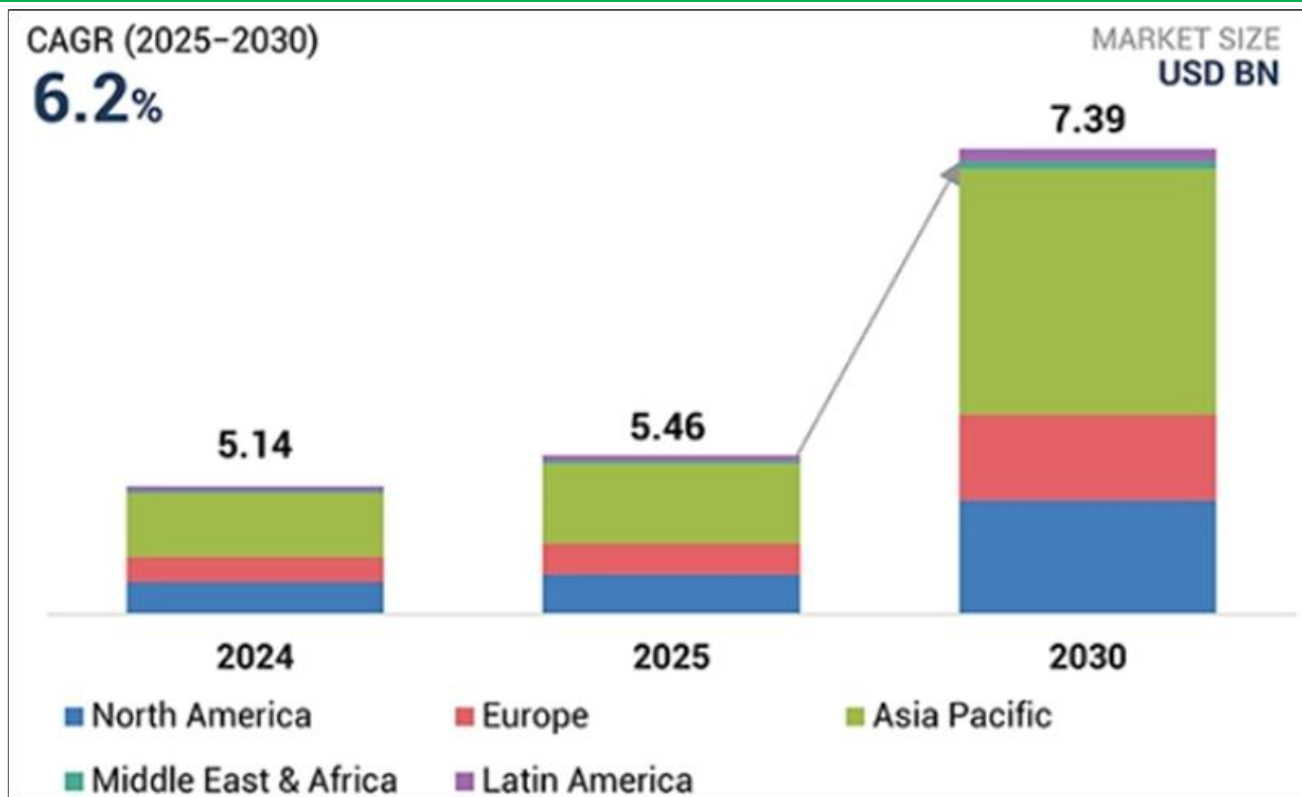


- Rare earth elements are a group of 17 soft metals with unique **chemical, magnetic, and optical properties**.
- REE are essential components in **electronics, lasers, glass and permanent magnets**.
- They are increasingly needed for the production of defence materials and equipment as well consumer electronics: from phones and electric vehicles to missile engines and wind turbines.
- China tops the list for the reserves and mine production; while the US has 1.5 million tons in reserves, however, it still depends on China for refined rare earths.
- **Recycling:** limited quantities of rare earths were recovered from batteries, permanent magnets, and fluorescent lamps.

The Drivers of Clean Technology Investments



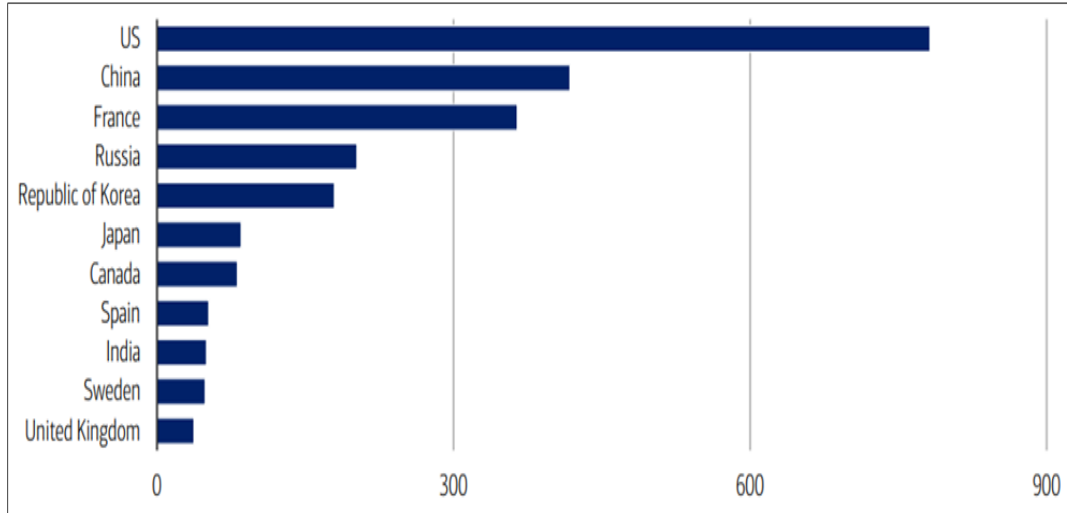
The Revenue Forecast for Rare Earth Elements (REEs)



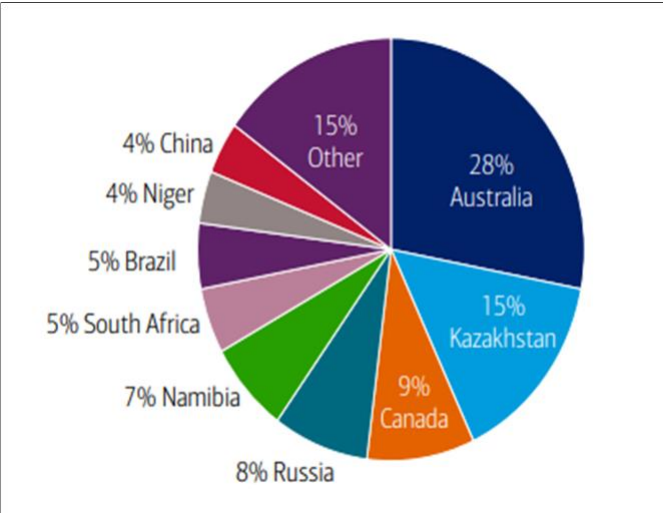
The revenue for REE market is projected to reach U\$D 7.39 billion by 2030 from U\$D 5.46 billion in 2025, at a CAGR of 6.2% from 2025 to 2030. The demand for REEs is driven by their critical role in high-tech applications, including electric vehicles, wind turbines, consumer electronics, and defense systems.

The Expansion of Nuclear Energy and Increasing Demand for Uranium

As of 2024, China, France, & the US produce more than 1,500 Terawatt-hours (TWh) of nuclear energy per year

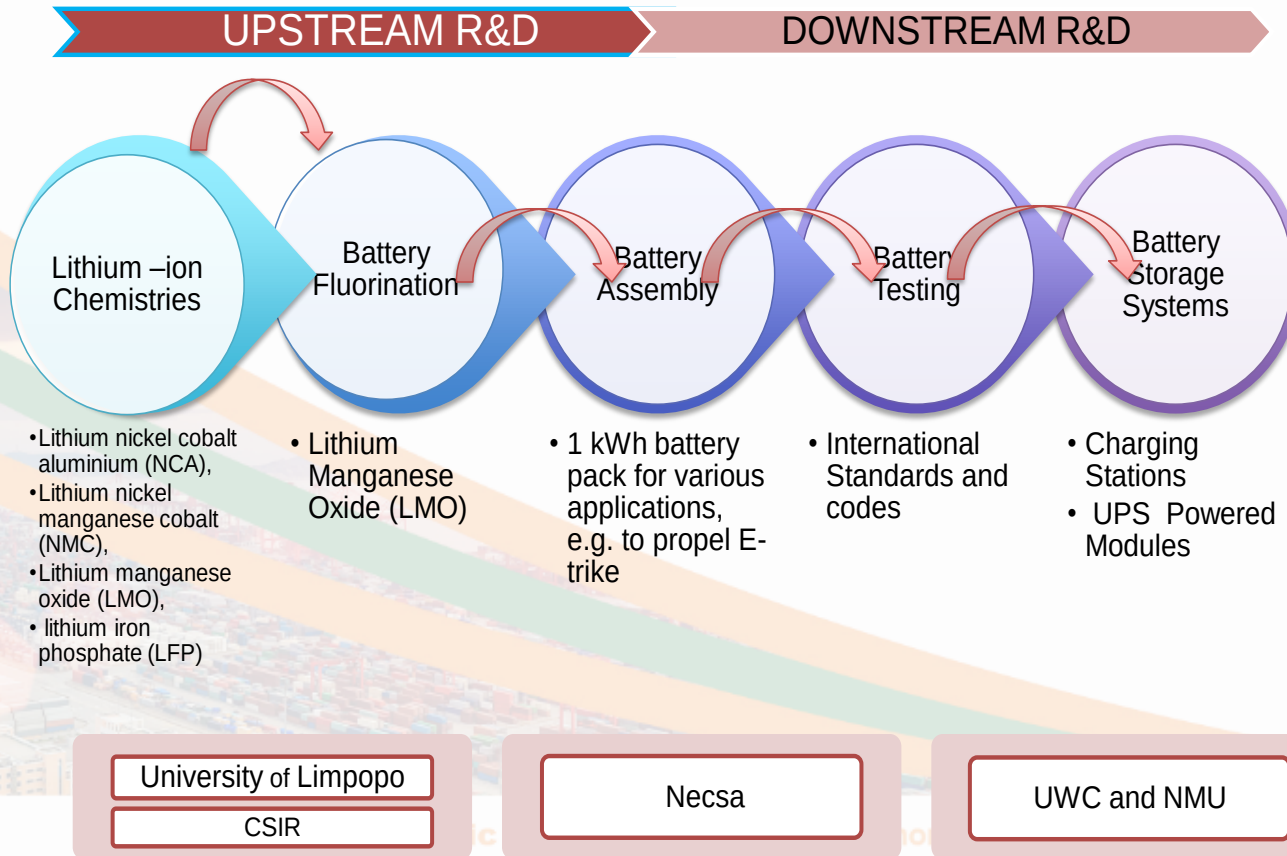


Uranium resources by country: Australia, Kazakhstan, and Canada have >50% of uranium reserve

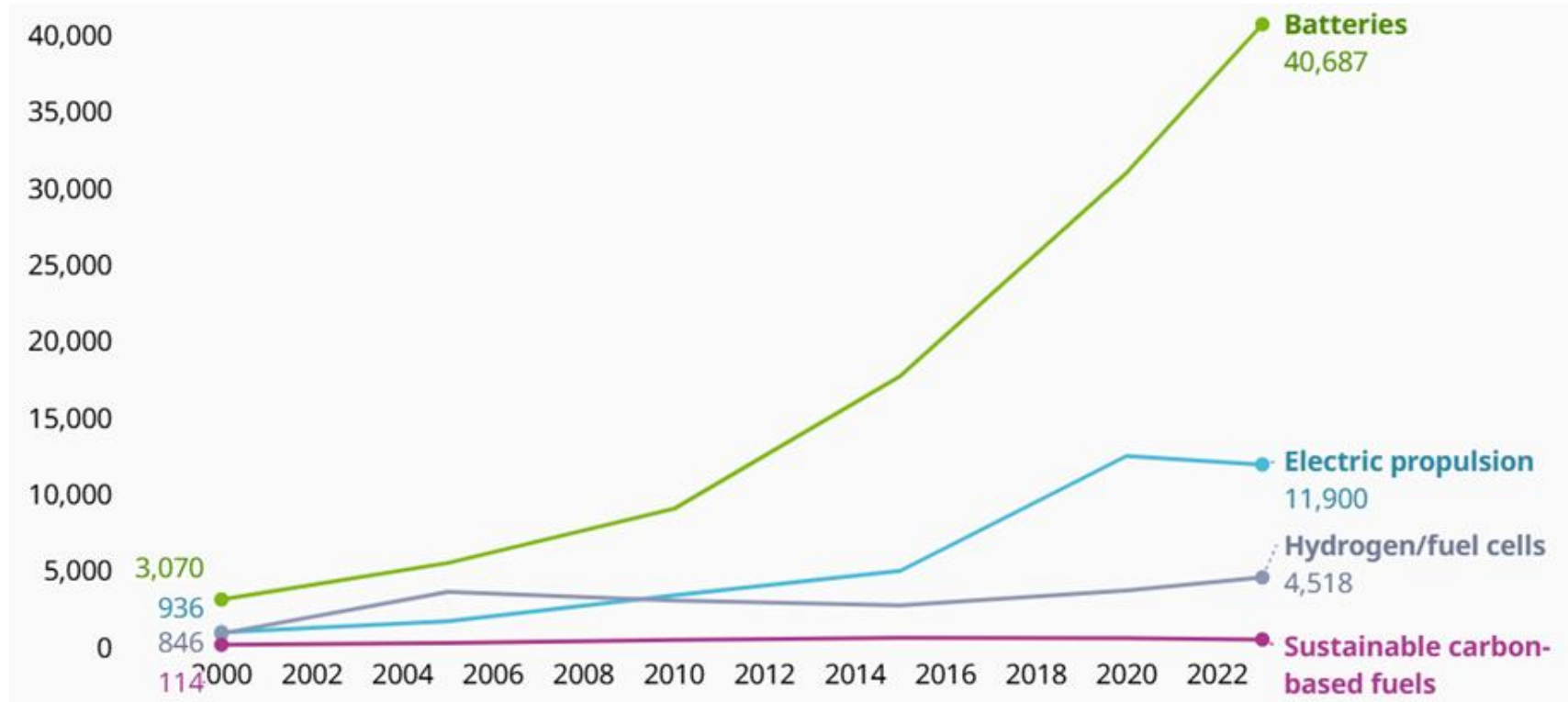


- As of 2025; there were about 440 nuclear power reactors operating in 31 countries.
- About 30 countries are considering, planning or starting nuclear power programmes.
- These range from sophisticated economies to developing nations.
- Bangladesh, Egypt and Turkey are all constructing their first nuclear power plants.
- The global demand for uranium is rising due to the push for nuclear energy as a low-carbon power source.

R&D in Battery Manufacturing in South Africa

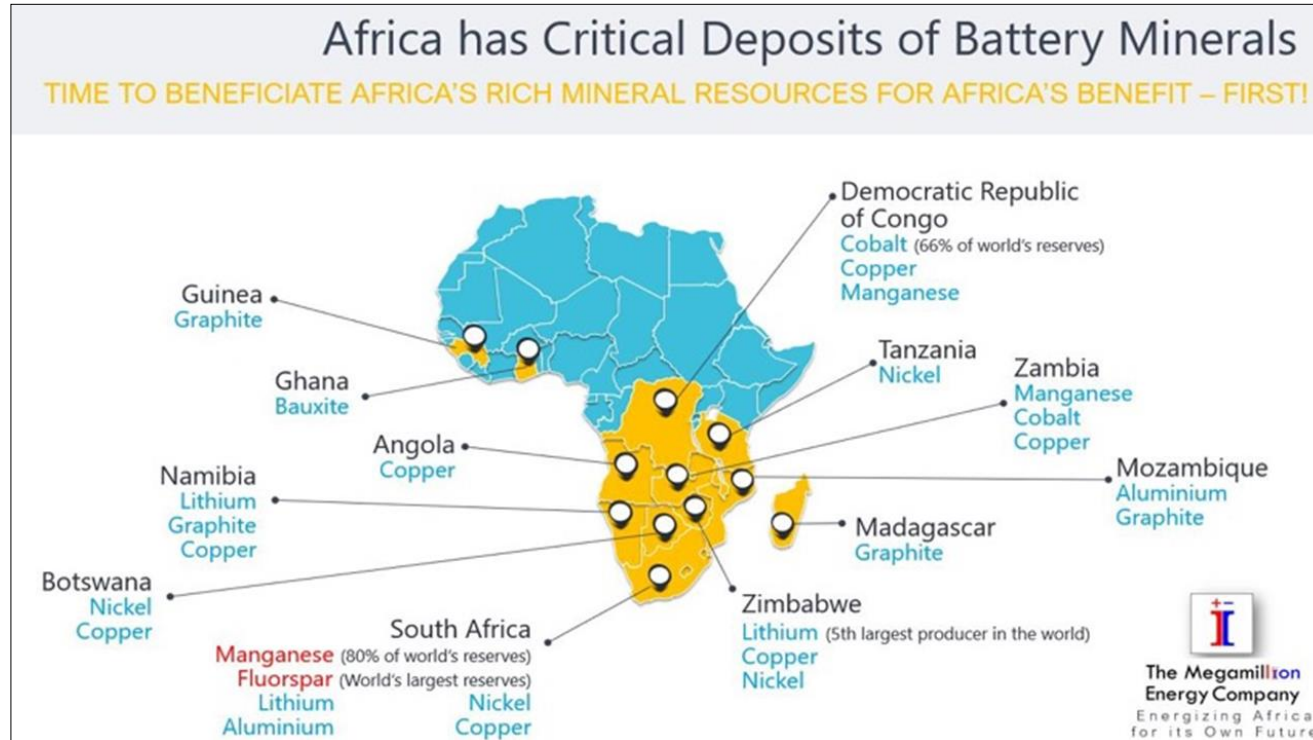


Registration of Patents Linked to Propulsion in Land Transport Systems



A Regional Approach in the Processing and Beneficiation of Minerals

The Southern Africa region is well-endowed with many of the minerals required for green industrialisation



Policy Measures for Mineral Beneficiation in South Africa

- In order to incentivise businesses to process (beneficiate) raw or unprocessed minerals domestically before exporting them, there must be an alignment on the policy instruments to achieve that objective.
 - Greater certainty on the legislative framework on access to mineral rights and licensing to support beneficiation projects.
 - Export quotas / taxes on strategically important raw/unprocessed minerals. These should not be used in isolation.
 - Before an export permit is issued, a share of ore (starting at 10%) should be offered to local smelters similarly to the scrap metals Price Preference System (PPS).
 - Recover PGMs before chrome leaves the country. Exported concentrated chrome carries PGMs that leave the country unrecovered.
 - Incentives for mineral processing technologies.
 - Preferential electricity tariffs.
 - Enforcement and periodic review to ensure that export measures do not undermine investments and competitiveness in the industry.
 - Social compact/masterplan for mineral processing in South Africa.

Funding and Partnerships for the Critical Minerals Platform

From mineral endowment to a funded growth pipeline

A blended funding architecture housed and coordinated by the IDC

A delivery mechanism, not another fund: develop projects, solve ecosystem constraints and crowd in capital at the right stage.

1 SHAPE THE ECOSYSTEM

- Policy, incentives & approvals
- Regional value-chain compacts
- Bilateral technology & market partnerships

2 BUILD THE PIPELINE

- Scaled exploration & project preparation
- Strategic feedstock / aggregation options
- First Wave projects with road-to-close plans

3 MOBILISE CAPITAL

- Patient equity & catalytic capital
- Concessional debt, guarantees & risk sharing
- Commercial and institutional refinancing

SUPPORT REQUIRED FROM dtic + NATIONAL TREASURY

1 Catalytic capital

Ring-fenced allocation with an agreed risk appetite

2 Blended-finance architecture

Exploration, preparation, guarantees and long-tenor debt

3 Fiscal & policy instruments

Incentives, procurement, trade and regulatory alignment

4 Delivery mandate

Cross-government mechanism to unblock infrastructure and approvals

Outcome: a pipeline of bankable beneficiation projects that leverages public support into private investment, competitive exports, technology, jobs and regional industrialisation.

PIC Early-stage Mining Fund

DBSA project preparation

The IDC, in partnership with the DMPR and the Council for Geosciences (CGS) and Anglo American have contributed to the Junior Mining Exploration Fund.

A South African-led platform for regional industrial growth

Connect exploration, mineral security, beneficiation, infrastructure, markets and capital around a focused portfolio of projects.

One coordinated pipeline.
Multiple financing instruments.
Measurable industrial outcomes.

Green Industries

- ❑ **Targeted Outcome:** Decarbonisation and Job Creation - Implementation of the approved South African Renewable Energy Masterplan (SAREM).
 - Designation studies are being completed for Solar PV steel components and Battery Energy Storage Systems (BESS). Recommended local content requirements will be presented to SAREM EOC on 30 September 2026.

- ❑ **Targeted Outcome:** Cross-border SEZs - Continental value chain integration.
 - Agreement with National Treasury and DFFE to conduct Carbon Tax/ CBAM alignment research in the Partnership for Market Implementation (PMI).

- ❑ **Targeted Outcome:** Increased investments in projects /programmes for decarbonisation
 - Multi-lateral climate change funding, excludes EU CTIP and JET-IP funding.

Project	Value of project
South Africa's Steel Decarbonization	\$ 360 356
Accelerating cleantech innovation and entrepreneurship in SMEs to support transition towards a circular economy and create green jobs in South Africa (GCIP-SA)	\$ 3 326 281
Supporting the just energy transition in South Africa by strengthening local value chains and enhancing quality assurance for electric vehicle batteries	\$ 945 250

The Main Thrust of the Steel Roadmap

LEVERS OF THE STEEL ROADMAP	POLICY OBJECTIVES
Cost-plus iron ore pricing	Value Addition & Localisation
DRI and green-hydrogen steelmaking	Investment in RDI + Infrastructure/Energy
Scrap export reform and recycling	Circular Economy & ESG
Infrastructure designations (~20,000 jobs)	Infrastructure & Energy Security of Supply
AfCFTA export drive	Regional Integration

Interventions in the Steel Industry

- Finalise the IDC's guarantee application for the majority shareholding in AMSA.
- Agree on the post acquisition restructuring roadmap
- The recapitalisation of the downstream steel industry competitiveness fund.
- Support DRI expansion for higher-grade output.
- Promote investments in downstream steel manufacturing.
- Scale up investments in steel-based infrastructure.
- Use public procurement creatively to support local production of steel products (e.g. Requests for Proposals, Conditions of Contracts).
- Finalisation of the PPS review and policy position beyond 2027.
- Finalisation of the export tax on ferrous scrap, extend the export tax to processed scrap such as billets.
- Transition to green steel and electric arc furnaces (EAFs) requires targeted concessional industrial finance and other incentives.

Support Measures for the Downstream Steel Markets



Agri implements



Auto components



Bright bars



Engineering



Fasteners



Industrial
fabrication



Light fabrication



Mine roof bolts



Mining
consumables



Rail lines



Grid Transmission



Boiler tubes



Smelters



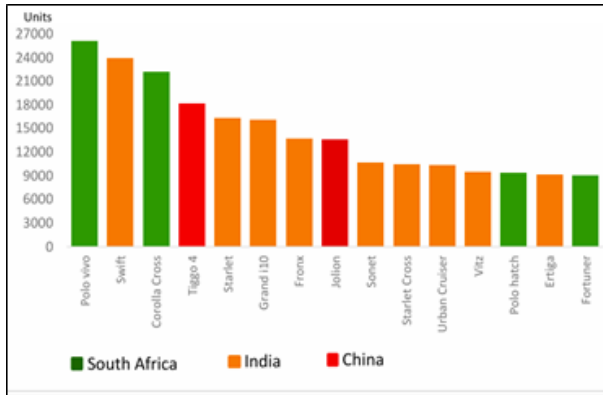
Reinforcing



Wire drawing

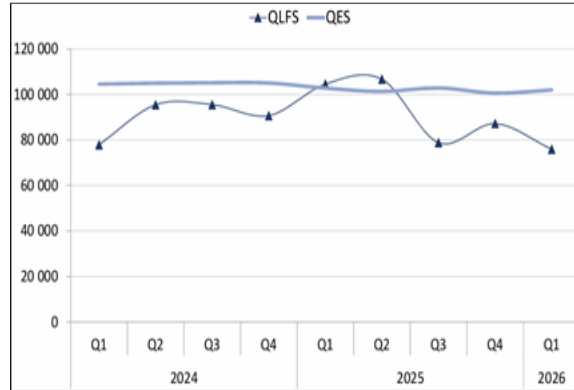
The Auto Industry Performance And Employment Trends

South Africa's 15 best-selling passenger vehicles in 2025

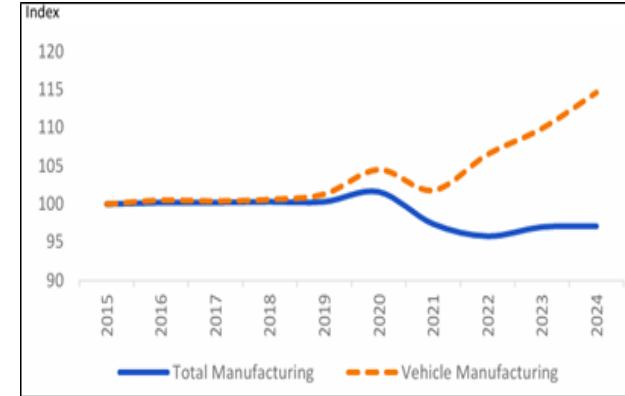


Source: Stats SA, TIPS, the dtic

Employment trends in the Auto Industry



Automotive manufacturing employment remains strong



- The QLFS is a household survey and it samples auto workers, whereas the Quarterly Employment Survey (QES) surveys employers.
- The implementation of the APDP and Masterplan is key for the performance of the sector.
- The review of the APDP and Masterplan is critical as well as extending the support measures for a broader range of NEV technologies, including hybrid and plug-in hybrid vehicles and extended electric vehicles

Measures to Attract New Auto OEMs

- Registration with the International Trade Administration Commission (ITAC).
- Pro rata benefits based on the minimum vehicle production volume of 10 000 units per year; however, full benefits only available at 50 000 units per year (currently no specified volumes for standalone EV production or ICE and EV combination).
- Component Manufacturers to supply at least 25% of production to OEMs or have a turnover of at least R10million from OEM contracts.
- Negotiations on B-BBEE Compliance, including facilitator status New OEMs.
- Tax Benefits (15% Corporate Income Tax).

Agriculture & Agroprocessing

- ❑ **Premier foods:** A technical task team has been established, led by the Western Cape Provincial Government, to address the closure of the Premier Foods facility and ensure operational continuity ahead of the forthcoming production season, scheduled to commence in November 2026.
- ❑ **Sugar Masterplan:**
 - ❑ Phase two of the Sugar Masterplan has been launched.
 - ❑ the dtic and IDC played a major role in the withdrawal of the liquidation application Tongaat Hulett Limited (THL) by the Business Rescue Practitioners (BRPs), just as the matter was due to be heard in the Durban High Court in KwaZulu-Natal on 17 June 2026. The agreement paves the way for the implementation of the adopted business rescue plan. Under the agreement, the IDC will convert its post-commencement funding (PCF) into an ownership stake in THL's rescue structure. This is still work in progress.
 - ❑ Both the dtic and Department of Agriculture held the sugarcane growers' dialogue or imbizos on the 17th and 18th September 2026.
 - ❑ Sugar Diversification: Work has commenced with the IDC to identify and assess the most feasible projects for diversification within the sugar industry. Areas under consideration include sustainable aviation fuel (SAF), bioethanol and bioplastics.
- ❑ **Sugar Tariff:**
 - ❑ The Minister approved an increase in the sugar tariff effective 28 August 2026. The Dollar-Based Reference Price (DBRP), implemented through National Treasury, has increased from US\$680 per tonne to US\$785 per tonne.

Chemicals and security of supply for sulphur and ammonia

- ❑ **Sector monitoring:** Regular industry engagement continues to track fertiliser value-chain developments and risks to ammonia and sulphur supply.
- ❑ **Ammonia:** Supply remains available, but high input and logistics costs are constraining affordability and producer margins. The IDC is assessing viable localisation projects to strengthen medium- to long-term domestic production.
- ❑ **Sulphur:** International supply is available, but prices above US\$1,000 per tonne are creating significant cost pressure. Alternative suppliers in Canada, Uzbekistan and Kazakhstan are being explored to diversify sourcing.
- ❑ **Planting-season supply:** Earlier Western Cape constraints were resolved and demand was met. Increased imports of finished fertiliser, phosphoric acid and MAP are maintaining agricultural supply while Foskor production remains reduced.
- ❑ **Foskor:** The IDC has appointed Mr Hilton Lazarus to lead the turnaround and restart of operations, which remains critical to the domestic phosphate fertiliser value chain.
- ❑ **Logistics:** Engagement with Transnet is focused on efficient movement of imported fertiliser and strategic inputs from ports to end users, and on strengthening logistics resilience ahead of higher planting-season import volumes.

Defence sector

- ❑ Paramount Group has achieved international success through products such as the Mwari aircraft and Maatla protected vehicles, with exports to African and international markets.
- ❑ Milkor has expanded its presence in armoured vehicles, unmanned aerial systems (UAS) and defence solutions, serving domestic and export customers.
- ❑ Reutech continues to demonstrate strength in radar, sensor and naval electronic systems, supporting both domestic capability and export opportunities.
- ❑ Rheinmetall Denel Munition (RDM) has secured major international contracts, driving investment in local manufacturing facilities and supporting high-skilled industrial employment in South Africa.

Key Freight Rail Improvements & Open Access

- The government has approved the first 11 **Train Operating Companies (TOCs)** to negotiate access rights with the Transnet Rail Infrastructure Manager (TRIM), allowing private operators to run trains on the national network.
- The private-public partnerships and reforms aim to add an **extra 20 million to 24 million tonnes** of freight capacity annually, moving toward a broader target of **250 million tonnes of rail freight by 2029**.
- Transnet secured an **R18.5 billion** from the New Development Bank (NDB) under a 5-year capital expenditure programme to restore tracks, overhaul locomotives, and renew wagon fleets (**opportunities for localisation**).
- There are plans to shift heavy cargo off congested highways and back onto key corridors like the North Corridor and Durban Container Corridor.

The Proposal for a Pharmaceutical Production Linked Incentive

Design issues

Eligibility criteria: Identify pharma products to be covered

- Agree upfront on the minimum committed incremental investment in plant, machinery, equipment (and R&D) in South Africa.

Incentive base: Percentage (typically 4–6% but ranging up to 10–20% in high-priority products) of net incremental sales of eligible products manufactured in South Africa, measured against a fixed base year (e.g. calendar year or govt FY).

Disbursement: Claims filed after the year closes, verified against VAT and customs records by SARS or company specific data.

- A decision will have to be taken whether this will be a cash grant or tax incentive. Noting that a rebate will work better administratively.
- The fund must have a limit in terms of the capped total outlay; sometimes per-company or linked to agreed parameters.
- Incentives are paid only after verified achievement of targets (investment + incremental sales/production).
- If targets are missed, no (or reduced) incentive is paid for that year.

Duration: selection of the start year, including multi-year extensions.

Tax Incentives for Industrial Growth

Tax Instrument	Proposal	Status
Section 11D & 12C Tax Allowance	Closer linkages on operation and capital costs related to R&D investments, including designs	National Treasury to provide an update
Section 12B Tax Ancentive	Consider differentiated rate of incencentives for l local manufacturers and importers of RE materials	National Treasury to provide an update
Section 12I Tax Allowance	Reinstate the allowance for greenfield and manufacturing incentives	National Treasury to provide an update on the administration of the tax
Section 12J Tax Allowance	Reinstate the allowance for SMME and Venture Capitalists' inventments in mining	National Treasury to provide an update
Section 13I Tax Allowance	Expand it to cover investments in non-residential buildings	National Treasury to provide an update

- **Exemption of both the IDC and ECIC from the Corporate Income Tax in order to facilitation industrial development.**

An Alternative Approach to Carbon Taxes

- **The review of section 12L of the Income Tax by allowing for the recycling of carbon-tax revenues**
- Hard-to-abate sectors such as steel, cement, aluminium, fertilisers and energy industries, are within the scope of carbon tax and Carbon Border Adjustment Mechanism (CBAM).
- Carbon taxes are mainly aimed at changing behaviour and production processes. However, the targeted sectors have limited near-term substitutes for coal-based processing infrastructure.
- Without a targeted investment mechanism, the higher effective carbon tax may reduce available capital for transition projects and could delay the replacement or conversion of emissions-intensive assets.
 - **Investment allowances** can improve the political and economic acceptability of carbon pricing and assist in unlocking funding for decarbonisation projects.
 - Renewable-energy projects.
 - Energy-efficiency investments.
 - Green hydrogen.
 - Green steel.
 - Smelting technologies
 - Carbon capture, utilisation and storage
 - Climate-related research and innovation.

An Innovative Model to Attract Investments in the Public Sector Infrastructure Projects

- There is a need to convert government infrastructure priorities into bankable, investable projects with predictable returns and manageable risks.
- Expand the role of the development finance institutions in the equity ownership and financing of strategic assets and infrastructure projects (e.g. AMSA's transaction, Foskor).
- In order to expedite the procurement and delivery of earmarked infrastructure projects, approvals from stringent public finance and procurement regulations must be sought (Treasury Regulation 16; section 54(2) of the PFMA; Section 34 Ministerial Determination in the Electricity Regulation Act.
- Unsolicited bids in the design, build, ownership and transfer of public infrastructure projects.
- Infrastructure project pipeline includes opportunities in areas such as:
 - Oil refineries;
 - Special Economic Zones (SEZs);
 - Rail infrastructure;
 - Energy and water infrastructure;
 - Port and Rail infrastructure development and management

Industrial Policy Instruments

- Industrial Finance
- Tax Incentives
- Tariffs
- Non-tariff instruments (e.g. environmental standards)
- Technological Transfer
- Competition & Regulatory Policies (CompCom, NERSA, ICASA)
- Intellectual Property Rights
- Research & Development
- Design & Innovation
- Local Procurement
- Technical standards (SABS, NRCS, NMISA, SANAS)
- Water and Electricity Prices
- Skills Development
- Transformation & Empowerment

Thank You