



# Government Grants and Incentives

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# Background to Incentives

# Government Support in the Business Cycle





The image features three glass bottles filled with a white liquid, likely milk, arranged on a white wooden surface. The bottle in the foreground is decorated with a piece of brown twine tied around its neck. Each bottle has a red and white striped straw inserted into it. To the left, a portion of a blue cloth with white polka dots is visible. A semi-transparent grey banner with rounded corners is positioned across the lower half of the image, containing the text "Incubation Support Programme" in a white, sans-serif font.

# Incubation Support Programme

# Incubator Support Programme

## Overview & Objectives

- A support measure to encourage private sector partnerships with government to support incubators in order to **develop SMMEs and nurture them** into sustainable enterprises that can provide employment and contribute to economic growth.
- A **cost-sharing support** of 50:50 for large businesses and a cost-sharing of 40:60 for SMMEs
- **Provide funding for incubators** that can generate revenue over time (through the provision of services and self- sustainable services).
- Grant approval is capped at a **maximum of R10 million** (VAT inclusive) per financial year over a 3 year period.
- Applicants may apply for assistance for an additional three years and must comply with the guidelines of the ISP
- *The ISP is effective from 1 September 2012 to 31 March 2022*





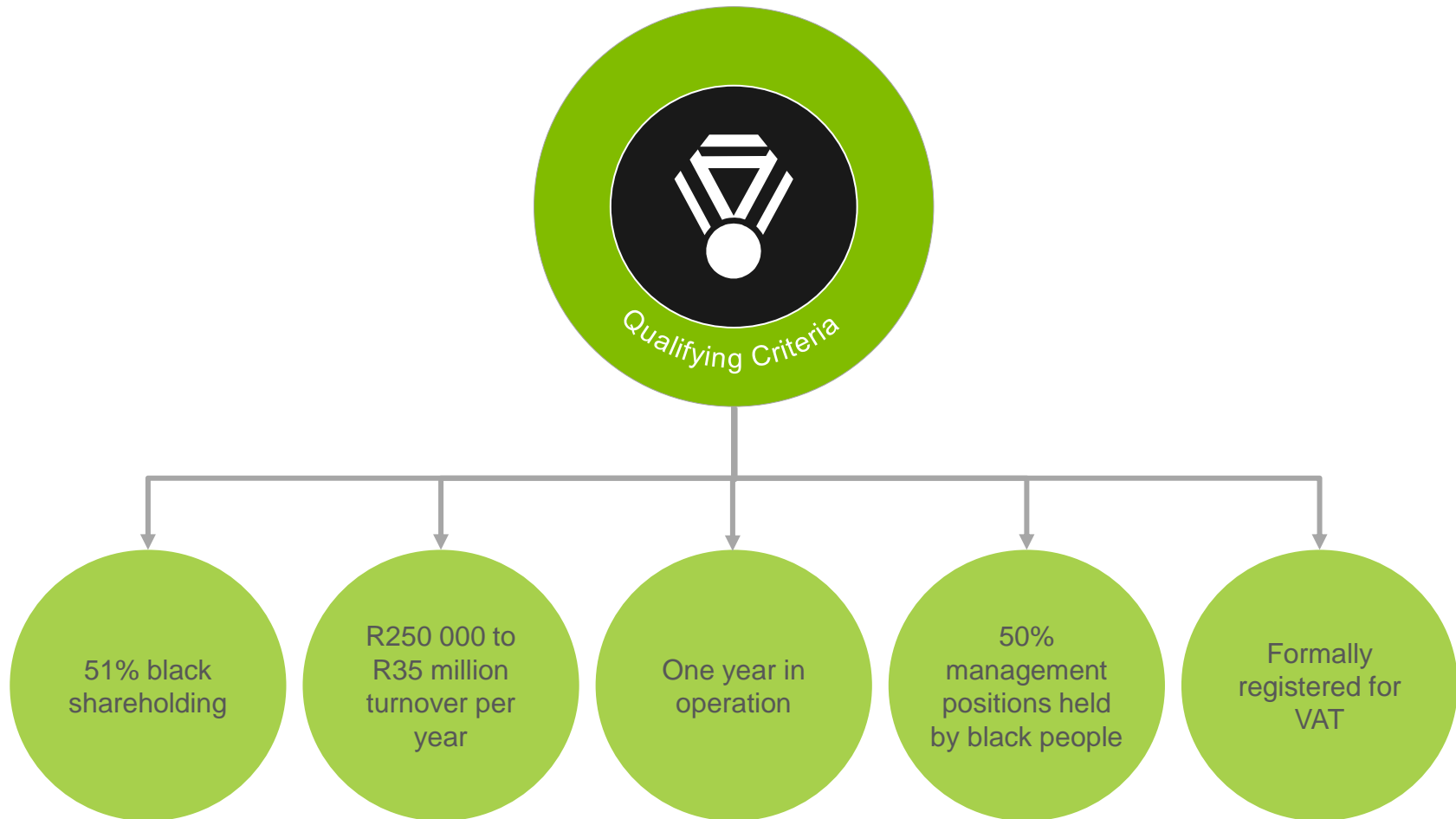
# Black Business Supplier Development Programme

# Black Business Supplier Development Programme (BBSDP)

- BBSDP is a cost-sharing grant offered to black-owned small enterprises to assist them to improve their competitiveness and sustainability to become part of the mainstream economy and create employment.
- The programme provides grants to a maximum of R1 million:
  - R800 000 for tools, machinery and equipment on a 50:50 cost-sharing basis; and
  - R200 000 for business development and training interventions per eligible enterprise to improve their corporate governance, management, marketing, productivity and use of modern technology on a 80:20 cost-sharing basis.



# BBSDP – Qualifying Criteria





# Critical Infrastructure Programme (CIP)

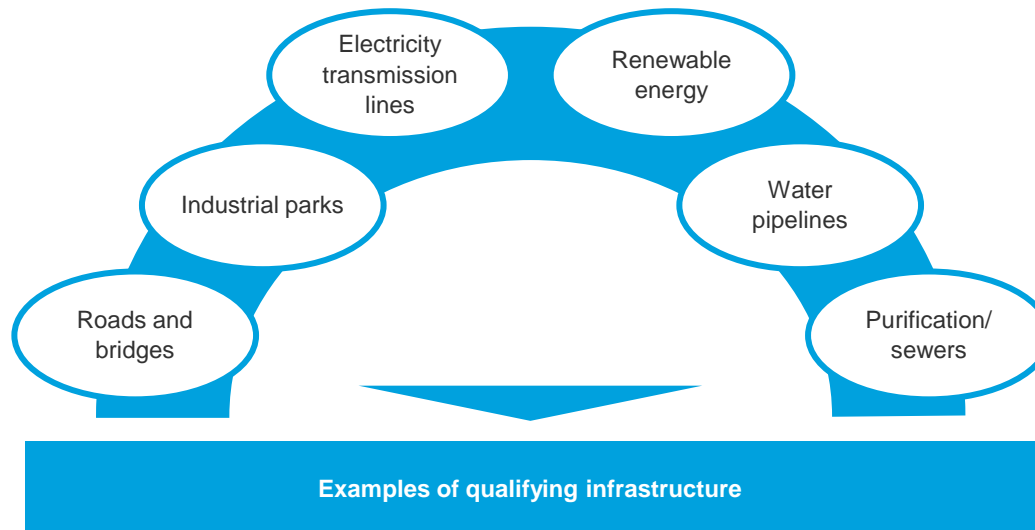
# Critical Infrastructure Programme

- The Programme is a non refundable, cash grant that is available to approved entities upon the completion of verifiable milestones.
- The scheme covers between 10% - 50% of the total cost of development costs of the qualifying infrastructure but is capped at R50 million per project.
- Provide targeted financial support for physical infrastructure that will leverage strategic investment with a positive impact on the economy.
- Make SA industry more competitive by lowering infrastructure cost and risks.
- Qualifying Projects include the construction/provision of infrastructure:
  - Which enables a defined fixed investment/ expansion of an existing investment;
  - Which enables new state owned industrial parks/ the upgrade of existing parks
  - For renewable energy projects (not under the REIPPP)
  - For investment that alleviates water/electricity dependency on the national grids
  - To distressed municipalities/ state-owned Aerospace and Defence testing facilities/ state-owned industrial parks.

# Critical Infrastructure Programme

## Qualifying infrastructure


- **“Infrastructure”**: is defined as the structural foundations or permanent network facilities via which enterprises and society in general receive or supply basic services such as transport, electricity and water, sanitation, telecommunications etc.



- Some infrastructure is critical to the investment yet not necessarily accessible to other enterprises or the public – this may be supported.
- **Timing and submission of a CIP Application**

Application must be submitted to the DTI 60 days prior to the commencement of infrastructure construction.





# Section 12L Energy Savings Tax Deduction

# Section 12L Energy Savings Tax Deduction

## Applicable to all forms of energy and not only electricity

- The objective of section 12L is to provide a tax deduction for taxpayers who are energy efficient.
- Section 12L is energy reduction incentive, *not* an electricity usage reduction incentive.
- Deduction is dependant on “*energy efficiency savings certificate*”;
- The issuing of an energy efficiency savings certificate is subject to regulations to be issued by the Department of Energy.
- Not an electricity saving allowance but an energy saving allowance.
- Energy saving initiatives may qualify for a tax allowance in the first year when a saving is achieved.
- Allowance will be applicable to greenfield and brownfield projects.

# Section 12L Energy Savings Tax Deduction

Energy Type	Unit	Conversion to GJ /unit	Conversion to kWh/unit	S12L allowance (Pre-Tax)/unit saved	S12L allowance (Post-Tax)/unit saved
Electricity	kWh	0.0036	1	R0.95	R0.27
Coal	Tonne	27	7 500	R7 125.00	R1 995.00
Diesel	Litre	0.0381	10.58	R10.05	R2.81
HFO	Tonne	43	11 944.44	R11 347.22	R3 177.22
LPG	Litre	0.0267	7.42	R7.05	R1.97



# Section 12I Industrial Policy Projects (S12I)



# Section 12I Income Tax Allowance For Industrial Policy Projects

The project can either be classified as a Greenfield (new investment project) or Brownfield (expansion of existing project) project.

The extent of the additional investment allowance will depend on the qualifying status obtained by the project.

Preferred status projects:

- **55%** of the cost of new and unused manufacturing assets.
- **100%** if located in an Industrial Development Zone (IDZ).

Normal status projects:

- **35%** of the cost of new and unused manufacturing assets.
- **75%** if located in an IDZ.

Additional Training Incentive

In addition to any other deductions allowable, a company may deduct an amount equal to the cost of training provided to employees in the year of assessment during which the cost of training is incurred for the furtherance of the industrial policy project carried on by the company.

Timing of submission of application

The application must **be submitted to the DTI and must receive approval in writing** from the Minister of Trade and Industry **prior to contracting for / purchasing of assets**

# Section 12I – Point Scoring and Benefit

Criterion	Greenfield	Brownfield
Innovation	1	1
Cleaner production technology – Improved energy efficiency	2	2
Business Linkages	1	1
SMME procurement	1	2
Location in an IDZ	2	0
Training of employees	2	2
<b>Maximum points</b>	<b>9</b>	<b>8</b>

***Final points scoring is still subject to finalisation of the Regulations to the Income Tax Act***

Total Manufacturing Assets	Total Points Awarded	% deduction allowable
Qualifying Status	5 – 7 points	
Qualifying manufacturing assets		35% (75% in IDZ)
Preferred Status	8 points	
Qualifying manufacturing assets		55% (100% in IDZ)

# Section 12I – Potential Benefits

Project Type	Project Status	Additional investment allowance		Net tax benefit (28% corporate tax rate)
Brownfields Projects	Preferred status	55% (100% if in IDZ) of cost of manufacturing assets	R550 million	R154 million
	Normal status	35% (75% if in IDZ) of cost of manufacturing assets	R350 million	R98 million
Greenfields Projects	Preferred status	55% (100% if in IDZ) of cost of manufacturing assets	R900 million	R252 million
	Normal status	35% (75% if in IDZ) of cost of manufacturing assets	R550 million	R154 million

A microscopic view of plant cells, showing a dense network of cells with prominent cell walls and large, clear central vacuoles. The cells are arranged in a somewhat regular pattern, with some cells showing more detail than others. The overall color is a pale yellowish-green.

# Research and Development Alternatives



# Section 11D of the Income Tax Act

Offers a supercharged deduction of 150% on R&D

Promotion of R&D in  
South Africa

Supercharged deduction of  
150%

Additional benefit of 14%  
after tax

Volume based tax regime

No cap on additional  
benefit

Operational expense

R&D activities must be  
performed in South Africa,  
but IP does not need to  
reside in SA

Elect to use section 11D

Numerous changes:  
2 Nov 2006  
1 Oct 2012  
1 Jan 2014

# Support Programme of Industrial Innovation (SPII)

- SPII promotes technology development by offering financial assistance to South African innovation in manufacturing or software development. SPII is focused specifically on the phase that begins at the conclusion of basic research (at the stage of proof of concept) and ends at the point where a pre-production prototype has been produced.
- The three sub-programmes include:
  1. SPII Matching Scheme – reimbursive grant of between 50% and 75% of direct costs incurred in the development activity. The maximum grant is R5 million per project.
  2. SPII Partnership Scheme – matching contribution of the development costs up to 50% where the development costs exceed R10 million.
  3. SPII Product Process Development Scheme – The financial assistance provided is in the form of a non repayable grant of between 50% and 85%, of the qualifying costs incurred during the technical development stage with a maximum grant amount of R2 million per project.

## Innovation Fund (IF)

The IF provides funding through the Industry Matching Fund, Technology Development Fund and the Idea Development Fund. Various funding and financing options are available.





A photograph of three glass milk bottles filled with white liquid, likely milk, standing on a rough, mossy stone ledge. The bottles are covered in condensation droplets. The background is a textured stone wall with some green moss and a small plant. A wooden object is visible in the upper left corner. A semi-transparent dark grey banner is at the bottom, containing the text "Other Incentives".

# Other Incentives



# Jobs Fund

- The Jobs Fund was announced by the President during the State of the Nation Address on 10 February 2011. The objective of the Fund is to co-finance public and private sector projects that will significantly contribute to job creation. The Fund will operate on challenge fund principles. This means that project allocations will be based on an open, competitive process. The aim of the fund is to operate as a catalyst for innovation and investment in activities which directly contribute to long-term employment creation.
- The next expected call for proposals will be in the last quarter of 2015.



# Jobs Fund Continued...

## Areas of Focus

Proposals will be invited for co-financing of projects in the following four funding windows:

- **Enterprise Development** – investments in by both the private and non-private sector in business development initiatives leading to sustainable job creation, such as product development, local procurement promotion, marketing support, equipment upgrading or enterprise franchising.
- **Infrastructure Investment** – local infrastructure investment projects aimed at unlocking job creation potential, such as light manufacturing enterprise zones, local market and business hub facilities, critical transport and communication links and upgrading of infrastructure services.
- **Support for Work Seekers** – programmes with a particular focus on unemployed young people such as job search projects, training activities, internship and mentorship programmes, support for career guidance and placement services.
- **Institutional Capacity Building** – projects aimed at strengthening institutions through which job creation

# Export Marketing and Investment Assistance (EMIA)

Assisting South African exporters in establishing export markets for their products through the following schemes:

- Individual participation in exhibitions
- Outward investment and selling missions
- Inward buying and investment missions
- Foreign direct investment and primary market research
- Benefit – a portion of specified costs relating to:
  - Travel
  - Daily subsistence
  - Transportation of samples
  - Exhibition costs
  - Costs of brochures

# Local Government Incentives

## Incentives to be Considered

- Municipal support and involvement as part of this process.
- Discounts or rebates on municipal services and rates.
- Waiver of or rebate on municipal building plan approval costs.
- Infrastructure connection fee contributions.
- Discount on the purchase or rental of municipal land and buildings.
- Incentives on offer from the National sphere of government as eligibility could vary based on location.



# African Opportunities



# Ethiopia

- Special programme to promote dairy production started in 2013 by Ministry of Agriculture to support:
  - Agriculture Growth;
  - Animal Quality;
  - Animal Products Quality;
  - Sector Development;
  - Sustainable Land Use.

# Rwanda

- Programme launched in 2014 by Ministry of Agriculture and Animal Resources with objective to:
  - Transform agriculture from subsistence to high value, market orientated farming;
  - Increase animal production, reduce poverty and ensure food security.
- Above programme lead to 4 priority programmes:
  1. Intensification and development of sustainable production systems;
  2. Support for producer professionalism;
  3. Promotion for product chains and agro industry development;
  4. Institutional Development
- Directorate of Animal Resources has various support programmes, mainly aimed at small scale farmers.

# Uganda

- Ministry of Agriculture, Animal Industry and Fisheries, through their dairy and meat division supplies high level technical support;
- The Dairy Development Authority was established by the government to achieve and maintain self-sufficiency in milk production. The DDA manages various initiatives and programmes in support of the dairy industry.

# Other

## Zambia

- Main support through NGO's and Development agencies

## Tanzania

- Dairy sector deemed to be a critical sector;
- Industry, however, in its infancy;
- Tanzania Dairy Board established.

## Mauritius

- Continuous government support.

## East Africa Dairy Development

- Funded by Bill and Melinda Gates;
- Support smallholder farmers in Uganda, Kenya and Tanzania

## Donor funding

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