



12 September 2025

To: The National Treasury

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Via email: National Treasury (2025AnnexCProp@treasury.gov.za); and
SARS (2025legislationcomments@sars.gov.za)

RE: DRAFT TAXATION LAWS AMENDMENT BILL, 2025: BUSINESS TAX INCENTIVE AND GRANTS TECHNICAL WORK GROUP (INCENTIVES)

Dear Colleagues,

We attach the comments from the SAIT Business Tax Incentive and Grants Technical Work Group (**WG**) on the proposals contained in the draft Taxation Laws Amendment Bill, 2025 (**DTLAB**).

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.

SAIT Business Tax Incentive and Grants Technical Work Group

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All references to the legislation are to the Income Tax Act, No. 58 of 1962 (the Act), and proposals contained in the draft Taxation Laws Amendment Bill (DTLAB)

1. Extension of the UDZ tax incentive sunset date

[Applicable provisions: Section 13quat of the Income Tax Act, No. 58 of 1962 (“the Act”)]

1.1 Government Proposal

1.1.1 Per the proposal, as we understand it, sunset dates on tax incentives are intended to provide Government with an opportunity to evaluate the effectiveness of the measure before its termination. As part of the review process for the urban development zone (UDZ) tax incentive, an online survey was conducted to gather feedback from municipalities and developers. Although response rates were lower than anticipated, the survey offered useful insights into investor and developer experiences. However, the data collected—along with available SARS microdata—was not sufficient to reach definitive conclusions about the incentive’s impact. Additional research, particularly involving municipal-level data, is necessary to conduct a thorough assessment.

1.1.2 To facilitate this, it is proposed that section 13quat of the Act be amended to extend the UDZ tax incentive for an additional five years, until 31 March 2030. This extension is intended to provide time for further consultation, improved data collection and a more comprehensive evaluation of the incentive’s effectiveness.

1.2 WG response

1.2.1 The WG considered the proposal and found it to be neutral in effect. The extension of the UDZ tax incentive was generally welcomed by the WG. While we do not currently service individuals or entities in this region, the extension is not expected to present any immediate challenges.

1.2.2 However, it was agreed that further, more robust discussions will be necessary, particularly with key stakeholders and affected role-players such as municipalities who are generally deeply familiar with the incentive to gain additional insights.

2. Energy Efficiency savings incentive

[Applicable provision: Section 12L of the Act]

2.1 Government Proposal

2.1.1 During stakeholder consultations, there was broad support for extending the section 12L energy-efficiency tax incentive. Stakeholders highlighted practical challenges in transitioning section 12L projects into the carbon offsets mechanism, noting that many of these projects are implemented within the taxable operations



of entities, making integration difficult. Furthermore, section 12L projects are typically smaller in scale and may not meet the viability thresholds set by international carbon standards. In light of these considerations, the 2025 Budget proposed a five-year extension of the section 12L incentive to 31 December 2030.

- 2.1.2. It is therefore proposed that section 12L be amended to replace the current sunset date—years of assessment ending before 1 January 2026—with a new date of years of assessment ending before 1 January 2031. This amendment is set to take effect on 1 January 2026.

2.2. **WG response**

- 2.2.1. This item (extension of the incentive) was considered by the WG and was met with general agreement and expressly welcomed.

3. **Additional deduction for domestic production of battery electric and hydrogen-powered vehicles**

[Applicable provision: Section 12V of the Act]

3.1. **Government Proposal**

- 3.1.1. To promote clarity and ensure alignment with existing policy frameworks, following the introduction of section 12V, Government is proposing that the term “*motor vehicle manufacturer*” be clearly defined with effect from 1 March 2026 and will apply to assets brought into use on or after that date. The definition will refer to manufacturers of light motor vehicles, as described in paragraph (i) of the definition of “*final manufacturer*” under the Automotive Production and Development Programme Regulations (Government Notice No. R.80, Government Gazette No. 44144 of 11 February 2021), as well as manufacturers of heavy motor vehicles, as referenced in item 317.07 in Part I of Schedule No. 3 to the Customs and Excise Act, 1964. This definition will also align with the extent of assembly outlined in Note 5 to Chapter 98 of Part 1 of Schedule No. 1 to that Act.

3.2. **WG response**

- 3.2.1. As we understand the proposal, the definition set out in the draft amendment appears to provide clarity that the incentive is intended to apply exclusively to original equipment manufacturers (OEMs), rather than to component manufacturers.
- 3.2.2. While stakeholders noted the exclusion of component manufacturers from the scope of the incentive, with disappointment, it was acknowledged that this reflects the current policy intent. It was ultimately recognised that this policy position is unlikely to be revised at this stage.
- 3.2.3. That said, it may be appropriate for National Treasury to consider revisiting the inclusion of component manufacturers in future iterations of the incentive, should policy priorities evolve. Although support for component manufacturing is currently



available through other mechanisms, such as incentives administered by the Department of Trade, Industry and Competition (DTIC), there may be merit in exploring how the current framework could be enhanced or aligned to extend complementary benefits to this segment of the industry. For ease of reference, we reiterate the commentary that was made in this regard in the preceding legislative cycle.

3.2.4. Rationale for motivation to specifically include component manufacturers within the scope of this incentive:

3.2.4.1. Generally, 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.

3.2.4.2. Consequently, these component manufacturers would likely need to make substantial investments to adapt their facilities to produce parts for electric and hydrogen-powered vehicles.

3.2.4.3. **Recommendations**

3.2.4.3.1. 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.

3.2.4.3.2. While extending the incentive to component manufacturers would result in an additional 150% tax allowance—beyond the existing cash grant—we acknowledge that this may not be fiscally feasible at present. Nonetheless, in the interest of supporting the broader competitiveness of the vehicle manufacturing sector, we recommend further consideration of the incentive's scope. Specifically, we recommend that component manufacturers be considered within the scope of this tax incentive in the future (in some shape or form), and if there are additional factors that could impact their eligibility – these should be expressly communicated.

4. Amendment to section 11D (Clause 13)

[Applicable provisions: Section 11D of the Act]

4.1. Government Proposal

4.1.1. As we understand it, the proposed amendment is a technical correction that seeks to delete the superfluous words “carried on by that taxpayer” at the end of the subsection (4)(b), as this requirement is already included in the preamble to section 11D(4) of the Act.



4.2. WG response

- 4.2.1. The WG considered the proposed amendment and noted that the proposal relates to minor amendments, primarily relating to timing considerations. While the proposed changes were viewed positively, they were not considered substantive.
- 4.2.2. We further reiterate our previous request for more detailed guidelines, in totality relating to the section 11D incentive – as referred to in previous submissions made by this WG (please see SAIT Annexure C submission, 2024).

5. Proposed amendments to the Eleventh Schedule to the Act in relation to GBS (Global Business Services)

[Applicable provision: Eleventh Schedule to the Act]

5.1. Government proposal

- 5.1.1. The proposed amendment seeks to update the government grant schedule in the Eleventh Schedule in line with the government grants paid by government.

5.2. WG response

- 5.2.1. The WG welcomed the amendment as a logical and necessary clarified that the change may reflect a realignment of naming convention in relation to this government grant.
- 5.2.2. Whilst we appreciate the above, we note that it appears that several programmes may not be included in the Eleventh Schedule to the Act. We have previously raised this matter in a submission from this WG. Attached is Annexure A for your perusal. We kindly request your clarification and guidance in this regard.

End.