

BINDING GENERAL RULING (INCOME TAX) 67

DATE: 29 November 2023

ACT : INCOME TAX ACT 58 OF 1962
SECTION : SECTIONS 10(1)(y), 12P(2) AND THE ELEVENTH SCHEDULE
SUBJECT : INCOME TAX EXEMPTION OF A GRANT RECEIVED UNDER THE CLOTHING, TEXTILES, FOOTWEAR AND LEATHER GROWTH PROGRAMME

For the purposes of this ruling –

- **“BGR”** means a binding general ruling issued under section 89 of the Tax Administration Act 28 of 2011;
- **“CTCP”** means the Clothing and Textiles Competitiveness Programme;
- **“CTFLGP”** means the Clothing, Textiles, Footwear and Leather Growth Programme;
- **“Eleventh Schedule”** means the Eleventh Schedule to the Act;
- **“IDC”** means the Industrial Development Corporation of South Africa Limited established by the Industrial Development Corporation Act 22 of 1940, which is wholly owned by the government;
- **“section”** means a section of the Act;
- **“the Act”** means the Income Tax Act 58 of 1962;
- **“the dtic”** means the Department of Trade, Industry and Competition; and
- any other word or expression bears the meaning ascribed to it in the Act.

1. Purpose

This BGR determines the income tax treatment of a government grant received under the CTFLGP that replaced the CTCP.

2. Background

2.1 Clothing and Textiles Competitiveness Programme

The CTCP is a programme of the dtic administered at the CTCP Desk of the IDC on behalf of the dtic. The purpose of the CTCP is to stabilise employment and to improve overall competitiveness in the clothing, textiles, footwear, leather and leather goods manufacturing industries.

The Minister of Finance gave notice in Regulation 538 in *Government Gazette* 35516 of 13 July 2012 that any grant received by or accrued to a person by virtue of the CTCP administered by the dtic will be exempt from income tax under section 10(1)(y) with effect from 1 April 2009.

The CTCP is listed as item 11 in the Eleventh Schedule, which exempts any government grant received under that programme from income tax under section 12P.

A government grant received under the CTCP is therefore exempt under both section 10(1)(y) and section 12P(2).¹

The name of the CTCP was changed by the dtic to the CTFLGP on 12 January 2022. The name was changed to include the footwear & leather sectors, which have always benefitted from the CTCP, but the name never indicated such, which created confusion.

2.2 Clothing, Textiles, Footwear and Leather Growth Programme

The CTFLGP is also administered at the IDC on behalf of the dtic. The dtic confirmed that the CTFLGP replaces the CTCP and is an amended version of the CTCP although it has been simplified, revised and introduced a new loan component allowing for the repayment of funds to the dtic. The CTFLGP therefore has the same objectives and addresses the same issues as the CTCP. The name merely changed to be inclusive of all the sectors benefitting from the programme to prevent any confusion.

3. Ruling

Since the CTFLGP is only an amended version of the CTCP and the name of the programme merely changed to be more inclusive of the sectors benefitting from the programme and to prevent confusion, any government grant received by or accrued to under the CTFLGP must for income tax be treated similarly to a government grant received by or accrued to under the CTCP.

This ruling constitutes a BGR issued under section 89 of the Tax Administration Act 28 of 2011.

4. Period for which ruling applies

This BGR applies from date of issue until it is withdrawn, amended or the relevant legislation is amended.

Senior Manager: Leveraged Legal Products
SOUTH AFRICAN REVENUE SERVICE

¹ It is irrelevant that amounts received under the CTCP potentially qualify for an exemption under section 10(1)(y) and section 12P(2) because an amount can be exempt only once and no matter which provision is applied, section 12P(3) to 12P(6) applies. For further commentary on government grants, see Interpretation Note 59 "Tax Treatment of the Receipt or Accrual of Government Grants".