



# **INCENTIVES SA**

Helping Your Business Grow

## **12I Tax Allowance Incentive (12I TAI)**

### **Description**

The 12I Tax Incentive is designed to support Greenfield investments (i.e. new industrial projects that utilise only new and unused manufacturing assets), as well as Brownfield investments (i.e. expansions or upgrades of existing industrial projects). The incentive offers support based on capital investment and training.

The minimum investment in Qualifying Assets required is R50 million for a Greenfield project and an additional investment of R30 million for a brownfield project.

### **Objectives**

The objectives of the incentive programme are to support:

- Investment in manufacturing assets, to improve the productivity of the South African manufacturing sector; and
- Training of personnel; to improve labour productivity and the skills profile of the labour force.

### **Offerings**

Investment Allowance:

- 55% of Qualifying Assets or a maximum of R900 million investment allowance in the case of any Greenfield project with a preferred status (100% if located in a Special Economic Zone or “SEZ”)
- 35% of Qualifying Assets or a maximum R550 million investment allowance in the case of any other Greenfield project (75% if located in a Special Economic Zone or “SEZ”);
- 55% of Qualifying Assets or a maximum of R550 million investment allowance in the case of any Brownfield project with a preferred status;
- 35% of Qualifying Assets or a maximum of R350 million investment allowance in the case of any other Brownfield project.

Qualifying Assets are defined as new and unused buildings and new and unused plant & machinery contracted for and acquired after date of approval and brought into use within 4 years from date of approval.



Training Allowance:

- A training allowance of R36 000 per full time employee may be deducted from taxable income during the first 6 years.
- A maximum total additional training allowance per project, amounting to R20 million, in the case of a qualifying project, and R30 million in the case of a preferred project.

According to the point system, an Industrial Policy project will achieve 'qualifying status' if it achieves at least 4 (four) of the total 8 points, and 'preferred status' if it achieves at least 7 (seven) of the total 8 points.

### **Section 121 Tax Allowance Supported Projects**

Since the Section 121 Tax Allowance Incentive was announced in 2010 the programme has supported 50 projects with a total investment of R46 billion for the period up to 28 February 2015. These projects are within the priority sectors identified in the Industrial Policy Action Plan (IPAP).

The top three sectors that attracted the highest investment are as follows: 21 of the projects are in the chemical sector; seven within the cement and ceramics sector and three are in the agro-processing sector. These three sectors represent approximately 80% of the total investment approved in eight sectors. All 50 projects will create approximately 6 200 direct jobs and 65 000 indirect jobs. It is further estimated that R11 billion worth of opportunities will be created through small medium and micro enterprise procurement.

### **Targeted Enterprises**

The investment must be:

- A Greenfield project (new project). A minimum investment in Qualifying Assets of R50 million is required; or
- A Brownfield project (expansion or upgrade). A minimum additional investment in Qualifying Assets of R30 million is required; and
- Classified under 'Major Division 3: Manufacturing' or SIC Edition 7, Section C: Manufacturing.

The project should:

- Upgrade an industry within South Africa (via an innovative process, cleaner production technology or improved energy efficiency);
- Provide general business linkages within South Africa;



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- Acquire goods and services for small, medium and micro-sized enterprises (SMMEs);
- Provide skill development in South Africa; and
- In the case of a Greenfield project, be located within a Special Economic Zone (SEZ).

For more information please contact Incentive SA on the following number:

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