



Business Tax Incentives and Grants

SAIT Webinar
12 May 2022

YOUR KEY TO THE TAX COMMUNITY

Presenters:

- Moeketsi Marumo: Independent Consultant at the SAIT
- Justin Shein: Director at Catalyst Solutions
- Michelle Voerman: Technical at Catalyst Solutions

Agenda

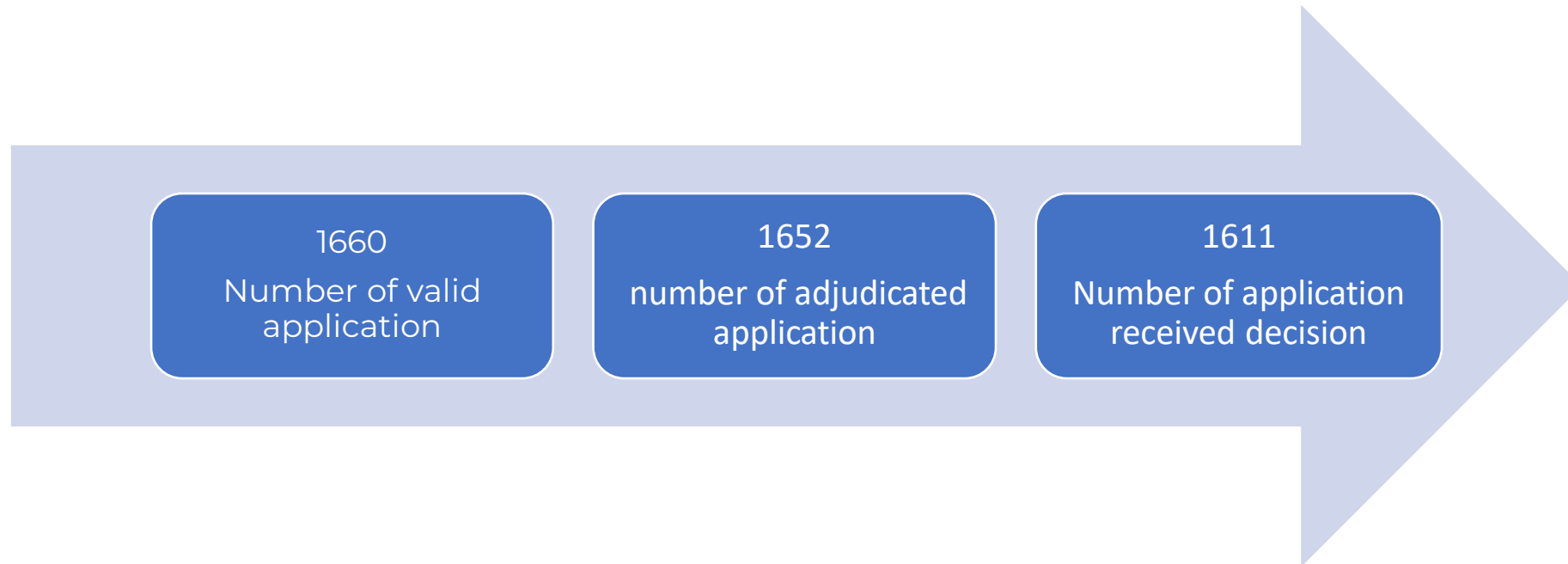
- Background and Overview
- Tax incentive performance
- Overall observation
- Key observation
 - R&D definition
 - Inclusion of software and computer related projects
 - Consideration of SME
 - Benchmark
 - Pre approval system
 - Progress reports
- Closing

Background and Overview: Moeketsi Marumo

- The Department of Science and Innovation (DSI) and the National Treasury (NT) hosted a workshop on the 07 April 2022
- The workshop provided industry and other stakeholders with feedback based on the analysis, survey results and submissions made to date by business on the Section 11D R&D Tax Incentive.
- In the 2022 Budget Speech, the Minister announced that this S11D tax incentive would be extended in its current form until December 2023.
- The workshop and the discussion focussed on the potential changes and improvements beyond December 2023.

Tax Incentive Performance: Moeketsi Marumo

- A total of 1 778 applications were received since October 2012:
 - 57 were withdrawn by applicants; and
 - 61 were duplicate applications.
- Only 1,660 application were valid.



Overall Observations: Moeketsi Marumo

- The workshop was a very welcome discussion on the direction of the incentive going forward with both NT and the DSI being extremely open to hearing from the R&D community.
- The government has shown a clear indication of the importance with which it holds this incentive to the R&D landscape in South Africa.
- On a whole, we were pleased by the various changes and suggested improvements taken under consideration by the DSI and NT.



Key discussion points: Michelle Voerman

R&D definition:

- Apart from being more generous in benefit, which is unlikely given the fiscal constraints, we would support a change in the R&D definitions (as discussed) to widen the applicability of the incentive.

Software and computer related projects:

- From the workshop it was clear that we should see significant changes to qualifications for software related projects as well as internal business projects. These amendments, together with clearer guidelines, should assist software developers with understanding and applying for the incentive.



Key discussion points: Justin Shein

- **Consideration for SME:**

- A discussion was held on the applicability of the incentive to the non-tax paying SME community. While it is unlikely that we would see our incentive move in line with international incentives which offer “cash back” opportunities, it is promising to see the government thinking about how to better service this sector.

- **Industry Benchmark:**

- We recommend not only benchmarking ourselves against other developing nations but also against developed countries who have utilised similar incentives to considerably grow their industries in their pursuit of becoming developed countries.



Key discussion points: Justin

- **Pre approval system:**

- The government is holding firm on the pre-approval process (which has been working much smoother) however were open to amendments to the timing of the pre-approval window.

- **Progress report**

- The submission of progress reports remains critical to measure the usefulness of the incentive and punitive measures likely to be considered with regards to those not submitting on time.

Closing Moeketsi Marumo

Based on tax policy preferences, research, lessons learnt, comments and workshop discussions:

- Potential amendments to be included in the draft Tax Law Amendment Bill of 2022 (mid-2022)
- Followed by another opportunity to comment (30 days), and workshop

Promulgation of final Taxation Laws Amendment Act of 2022
in Dec 2022 / Jan 2023

Justin Shein (CA(SA) CFA) biography

“Justin completed his articles at Grant Thornton in 2016 during which time he was 1 of 7 candidates to nationally finish on the honours roll of the SAICA APC exam (board 2). Justin went on to further his career in corporate finance and working capital lending at DG Capital before moving to Catalyst Solutions in 2019. He has since gained extensive knowledge of various tax incentives and grants on a global scale. Today, Justin is a Director at Catalyst Solutions with a distinct focus on the finance and advisory side of the business.



Michelle Voerman biography

“Michelle graduated from the University of Cape Town with a BSc. Chemical Engineering (Honours) in 2014. Upon the completion of her tertiary studies she went on to complete the Engineering Graduate Development Programme at Sasol where she gained extensive experience in both the operations and projects areas with a petrochemical focus. She subsequently accepted a permanent position as a member of the Small Projects team focusing on environmental initiatives. Michelle then joined Catalyst Solutions in 2019 and has since expanded her technical expertise to include a wide range of industries, under the back-drop of innovation-based tax incentives and grants.”





Thank you