

ABSTRACT

The intention of this dissertation is to explore the impact of research and development (R&D) tax incentives in South Africa in the context of the objectives of the government and the experience of companies. This qualitative study investigated the impacts of R&D tax incentives on financial performance competitiveness, and on R&D investment patterns. It was also able to identify factors that might inhibit the R&D tax incentive programme from realising its full potential.

The main findings of the study suggest that firms in South Africa benefit through improved cash flow and enhanced competitiveness. This package of incentives served as a motivation for small, medium and micro enterprises (SMMEs) to undertake R&D investments. The inhibiting factors include interpretative uncertainty with regard to qualifying criteria and the misalignment between firm level R&D strategies and the additional cash flow derived from R&D tax incentive. The study suggests that these are the main challenges to be addressed by firms and policy makers.

The results also provide strong support for restructuring the tax incentive process so that there is pre-screening and qualification by the Department of Science and Technology before progressing to the tax authorities. This change would have a dramatic effect on improved effectiveness of the overall system. Firms would appreciate the increased certainty and reduction in interpretative fuzziness.