



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

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## MEDIA STATEMENT

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### **Draft regulations relating to tax incentives in support of Government's industrial policy strategy: an additional investment allowance and additional training allowance for certain manufacturing sectors**

The National Treasury today releases for public comment draft regulations relating to tax incentives, as announced by the Minister of Finance in the 2008 Budget, in support of Government's industrial policy strategy.

The draft regulations define the pre-requirements for an industrial policy project to qualify for the tax incentives and the point scoring system applicable to Brownfield (expansions) and Greenfield (new) projects. Prerequisites include energy efficiency, skills development and investment size requirements. A project may not benefit from this incentive if it receives other concurrent benefits (e.g. the Enterprise Investment Programme).

According to the point system, an industrial policy project will achieve "qualifying status" if it achieves at least 5 out of a total of 10 points and a "preferred status" if it achieves at least 8 out of a total of 10 points. "Qualifying status" projects may deduct from its taxable income an additional 35 per cent of the costs of the investment in manufacturing assets, up to a maximum of R550 million. "Preferred status" projects may deduct an additional 55 per cent of the cost of the investment in manufacturing assets, up to a maximum of R900 million.

See the annexure for further details on the pre-requisites and point system.

#### **Deadline for comments**

The deadline for public comments is Tuesday 31 March 2009. No late comments will be considered. The draft Regulations are available on [www.treasury.gov.za](http://www.treasury.gov.za) and comments should be sent to [marle.vanniekerk@treasury.gov.za](mailto:marle.vanniekerk@treasury.gov.za)

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## **Annexure**

### **Prerequisites for industrial policy projects**

#### **a. Energy efficiency**

In the case of a Brownfield project, the project must attain an energy efficiency improvement of at least 10 per cent from a 2006 baseline. In the case of Greenfield projects, a project must utilize the most modern energy-efficient equipment and processes.

#### **b. Skills development**

The project / company must incur expenditure on training that is at least equal to two per cent of its annual wage bill and which will result in the upgrading of skills.

#### **c. Size of the investment**

R200 million in the case of a Greenfield project and in the case of Brownfield projects R30 million or the lesser of R200 million or 25 per cent of the value of existing assets.

### **Point system**

An industrial policy project will achieve “qualifying status” if it achieves at least 5 out of a total of 10 points and a “preferred status” if it achieves at least 8 out of a total of 10 points.

A project that achieves a “qualifying status” (between 5 and 7 points) may deduct from its taxable income an additional 35 per cent of the costs of the investment in manufacturing assets, up to a maximum of R550 million. A project that achieves a “preferred status” (between 8 and 10 points) may deduct an additional 55 per cent of the cost of the investment in manufacturing assets, up to a maximum of R900 million.

An additional training allowance of R36 000 per employee may be deducted from taxable income. The maximum total additional training allowance per project is R20 million in the case of a qualifying project and R30 million in the case of a preferred project.

#### **1. Brownfield projects**

A project may score one or more points for each of the following activities:

- (i) Innovative processes (1);
- (ii) Improved energy efficiency (2);
- (iii) Business linkages (1);
- (iv) Purchases from small and medium size businesses (2);
- (v) Direct employment creation (2); and
- (vi) Skills development (2)

#### **2. Greenfield projects**

A project may score one or more points for each of the following activities:

- (i) Innovative processes (1);
- (ii) Improved energy efficiency (2);
- (iii) Business linkages (1);
- (iv) Purchases from small and medium size businesses (1);
- (v) Direct employment creation (2);
- (vi) Skills development (2); and
- (vii) Location in an industrial development zone (1)