

31 August 2024

**To: The National Treasury**

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**The South African Revenue Service**

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Via email: National Treasury [2024AnnexCProp@treasury.gov.za](mailto:2024AnnexCProp@treasury.gov.za); and  
SARS [acollins@sars.gov.za](mailto:acollins@sars.gov.za)

**RE: DRAFT TAXATION LAWS AMENDMENT BILL, 2024: BUSINESS TAX INCENTIVES AND GRANTS**

Dear Colleagues,

We attach the comments from the SAIT Business Tax Incentives and Grants Technical Work Group (**the WG**) on the proposals contained in the draft Taxation Laws Amendment Bill, 2024 (**DTLAB**), as it pertains to business tax incentives and related matters.

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 Tax Incentives and Grants Technical Work Group**

**Disclaimer**

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**All references to the legislation are to the Income Tax Act, No. 58 of 1962 (the Act),**

**1. Investment allowance in respect of buildings, machinery, plant, implements, utensils and articles used in domestic production of electric and hydrogen-powered vehicles**

[Applicable provisions: Sections 8, 12C, 13, 13quat and insertion of the new section 12V of the Act]

**1.1. WG response**

- 1.1.1. The introduction of the incentive in terms of section 12V is welcome. This incentive appears to have been designed with a lower threshold for qualification, which is commendable. National Treasury should be acknowledged for creating a framework that does not impose excessive difficulty on companies seeking to benefit from it.
- 1.1.2. However, in general the manufacturing process is not solely limited to motor vehicle manufacturers. Original equipment manufacturers (OEM's) play a crucial role in the vehicle manufacturing process, through the manufacture and provision of components that are utilised in the manufacture of motor vehicles.
- 1.1.3. Consequently, these component manufacturers would likely need to make substantial investments to adapt their facilities to produce parts for electric and hydrogen-powered vehicles.

**1.2. Recommendations**

- 1.2.1. We note that component manufacturers currently have access to a non-taxable, 20% cash grant of the value of qualifying investment in productive assets by original equipment manufacturers and 25% of the value of qualifying investment in productive assets by component manufactures and tooling companies as facilitated by the Department of Trade, Industry and Competition.
- 1.2.2. Granted, extending the scope of this incentive to these component manufacturers would entail a further 150% tax allowance, which would be over and above the cash grant referred to above. We appreciate that this further tax incentive may not be affordable to the fiscus at this stage.
- 1.2.3. To enhance competitiveness, we are of the view that it is important to support all stakeholders in the vehicle manufacturing industry. Whilst extending this incentive may not be feasible at this stage, we query the scope of this incentive.
- 1.2.4. We seek clarification on whether component manufacturers will be considered within the scope of this tax incentive in the future, and if there are additional factors that could impact their eligibility.

End.