

Alternative funding solution (I2I Tax Allowance)



A tax deduction that helps you to invest in industrial projects



The National Treasury and South African Revenue Services in conjunction with the Department of Trade and Industry (dti) offer a **tax allowance** that supports:

- Greenfield investments - new industrial projects that utilise only **new and unused manufacturing assets**
- Brownfield investments - **expansions or upgrades** of existing industrial projects

Contained in section 12I of the Income Tax Act, 1962 (Act No 58 of 1962) and generally referred to as the 12I Tax Allowance, it scores the status of projects according to the following criteria:

Criteria	Brownfield projects	Greenfield projects
Innovation	1	1
Energy efficiency and cleaner production	2	2
General business linkage	1	1
Purchases from SMMEs	2	1
Skills development	2	2
Development zone location	-	1
Total	8	8

Projects scoring **7** or **8** out of **8** points achieve **preferred status**

Projects scoring **4, 5** or **6** out of **8** points achieve **qualifying status**



The 12I Tax Allowance offers a tax deduction on:

- **55%** of Qualifying Assets* or a maximum of **R900 million** invested in support of any Greenfield project with preferred status and capped at R1.626 billion – calculation example: R1.626 billion x 55% x 28% tax rate = **R252 million** maximum tax deduction

*Qualifying Assets are defined as new and unused buildings and new and unused plant and machinery contracted for and acquired after date of approval and brought into operation within four years from date of approval

- **55%** of Qualifying Assets* or a maximum of **R550 million** invested in support of any Brownfield project with preferred status and capped at R1 billion – calculation example: R1 billion x 55% x 28% tax rate = R154 million maximum tax deduction
- **35%** of Qualifying Assets* or a maximum of **R550 million** invested in support of any Greenfield project with qualifying status and capped at R1.571 billion – calculation: R1.571 billion x 35% x 28% tax rate = R154 million maximum tax deduction
- **35%** of Qualifying Assets* or a maximum of **R350 million** invested in support of any Brownfield project with qualifying status and capped at R1 billion – calculation: R1 billion x 35% x 28% tax rate = R98 million maximum tax deduction

** Qualifying Assets are defined as new and unused buildings and new and unused plant and machinery contracted for and acquired after date of approval and brought into operation within four years from date of approval



Criteria

- Minimum investment of **R50 million** in a single Greenfield project located in a Special Economic Zone
- Minimum investment of **R30 million** in a single Brownfield project
- No **sub-project** to any specific project will be considered

Projects must:

- Fall within Manufacturing Major Division 3, Standard Industrial Classification (SIC code)
- Fall outside the manufacturing of alcohol, tobacco, arms, ammunition and certain bio fuels
- Upgrade South Africa's industrial sector via innovative processes, cleaner production technologies or more efficient processes or equipment
- Procure goods and services from small, medium and micro-size enterprises (SMMEs)
- Provide general business linkages in South Africa
- Provide skills development in South Africa
- Have 50% of assets in operation four years after date of approval



Procedure for claiming

Businesses in the **industrial sector** who wish to apply should register with the Department of Trade and Industry and submit application/s to the department.

- Appointed groups will **evaluate** each application, **conduct site visits**, prepare **evaluation reports** and submit **recommendations**
- An adjudication committee will do **further evaluations**, **consider the recommendations** and report to the Minister for approval / rejection
- SARS will be provided with a list of **approved allowances** and the list of **adjudicated projects** published in the Government Gazette
- Businesses will be **informed of successful applications**
- Progress on projects will be monitored and annual reports on measures **including, but not limited to, taxation foregone, economic growth and employment** submitted to Parliament and the Auditor General during the **4-year benefit period**

Applications close on 31 December 2017
(a SARS tax clearance certificate should accompany each application)

Although still to be confirmed, it is expected that the I2I Tax Allowance may be extended again



Internet Search "**I2I_TAI_Information.pdf**" for more information



Alternatively, call the **dti** at **012 394 5827** and ask to speak to an advisor **who specialises in the I2I Tax Allowance**



Or contact a consultancy firm **specialising in incentives and grants**

Disclaimer:

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