

To: The National Treasury
240 Madiba Street
Pretoria
0001

Via email: Nhlanhla.radebe@thetreasury.gov.za

RE: National Treasury Response to Submissions on the 2024 Draft Tax Bills and NAAMSA Media statement

Dear Mr. Radebe,

We refer to the draft response document tabled by the National Treasury and SARS regarding the 2024 Draft Taxation Laws Amendment Bill and the 2024 Draft Tax Administration Laws Amendment Bill.

The recent response to comments presents a contradiction to the understanding conveyed during the Presidential address at the SA Auto Week held on 16 and 17 October 2024. For clarity, the relevant NAAMSA media statement has been attached, with paragraphs 5 and 6 highlighted to confirm that hybrids (PHEV and HEV) will be included in the incentive package.

Paragraph 5 of the attached statement states the following:

"5. Focus on Electric Vehicles and the Green Economy:

The automotive industry's role in promoting a green, sustainable future is paramount. We support the government's initiatives to foster the production of electric and hybrid vehicles and the necessary infrastructure development to ensure South Africa remains competitive in the global market. The inclusion of critical mineral beneficiation for NEV production, including batteries and green hydrogen fuel cells, positions us to capitalise on emerging industrialization opportunities."

1. Definition for electric and hydrogen-powered vehicles

We note that the National Treasury has inserted a definition for "electric and hydrogen-powered vehicles" as it had committed in the draft response. This clarification was necessary to ascertain whether hybrid vehicles, which combine electric power with an internal combustion engine, qualify under this incentive category.

2. Discrepancy in Tax Incentive Scope for New Energy Vehicles

Per page 39 of the draft response document, the following commentary and associated response address the scope of the tax incentive for New Energy Vehicles (NEVs):

Comment: *The scope of the tax incentive should be for all new energy vehicles (NEVs), which includes plug-in hybrid electric vehicles (PHEV) and not only Zero Emissions Vehicles (ZEVs) i.e. electric or hydrogen-powered vehicles only. It is envisaged that all NEVs will co-exist with ZEVs, and each will play an equitable role towards decarbonisation.*



Response: *Not Accepted. A different support package for hybrid and plug-in hybrid electric vehicles is currently available through the APDP 2. In addition, these vehicles are already being produced in South Africa and exported. The intention of this incentive is not to assist local production of vehicles that is already underway, and which would have proceeded without government assistance."*

According to the NAAMSA statement, the following is noted:

"6. Comprehensive New Energy Vehicle Guidelines:

naamsa welcomes the President's announcement on the finalisation of comprehensive NEV policy guidelines. The inclusion of alternative vehicle technologies such as hybrids and plug-in hybrids, and very importantly, alongside incentives for manufacturers and subsidies for consumers, is a crucial step towards the widespread adoption of cleaner, more sustainable vehicles. These measures will ensure that South Africa remains part of the global supply chain as major trading partners shift towards EVs."

3. Discussion

There is a noted discrepancy in the draft response document, specifically on page 39 (as mentioned above), in contrast to the President's announcement. The President's announcement indicates that the scope should encompass all NEVs, including PHEVs, rather than being limited solely to ZEVs, such as fully electric or hydrogen-powered vehicles. The expectation is that both NEVs and ZEVs will coexist and contribute equitably to the country's decarbonisation goals.

However, the response has been marked as "Not Accepted," with the justification that a different support package for hybrids and plug-in hybrids is already available through the APDP 2. This reasoning raises several concerns.

The NAAMSA statement acknowledges the President's commitment to finalise comprehensive NEV policy guidelines, emphasizing the inclusion of alternative vehicle technologies, including hybrids and plug-in hybrids. It highlights the importance of incentives for manufacturers and subsidies for consumers as vital steps toward the adoption of cleaner, sustainable vehicles. This perspective underscores the need for a coherent policy framework that integrates all forms of NEVs to align with global trends in vehicle technology and sustainability.

The discrepancy between the response document and the sentiments expressed by NAAMSA suggests a lack of alignment in the government's approach to supporting a diverse range of new energy vehicles. To effectively promote decarbonisation and maintain South Africa's position in the global supply chain, it is imperative that the scope of the tax incentive be expanded to include all NEVs, acknowledging the crucial role that hybrids and plug-in hybrids will play in our transition to a more sustainable automotive sector.

4. Conclusion

The commentary response appears to contradict the understanding from the Presidential address at the SA Auto Week, where it is understood that hybrid vehicles will be included in the incentive package.



In conclusion, we request that as the relevant authorities, you reconsider the response to ensure that the tax incentive framework supports a comprehensive and inclusive approach to all new energy vehicles, thereby facilitating a more effective transition toward decarbonization in South Africa.

We appreciate the opportunity to provide comments and would welcome further engagement on this matter.

End.