

INDUSTRIAL POLICY PROJECTS (IPP 12-I)

ADDITIONAL INVESTMENT AND TRAINING ALLOWANCES	GREENFIELD PROJECTS (NEW PROJECTS)	BROWNFIELD PROJECTS (EXPANSIONS AND UPGRADES)
MANDATORY REQUIREMENTS FOR INDUSTRIAL POLICY PROJECTS		
Manufacturing assets to be acquired or contracted for on or after date of approval . Sec.12-I, par. 1 of the ITA ¹	<ul style="list-style-type: none"> • New and unused buildings • New and unused Plant & Machinery 	<ul style="list-style-type: none"> • Additions to existing buildings • New and unused additions to existing Plant & Machinery
Minimum qualifying investment required Sec.12-I, par. 7(a)	R200m	R30m or the lesser of R200m or 25% of expenditure on existing assets
Improved energy efficiency	Utilise modern, viable energy-efficient equipment & processes in the sector	10% energy saving
Skills development	2% of wage bill	2% of wage bill
Limitations: Concurrent benefits	<ul style="list-style-type: none"> • Industrial Participation Projects • Other Incentives - refer to Regulations 	<ul style="list-style-type: none"> • Industrial Participation Projects • Other Incentives - refer to Regulations
INVESTMENT ALLOWANCE AS % OF QUALIFYING MANUFACTURING ASSETS ²		
Preferred Status (PS) ³ . Sec.12-I, par. 2(a)	55%	55%
Maximum calculated allowance (PS)	R900m	R550m
Qualifying Status (QS) ⁴ . Sec.12-I, par. 2(b)	35%	35%
Maximum calculated allowance (QS)	R550m	R350m
TRAINING ALLOWANCE ²		
PS & QS Sec.12-I, par. 4 & 5(a)	The lesser of actual total own training costs or R36 000 per employee	The lesser of actual total own training costs or R36 000 per employee
Maximum for PS - for 6 years after date of approval. Sec. 12-I, par. 5(b)	R30m	R30m
Maximum for QS - for 6 years after date of approval. Sec.12-I, par. 5(b)	R20m	R20m
IMPLEMENTATION PERIOD FROM DATE OF APPROVAL		
Investment Allowance for PS and QS More than 50% of manufacturing assets in use. Sec.12-I, par. 7(a)	4 years	4 years
Training Allowance for PS and QS Deductable during year in which training cost is incurred. Sec.12-I, par. 5(a)	6 years	6 years
NON QUALIFYING PROJECTS		
Specific exclusions in terms of the Standard Industrial Classification of all Economic Activities in South Africa (SIC) Sec.12-I, par. 1	<ul style="list-style-type: none"> • SIC 3051 - Spirits and ethyl alcohol from fermented products and wine • SIC 3052 - Beer and other malt liquors and malt • SIC 3060 - Tobacco products • SIC 3577 - Arms and ammunition • Bio-fuels if the manufacture negatively impacts on food security in SA 	

¹ ITA: Income Tax Act No. 58 of 1962

² All allowances are deductible from **taxable income**

³ "Preferred Status": An Industrial Policy Project (IPP) that met additional qualifying criteria in terms of Sect 12-I, par. 8 of the ITA by scoring at least 8 out of 10 and at least 2 out of 4 in terms of par. 8(e). Refer to qualifying criteria on next page.

⁴ "Qualifying Status": An Industrial Policy Project (IPP) that met the basic qualifying criteria in terms of Sect 12-I, par. 8 of the ITA by scoring at least 5 out of 10 and at least 2 out of 4 in terms of par. 8(e). Refer to qualifying criteria on next page.

POINT SYSTEM TO QUALIFY AS AN INDUSTRIAL POLICY PROJECT

QUALIFYING CRITERIA: INDUSTRIAL POLICY PROJECT (IPP)	GREENFIELD PROJECTS (NEW PROJECTS)	BROWNFIELD PROJECTS (EXPANSIONS AND UPGRADES)
Points allocated on the following criteria will determine the status of a project		
1. Innovation	<ul style="list-style-type: none"> • Will utilise processes of innovation, and • Will materially improve production time, reduce production costs, improve product quality or improve product longevity <p>(Maximum of 1 point)</p>	<ul style="list-style-type: none"> • Will utilise processes of innovation, and • Will materially improve production time, reduce production costs, improve product quality or improve product longevity <p>(Maximum of 1 point)</p>
2. Improved Energy Efficiency: Cleaner Production Technology	<p>The project will utilise viable energy-efficient equipment and processes throughout the additional investment allowance benefit period, innovative for the particular industrial sector, as certified by a measurement and verification agent (not taking into account any period before the month in which the industrial policy project reaches 50% of its production capacity).</p> <p>(Maximum of 2 points)</p>	<p>Energy efficiency improvement of at least 12,5 %</p> <p>(Maximum of 1 point)</p> <p style="text-align: center;">or</p> <p>Energy efficiency improvement of at least 15%</p> <p>(Maximum of 2 points)</p>
3. Business Linkages	<p>The project will be engaged in the production of goods, where less than 40% of the local demand for such goods is produced in the Republic or where these goods were not previously produced in the Republic;</p> <p style="text-align: center;">or</p> <p>The project will contribute to the global competitiveness of an industrial sector by the production of goods where identical or similar goods would not be produced in the Republic without substantial capital investment</p> <p>(Maximum of 1 point)</p>	<p>The project will be engaged in the production of goods, where less than 40% of the local demand for such goods are produced in the Republic or where these goods were not previously produced in the Republic;</p> <p style="text-align: center;">or</p> <p>The project will contribute to the global competitiveness of an industrial sector by the production of goods where identical or similar goods would not be produced in the Republic without substantial capital investment</p> <p>(Maximum of 1 point)</p>
4. SMME Procurement	<p>Acquire at least 10% of its raw materials, intermediate products and services from small, medium and micro enterprises.</p> <p>(Maximum of 1 point)</p>	<p>Acquire at least 10% of its raw materials, intermediate products and services from small, medium and micro enterprises</p> <p>(Maximum of 1 point)</p> <p style="text-align: center;">or</p> <p>at least 15% of its raw materials, intermediate products and services from small, medium and micro enterprises.</p> <p>(Maximum of 2 points)</p>
5. Direct Employment creation	<p>Create at least:</p> <ul style="list-style-type: none"> • 0,67 full-time jobs (but less than 1 full-time job); <p>(Maximum of 1 point)</p> <p style="text-align: center;">or</p> <ul style="list-style-type: none"> • 1 full-time job <p>(Maximum of 2 points)</p> <p>for each R1 million of cost of manufacturing assets</p>	<p>Create at least:</p> <ul style="list-style-type: none"> • 0,5 full-time jobs (but less than 1 full-time job); <p>(Maximum of 1 point)</p> <p style="text-align: center;">or</p> <ul style="list-style-type: none"> • 1 full-time job <p>(Maximum of 2 points)</p> <p>for each R1 million of cost of manufacturing assets</p>

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Points allocated on the following criteria will determine the status of a project		
6. Skills Development (Training of Employees)	The cost of training will be: <ul style="list-style-type: none"> • more than 2% of the annual average wage bill, but less than 2,5%; (Maximum of 1 point) <li style="text-align: center;">or • more than 2,5% of the annual average wage bill (Maximum of 2 points) 	The cost of training will be: <ul style="list-style-type: none"> • more than 2% of the annual average wage bill, but less than 2,5%; (Maximum of 1 point) <li style="text-align: center;">or • more than 2,5% of the annual average wage bill (Maximum of 2 points)
7. Located in an Industrial Development Zone (IDZ)	Located in an IDZ (Maximum of 1 point)	Not Applicable
Industrial Policy Projects with Qualifying Status (QS)	5, 6 or 7 out of 10 points and 2 out of 4 ito criteria 5 & 6 above	5, 6 or 7 out of 10 and 2 out of 4 ito criteria 5 & 6 above
Industrial Policy Projects with Preferred Status (PS)	8, 9 or 10 out of 10 points and 2 out of 4 ito criteria 5 & 6 above	8, 9 or 10 out of 10 and 2 out of 4 ito criteria 5 & 6 above
Contact details		
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