



24 November 2023

To: The National Treasury

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The South African Revenue Service

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Via email:

National Treasury (2023AnnexCProp@treasury.gov.za)
SARS (acollins@sars.gov.za)

Dear Colleagues,

**RE: ANNEXURE C PROPOSALS: SAIT BUSINESS TAX INCENTIVE AND
GRANTS TECHNICAL WORK GROUP**

We attached the Annexure C proposals from the SAIT Business Tax Incentive and Grants Technical Work Group (the WG), as it pertains to Business Tax Incentives. We value the opportunity to participate in the legislative process and would welcome further engagement where appropriate. Please do not hesitate to contact us should you need further information.

Yours sincerely,

SAIT Business Incentives and Grants Tax Technical Work Group

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Unless otherwise indicated, all references to sections of the Income Tax Act 58 of 1962.

1. INCLUSION OF THE FOLLOWING GRANTS UNDER SECTION 12P AND ELEVENTH SCHEDULE

1.1 Introduction

1.1.1 Government grants are covered by section 12P and the Eleventh Schedule of the Income Tax Act. These provisions of the Act result in the grant received from government to be exempt from normal tax.

1.2 Legal nature

1.2.1 The requirements to claim tax exemption relief of a government grant (Section 12P of the Income Tax act) is that the government grant must be listed in the Eleventh Schedule of the Income Tax Act.

1.3 Factual description

1.3.1 There are currently 51 (fifty-one) listed government grant types. If a taxpayer receives a grant that is not listed below, then the taxpayer is not eligible to claim the tax relief. Government introduced additional funding instruments to support taxpayers. These funding instruments are blended funding instruments with debt and grant funding portion. The following blended finance instruments were introduced:

- The Department of Agriculture, Land Reform and Rural Development (DALRRD) introduced a **Blended Finance Scheme (BFS)** which is a combination of a loan and grant with the focus on commodities as per the Agriculture and Agro-processing Master Plan.
- The Industrial Development Corporation (IDC) in partnership with the DALRRD have established the **Agri Industrial Fund**, to support to a wide range of economically viable activities in Agro-processing (food and non-food) sectors.

1.4 Nature of the business impacted.

1.4.1 All business receiving the funding will not be able to claim the tax relief.

1.5 Proposal

1.5.1 The WG recommends that the following grants be included as part of the Eleventh Schedule of the Income Tax Act:

- Blended Finance Scheme
- Agri-Industrial Fund