

South African Revenue Service

SARS Administered Incentives



Thank you for walking this journey with us



Date 09 March 2023

Welcome to the SARS Tax Workshop

Purpose:

This presentation is merely to provide information in an easily understandable format and is intended to make the provisions of the legislation more accessible

Disclaimer:

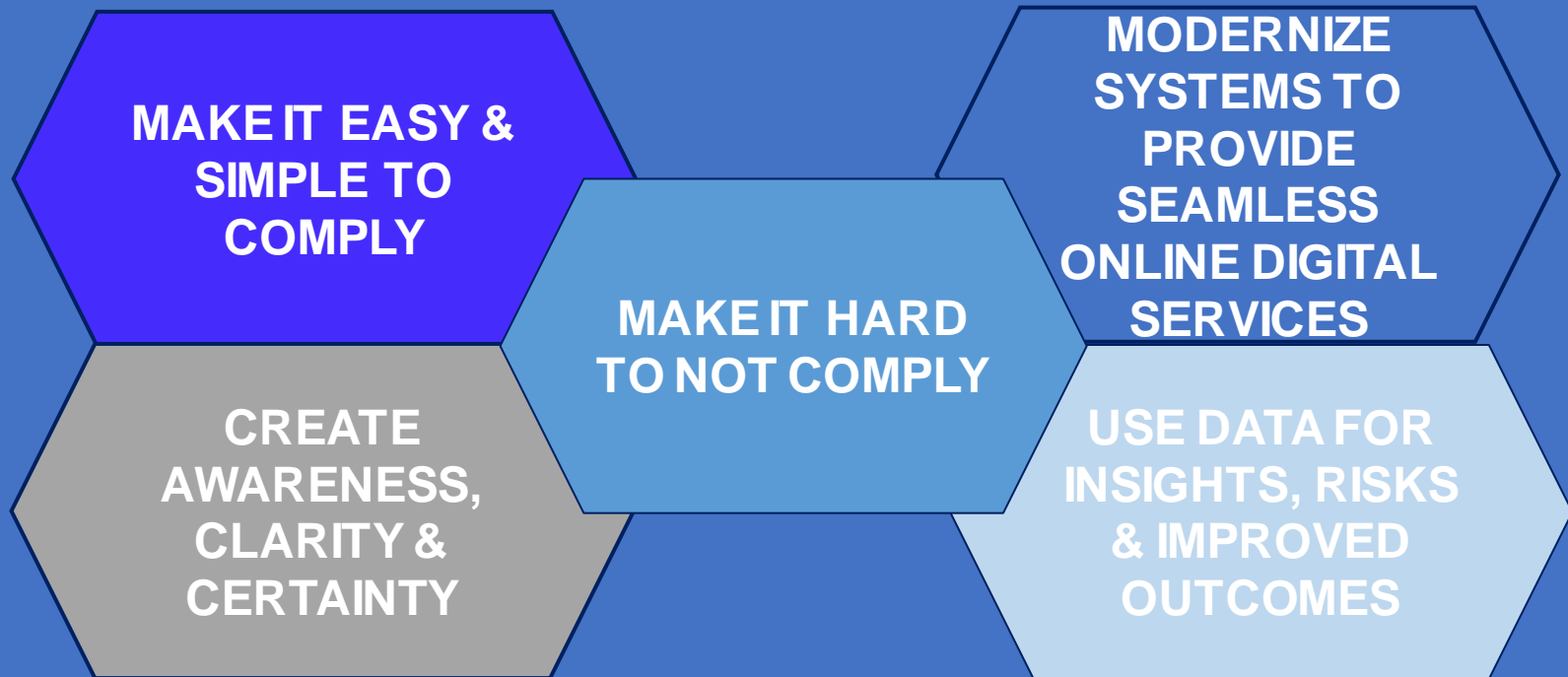
The information therefore has no binding legal effect and the relevant legislation must be consulted in the event of any doubt as to the meaning or application of any provision.



SARS Vision 2024

To build a smart modern SARS with unquestionable integrity, trusted and admired by Government, the public, as well as our international peers.

For the purpose of this presentation, we focus on 5 of our 9 Strategic Objectives:



Incentives Administered by Customs & Excise

Free Trade Agreement (FTA) & Preferential Trade

FTAs give:

Traders' customs duty-free benefits on substantially all trade after a phased down period, and the preferential trade agreement give traders a fix customs duty discount on a limited number of products

SARS administers non-reciprocal exports only schemes that grant customs duty discounts to exports originating in South Africa & these are:

- Generalised System of Preferences (GSP) for exports to Norway
- GSP for exports to Russia, Belarus and Kazakhstan
- GSP for exports to Turkey
- African Growth and Opportunity Act (AGOA) for exports of textile and apparel products to the United States of America.

The Overall benefit

- Products manufactured in South Africa will be cheaper in countries party to the trade agreements after factoring in duty discounts
- The elimination of customs duties on raw materials on the import side will reduce the manufacturing costs for exports
- Trade agreements promote the harmonisation of the relevant trade documents and procedures, and ensure transparency through the publication of applicable laws, regulations and practices

Trade Agreements

Free Trade & Preferential Trade

Southern African Development Community (SADC), for trade with the SADC countries

Economic Partnership Agreement (EPA) between the SADC EPA States and the European Union Member States (**SADC-EU EPA**), for trade with the EU countries

Economic Partnership Agreement (EPA) between the Southern African Customs Union (SACU) Member States and Mozambique, and the United Kingdom of Great Britain and Northern Ireland (**SACUM-UK EPA**), for trade with the United Kingdom and Northern Ireland

Free Trade Agreement between SACU and the European Free Trade Association (**SACU-EFTA**), for trading with EFTA countries (Iceland, Liechtenstein, Norway and Switzerland)

African Continental Free Trade Area Agreement (**AfCFTA**) – not yet active. For trading with the African Union State Parties.

Preferential Trade Agreement between SACU and MERCOSUR (**SACU-MERCOSUR**), for trade with Argentina, Brazil, Paraguay, and Uruguay

Export Incentives

Primary Export Incentives

Export Marketing and Investment Assistance Scheme (EMIA)

- Purpose of the EMIA
 - ✓ To partially compensate exporters for certain costs incurred in respect of activities aimed at developing export markets for South African products and to recruit new foreign direct investment into South Africa
 - ✓ Additional benefits are awarded to small, medium and micro-sized enterprises (SMMEs) and businesses owned by the previously disadvantaged
 - ✓ The financial assistance is in the form of reimbursement and is not a pre-paid benefit, this is administered by the DTIC

Sector Assistance Scheme (SAS)

- Financial assistance is available to industry sectors through DTIC with the objectives of:
 - ✓ developing new export markets
 - ✓ broadening the export base
 - ✓ stimulating the participation of SMMEs in the export sector, promoting black economic empowerment (BEE) and
 - ✓ women empowerment within the overall objective of job creation

Export Incentives

Primary Export Incentives

Sector
Partnership
Fund

Export credit incentive provided by DTIC

- Financing at reduced rates by the Investment Development Corporation (IDC)
- An export credit incentive is available to selected expansion schemes expected to result in increased foreign exchange earnings
- Financing of credit for exporters of capital goods is also available through the IDC or private-sector merchant banks at reduced rates

Export Incentives

Primary Export Incentives

Rebate
Provisions i.e.,
470.03

Is aimed at the promotion of manufacturing and exportation of goods and are available to certain manufacturing industries providing for rebate of duty applicable to imported goods, raw materials and components used in manufacturing, processing and for export

Export Credit and
Foreign Investment
Reinsurance
Scheme (ECSR)

Provides exporters with insurance cover against political and transfer risks, as well as commercial and insolvency risks. A special dispensation exists for SMMEs.

This is under Schedule 4, i.e. Item 470.03

Automotive Production Development Program Incentive



Automotive
Production
Development
Program
(APDP Phase
2)

It is a production incentive scheme for the motor industry aimed at promoting production volumes in the specified motor vehicle industry, promoting added value in the automotive component industry thus creating employment across the automotive value chains

Any Motor Vehicle Manufacturer and/or Original Equipment Manufacturers (OEMs) importing original equipment components for use in the manufacture of Specified Motor Vehicles must license their Special Manufacturing Warehouse and register for Home Use Processing under Rebate Item 317.04.

Registrants wishing to apply for refunds where applicable must comply with the requirements of Refund Items 536, 537 & 538 in accordance with Section 75 & 76 of the Customs and Excise Act provided that they qualify

Import Incentives

Tariff Restructuring Programme

- By virtue of South Africa's World Trade Organization (WTO) membership
- Import tariff levels are also being reduced and the import tariff listings are being simplified by reducing the number of tariff headings
- Export incentives relate only to the export of goods destined for recognized export markets, which in general means to countries outside the Southern African Customs Union (SACU)



Import Incentives

Rebates & Drawbacks

Purpose

- To stimulate local manufacturing industry by removing taxes ,duties and VAT on specific imported raw materials used in the manufacturing process
- To stimulate exports by allowing South African manufacturers, packers and processors that intend to manufacture goods for export to obtain raw materials at world prices

Applicable

- It is applied by making allowances for reduced or no duties on imported goods needed for the manufacturing.
- When importing these products one can apply for either a drawback or rebate on the imported products.
- Customs also allows if the imported goods are received as damaged or inadequate for a refund on duties and VAT that has been paid on these goods

Import Incentives



Rebate

Is a full remission or part reduction of import duties, subject to the importer's compliance to specific conditions set out in the Customs and Excise Act No 91 of 1964.

Every rebate item has its own extent of rebate and as mentioned, the Act lists the goods and can be found under the following headings

Schedule 3 – Which deals with Industrial Rebates

Schedule 4 – which deals with General Rebates, and

Schedule 6 – which deals with Excise duties, fuel levy and environmental levy

To claim a rebate the importer must register as a rebate user and have a dedicated rebate store (located within South Africa), which also requires an application with Customs and Excise

Import Incentives



Drawback

Is a refund of Customs duty that the importer has already paid when acquiring certain materials that were used in the manufacturing, processing, packaging, or otherwise altering goods for the purpose of export.

The Act also lists the goods that qualify for the drawback under the following heading:

Schedule 5 – dealing with Specific Drawbacks and Refunds of Customs Duties, Fuel Levy and Environmental Levy

The importer needs to pay the full taxes (duties and VAT) at the time of the import and once the imported goods become a component of a final product and are exported, the importer can claim the initial taxes back from Customs

Applying for a drawback after the imported material have been processed allows the importer to more accurately determine which percentage of their importer material were used to manufacture goods for export

It is important to note that Importers can only submit a drawback application once they have exported the final product and must attach proof of export to their application. The respective export declaration must reflect the correct procedure code, referred to as a CPC and drawback item prior to the goods being exported from South Africa and need to be lodged within 6 months of the date of export

Authorised Economic Operator(AEO) Incentives / Benefits

- AEO is a company involved in the international movement of goods and approved by SARS Customs as complying with World Customs Organisation or equivalent compliance and supply chain security standards.
- The programme is built and based on Customs-Private partnership under the international principle (SAFE Framework of Standards); to secure and facilitate global trade
- The programme aims to enhance international supply chain security and facilitate movement of legitimate goods

Authorised Economic Operator Incentives / Benefits

SARS introduced different levels of accreditation with benefits assigned to each accreditation level with the aim to provide specific benefits to Accredited clients trading in the regional market (SACU) as well as the international market.

All accreditation levels must comply with SAFE framework of standards

SARS & Levels

Level 1:Compliance

- A voluntary programme in which participating traders cooperate with SARS customs

Level 2:Safety & Security

- A voluntary supply chain security programme, focused on improving the security traders' supply chain through a documented process for determining and alleviating risk throughout their international supply chain

Special Economic Zones (SEZ) Incentives

SEZ within South Africa are geographically designated areas set aside for specifically targeted economic activities to promote national economic growth and exports by using support measures to attract foreign and domestic investments and technology.

The SEZ must be designated by the Minister of Trade and Industry and clients also need to apply to SARS Customs for Registration and Licensing



SEZ

Types:

- "Industrial Development Zone" means a purpose-built industrial estate that leverages domestic and foreign fixed direct investment in value-added and export-oriented manufacturing industries and services
- "Free Port" means a duty-free area adjacent to a port of entry where imported goods may be unloaded for value-adding activities within the Special Economic Zone for storage, repackaging or processing, subject to Customs import procedures

Special Economic Zones (SEZ) Incentives

Types:

- "Free Trade Zone" means a duty-free area offering storage and distribution facilities for value-adding activities within the Special Economic Zone for subsequent export
- "Sector Development Zone" means a zone focused on the development of a specific sector or industry through the facilitation of general or specific industrial infrastructure, incentives, technical and business services primarily for the export market

Specific Income Tax, VAT and Customs benefits/incentives are available, and information is available on both the DTIC - [Special Economic Zones – The Department of Trade Industry and Competition \(thedtic.gov.za\)](http://thedtic.gov.za) and on SARS web - [Special Economic Zones | South African Revenue Service \(sars.gov.za\)](http://sars.gov.za)



SEZ

Value Added Tax (VAT)

Value-Added Tax Incentives

Various VAT Incentives are available; however, the three main incentives are:

1. The sale of a business as a going concern which is zero-rated;
2. The zero rating of foodstuffs (Schedule 2 Part B); and
3. The zero rating of goods used for agricultural, pastoral other Farming purposes (Schedule 2 Part A)



Company Tax Incentives

Employment Tax Incentive

The ETI is an incentive aimed at encouraging employers to hire young work seekers

It was implemented with effect from 1 January 2014 and ends on 28 February 2029

The ETI applies to qualifying employees employed on or after 1 October 2013 by eligible employers

Payment of the incentive is realized by eligible employers being able to reduce the employees' tax due by them by the amount of the ETI that they may claim – provided they meet the requirements of the ETI Act

Eligible employer may claim the ETI for a maximum of 24 months per qualifying employee

Small Business Corporation (SBC)

How to Qualify

SBC is not another type of business entity

SBC is a type of tax incentive

Not more than 20% of revenue may consist of investment income

Not more than 20% income from rendering a Personal Service



SBC Requirements

Co-Operatives & Private Companies

- Not applicable to sole proprietors, partnerships, trusts

Shareholding held by Natural Persons (Individuals)

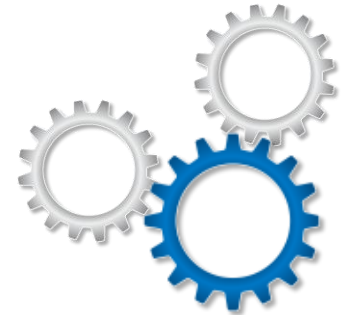
- Shareholding held for the entire year by natural persons
- Imperative to deregister from other CC's or companies before starting new venture

Shareholders to have no interest in other Company

- Includes Dormant/ Shelf / Non Trading Companies
- Excludes listed companies and companies exempt from the payment of Income Tax and some other exceptions

Gross Income not exceeding R20 000 000 per year

- Pro Rata amount if trading less than 12 months - Not taxable income, is based on gross income



Small Business Rates

Years of assessment ending on any date between 1 April 2023 and 30 March 2024

Taxable income (R)	Rate of Tax (R)
1 – 95 750	0% of taxable income
95 751 - 365 000	7% of taxable income above 95 750
365 001 – 550 000	18 848 + 21% of taxable income above 365 000
550 001 and above	57 698 + 28% of the amount above 550 000

Turnover Tax

What is Turnover Tax?

- Turnover tax (TT) is a single tax system which taxes turnover and not profit
- TT is optional to businesses with a qualifying turnover of R1 million or less per annum
- It replaces Income Tax, VAT, Provisional Tax, Capital Gains Tax, and Dividend tax for micro-businesses with a qualifying annual turnover of R1 million or less.

Turnover Tax

Who qualifies for Turnover Tax?

- Any micro-business (Individual (Sole proprietors), Partnership, Close Corporation, Company, and Co-Operatives) with an annual turnover of R1 million or less.
- Registration is optional to businesses with a qualifying turnover of R1 million or less per annum person qualifying as a micro business may apply to register as a micro business with SARS before 1 March, or before a date during the year of assessment prescribed by the Commissioner.

A person that meets the qualifying criteria may elect to be registered “as a micro business”

Turnover Tax Rates

Financial year ending any date between 1 March 2022 and 28 February 2023.

Taxable turnover (R)	Rate of Tax (R)
1 – 335 000	0% of taxable turnover
335 001 – 500 000	1% of taxable turnover above 335 000
500 001 – 750 000	1 650 + 2% of taxable turnover above 500 000
750 001 and above	6 650 + 3% of taxable turnover above R750 000

Turnover Tax

Decision making to register



Record keeping too much of a burden or too expensive?

Current tax system is technically too difficult to comply with?

Costly to hire a tax practitioner to meet the requirements of the current tax system?

Other Customs & Excise Incentives

Other Customs & Excise Tax Incentives

Industrial Policy Projects: Section 12I (Additional investment & training allowance)

<https://www.bing.com/ck/a?!&&p=a2749822376842d3JmltdHM9MTY3ODA2MDgwMCZpZ3VpZD0yMTk4YmEzNS1hOTBkLTY5NjUtMTFjOC1hOGY5YThtMDY4ZWVmaW5zaWQ9NTlwNg&pntn=3&hsh=3&fclid=2198ba35-a90d-6965-11c8-a8f9a8f068ec&psq=12I+sars&u=a1aHR0cHM6Ly93d3cuc2Fycy5nb3YuemEvd3AtY29udGVudC91cGxvYWRzL0xlZ2FsL05vdGVzL0xBUEQSW50Ui1JTioyMDE1LTA2LUlOODYtQWRkaXRpb25hbC1pbmZlc3RtZW50LWFuZC10cmFpbmluZy1hbGxvd2FuY2VzLWZvci1pbmR1c3RyaWFsLXBvbGljeS1wcm9qZWN0cy5wZGY&ntb=1>

Learnership Allowance: Section 12H

<https://www.sars.gov.za/lapd-it-g09-guide-on-the-tax-incentive-for-learnership-agreements/?swpmtx=773b455efed0a5cdf75392af6a940fe9&swpmtxnonce=85729991d1>

Research and Development Incentive: Section 11 D

<https://www.sars.gov.za/businesses-and-employers/my-business-and-tax/research-and-development-incentive/>

Customs Duty Deferment: Payment relief

[Deferments | South African Revenue Service \(sars.gov.za\)](#)

Customs Storage Warehouse

[Customs Storage Warehouse | South African Revenue Service \(sars.gov.za\)](#)

Other Customs & Excise Tax Incentives

Rebate and deduction for Foreign Taxes: Section 6 Quat

<https://www.bing.com/ck/a?!&&p=e7ac057d9d2cda29JmltdHM9MTY3ODA2MDgwMCZpZ3VpZD0yMTk4YmEzNS1hOTBkLTY5NjUtMTFjOC1hOGY5YThmMDY4ZWVmaW5zaWQ9NTE3Ng&ptn=3&hsh=3&clid=2198ba35-a90d-6965-11c8-a8f9a8f068ec&psq=section+6+quat+sars&u=a1aHR0cHM6Ly93d3cuc2Fycy5nb3YuemEvd3AtY29udGVudC91cGxvYWRzL0xIZ2FsL05vdGVzL0xIZ2FsLUIOLTE4LVJlYmF0ZS1hbmQtZGVkdWN0aW9uLWZvc i1mb3JlaWduLXRheGVzLW9uLWluY29tZS5wZGY&ntb=1>

Head Quarter Company

<https://www.bing.com/ck/a?!&&p=aa377c4dab902764JmltdHM9MTY3ODA2MDgwMCZpZ3VpZD0yMTk4YmEzNS1hOTBkLTY5NjUtMTFjOC1hOGY5YThmMDY4ZWVmaW5zaWQ9NTIxMw&ptn=3&hsh=3&clid=2198ba35-a90d-6965-11c8-a8f9a8f068ec&psq=head+quarter+regime+sars&u=a1aHR0cHM6Ly93d3cuc2Fycy5nb3YuemEvd3AtY29udGVudC91cGxvYWRzL0xIZ2FsL05vdGVzL0xBUEQQtSW50Ui1JTioyMDE2LTAxLUIOODctSGVhZHF1YXJ0ZXltY29tcGFuaWVzLnBkZg&ntb=1>

VAT Export Incentive Scheme: VEIS

<https://www.bing.com/ck/a?!&&p=214f7a701ae918e0JmltdHM9MTY3ODA2MDgwMCZpZ3VpZD0yMTk4YmEzNS1hOTBkLTY5NjUtMTFjOC1hOGY5YThmMDY4ZWVmaW5zaWQ9NTE2Nw&ptn=3&hsh=3&clid=2198ba35-a90d-6965-11c8-a8f9a8f068ec&psq=vat+export+incentive+scheme+sars&u=a1aHR0cHM6Ly93d3cuc2Fycy5nb3YuemEvd3AtY29udGVudC91cGxvYWRzL0xIZ2FsL1NIY0xIZ2IzL0xBUEQQtTFNIYy1WQVQrR04tMTk5OC0wMS1Ob3RyY2UtMjc2MS1HRy0xOTQ3MS0xMy1Ob3ZlbWJlci0xOTk4LnBkZg&ntb=1>

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- For more information, visit the customs & Excise page on the;

SARS website www.sars.gov.za

SARS YouTube channel: www.youtube.com/sarstv



Thank you Questions?



Thank you
Re a leboha
Re a leboga
Ndza Khensa
Dankie
Ndi a livhuwa
Ngiyabonga
Enkosi
Ngiyathokoza



Thank you for walking this journey with us

