

https://dspace.org/

Do tax incentives promote development of small medium enterprises that ultimately yield economic growth

Makgalemele, Mohlomi Mc-Henry

2017

https://hdl.handle.net/10539/24134

Makgalemele, Mohlomi Mc-Henry (2017) Do tax incentives promote development of small medium enterprises that ultimately yield economic growth, University of the Witwatersrand, Johannesburg, <https://hdl.handle.net/10539/24134>

Downloaded from a DSpace repository. https://dspace.org/

University Of Witwatersrand, Johannesburg

DO TAX INCENTIVES PROMOTE DEVELOPMENT OF SMALL MEDIUM ENTERPRISES THAT ULTIMATELY YIELD ECONOMIC GROWTH

Mohlomi Makgalemele (0420399R) A research submitted to the Faculty of Commerce, Law and Management, University of Witwatersrand in partial fulfilment of the requirements for the degree of Master of Commerce (Taxation).Johannesburg, 2017

TABLE OF CONTENTS

Chapter1: Abstract **3**

Chapter 2: Introduction – Tax incentives and Small Medium Enterprises **4**

2.1 Incentives 4

2.2 Small Medium Enterprises 5

Chapter3: The problem – South African Economic and Inclusive Growth **9**

3.1 Tax incentives to promote economic growth 11

3.2 Constraints faced by Small Medium Enterprises 11

Chapter 4: Tax Incentives **15**

4.1 Tax for Micro Business 15

4.2 Incentive: Section 12 J Venture capital Companies 19

4.3 Incentive: Automotive Investment Schemes 24

4.4 Incentive: Aquaculture Development and Enhancement Programme 33

4.5 Incentive: Manufacturing Investment Programme (MIP) and Manufacturing Competitiveness Enhancement Programme (MCEP) 41

4.6 Incentive: Section12I Additional Investment and training allowances in respect of industrial policy projects 45

Chapter 5: Tax incentives to boost economic growth in countries outside South Africa **56**

Chapter 6: Conclusion **68**

Chapter 7: Areas requiring further research **75**

8. REFERENCES **76**

Chapter1: Abstract

South Africa is young democratic country with just 22 years in democracy underpinned by the South African Constitution Act of 1996. Achievements and strides have been made to address the ills of the past but like any other emerging economy, major challenges remain. These challenges impact on business and the society at large. These challenges include lack of education, high rate of unemployment, high levels of inequality, lack of infrastructure and investment stimulate growth. This has been compounded by the slowdown in the world economy. The culmination of these issues has resulted in slow or very little economic growth. The South African Government remains instrumental in the development of the economy. Much is still required to ensure that there is prosperity for all that live in the country. The Government has come-up with the National Development Plan (NDP) 2030 as the economic growth strategy to address these major challenges. There are various programmes and plans set up by the Government to address these challenges. This research discusses some of the initiatives to address these challenges. As mentioned above, one of the critical issues facing South Africa is the lack of infrastructure and investment to boost the South African economy. The focus of this report is on tax incentives to support Small Medium Enterprises and industry at large with a view that development of Small Medium Enterprises will yield economic growth. Reputable institutions such as OECD share a view that development and growth of SMEs is quite critical to the economic growth, SMEs are equally important for South African economic growth. 'SMEs (small and medium-sized enterprises) account for 60 to 70 per cent of jobs in most OECD countries, with a particularly large share in Italy and Japan, and a relatively smaller share in the United States. Throughout they also account for a disproportionately large share of new jobs, especially in those countries which have displayed a strong employment record, including the United States and the Netherlands.' OECD publication, SMALL BUSINESSES, JOB CREATION AND GROWTH: FACTS, OBSTACLES AND BEST PRACTICE. One can argue that with 60 to 70 per cent of jobs for most OECD countries, Small Medium Enterprises are actually the economic drivers for these countries.

Chapter 2: Introduction – Tax incentives and Small Medium Enterprises

2.1 Incentives

As way of introduction, it is very important that what is meant by incentives be understood as many governments in the world engage in various activities to boost investment and economic growth. The focus of this document will be on the tax incentives (direct and indirect) created by the South African Parliament for the development of Small Medium Enterprises and similar institutions with an objective to yield economic growth. Incentives to stimulate growth will potentially have a major tax benefit to taxpayers depending on the type incentive programme. The focus of this paper will largely be on understanding what tax incentives are available and what are the derived benefits for taxpayers if any, furthermore we need to assess on what the impact of these benefits have been and whether or not these incentives have been utilised to some extended to develop Small Medium Enterprises and industry at large and potentially grow South African economy.

"UNCTAD (2003) defines an incentive as 'any measurable advantage accorded to specific enterprises or categories of enterprises by (or at the direction of) government'. Using this definition, an across-the-board reduction in corporate taxation is not an incentive scheme even though it may lead to increased corporate investment. Lowering corporate taxes to firms locating in a specific region, or producing certain goods or services, is an incentive scheme. By definition, if preferential tax treatment is applied to foreign direct investment (FDI) over local investments then this is an incentive scheme to attract FDI" (Jordan 2012). Incentives can be fiscal or non-fiscal, direct or indirect. Fiscal incentives include direct 'cash' grants or tax breaks. Non-fiscal incentives may include fast-track approval processes or exemptions from certain regulations". There are two forms of incentives, direct and indirect (Jordan 2012).

Direct incentives includes

Cash payments – Grants tax exempt

Indirect Incentives

Reduction in tax rates (Corporate tax and indirect taxes)

Accelerated depreciation allowance

Investment tax credits

Investment tax allowance or deduction of qualifying expenses

Both direct and indirect incentives have a tax benefit to a taxpayer, there is cash forgone by the state or a benefit that would not be realised by the National Treasury as a result of providing these incentives. Incentives are used to stimulate investment and infrastructure, increase employment and ultimately realise inclusive economic growth. 'Governments pursue investment incentives as a means to an end. Policy-makers attribute poor economic performance to a lack of investment. Incentives are used as a tool to boost investment and growth, even if the causal links between each of these stages is far from proven,' Jordan (2012).

This research focuses on tax incentives available to Small and Medium Enterprises and similar institutions, extending to other tax incentives not necessarily made to Small and Medium Enterprises as they are also designed to simulate investment in the business community at large. One should keep an open mind that a corporation that is growing does not stay a Small Medium Enterprise forever, the expectation is that it will grow and as such different incentives may be available to that corporation.

2.2 Small Medium Enterprises

For the purposes of South African Income Tax Act No. 58 of 1962; there is no definition of Small Medium Enterprises. The South Africa Income Tax Act No. 58 refers to Small Business Corporation (SBC) and there are strict requirements as to what qualifies as a Small Business Corporation. According to the South African Income Tax Act No. 58 of 1962, section 12E (4)(a), SBC means any close corporation or co-operative or any private company as defined in Section 1 of the Companies Act no 71 of 2008 if at all times during the year of assessment all the holders of shares in that company, co-operative or close corporation and natural persons met the following four requirements :

- Legal entity requirement
- Holder of shares requirement
- Gross income limitation requirement
- Business activity requirement

Per the SARS Interpretation Note: No. 9 (Issue 6) SARS interprets the four requirements as follows:

Legal entity requirement

One of the requirements in qualifying as an SBC is that the taxpayer must be a juristic person in the form of a 'close corporation', 'co-operative' or 'private company' as defined in section 1 of the Companies Act. In this Note these entities, which are included in the definition of "company" in section 1(1), are referred to as 'qualifying entities'.

Holder of shares requirement

Section 12E(4)(a) of South African Income Tax Act No. 58 of 1962 provides that all the holders of shares or members, as appropriate, of a qualifying entity must, at all times during the relevant year of assessment, be natural persons. No part of the share capital or members interest of an SBC can therefore be held by a juristic person such as another company. A breach of this requirement, even if for one day during the year of assessment, will disqualify a qualifying entity from being an SBC for the year of assessment in which the requirement was not met, irrespective of whether or not all of the other requirements are met.

Gross income limitation requirement

The gross income of a qualifying entity may not exceed R20 million for the particular year of assessment. Key factors for consideration are what constitutes gross income, what is a year of assessment and the circumstances in which the limitation of R20 million must be reduced.

Business activity requirement

Broadly, section 12E(4)(a)(iii) imposes a limitation on the amount of income which may be generated from certain income streams, namely investment income and income generated from personal services. An entity cannot qualify as an SBC if more than 20% of the total of all receipts and accruals (excluding capital receipts) and capital gains, consists of investment income and income from the rendering of a personal service.

From the above, the definition of Small Business Corporations is quite narrow and well defined. For the purpose of this document, we use a wide and a lot more inclusive definition on what constitutes Small Medium Enterprises, it is important that we note the definition used for Income Tax purposes as it also gives a legal statutory requirement for tax purposes.

The importance of using a wide definition is that not all tax incentives benefit are on basis of what SBC is as defined by the Income Tax act. Most of these incentives are designed by the Department of Trade and Industry and the definition used by the department is in accordance with the National Small Business Act 102 of 1996. The definition is quite wide and it includes many more corporations than referred to in the Income Tax act.

For purposes of National Small Business Act, the National Small Business Act of 1996 defines a small business as follows:

'… a separate and distinct business entity, including co-operative enterprises and nongovernmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub-sector of the economy mentioned in column I of the Schedule. Small businesses can be classified as micro, very small, small or medium enterprises, following a complex set of thresholds. The National Small Business Act, as revised by the National Small Business Amendment Act of 2003 and 2004, defined the thresholds per sectors and sub-sectors as follows:

Threshold set by National Small Business Act to define SMMEs

Sector or sub-sectors in accordance with the Standard Industrial Classification	Size or class	Total full-time equivalent of paid employees *Less than:*	Total annual turnover *Less than:*	Total gross asset value (fixed property excluded) *Less than:*
Agriculture	Medium	100	R 4.00 m	R 4.00 m
	Small	50	R 2.00 m	R 2.00 m
	Very small	10	R 0.40 m	R 0.40 m
	Micro	5	R 0.15 m	R 0.10 m
Mining and Quarrying	Medium	200	R30.00 m	R18.00 m
	Small	50	R 7.50 m	R 4.50 m
	Very small	20	R 3.00 m	R 1.80 m
	Micro	5	R 0.15 m	R 0.10 m
Manufacturing	Medium	200	R40.00 m	R15.00 m
	Small	50	R10.00 m	R 3.75 m
	Very small	20	R 4.00 m	R 1.50 m
	Micro	5	R 0.15 m	R 0.10 m
Electricity, Gas and Water	Medium	200	R40.00 m	R15.00 m
	Small	50	R10.00 m	R 3.75 m
	Very small	20	R 4.00 m	R 1.50 m
	Micro	5	R 0.15 m	R 0.10 m
Construction	Medium	200	R20.00 m	R 4.00 m
	Small	50	R 5.00 m	R 1.00 m
	Very small	20	R 2.00 m	R 0.40 m
	Micro	5	R 0.15 m	R 0.10 m
Retail and Motor Trade and Repair Services	Medium	100	R30.00 m	R 5.00 m
	Small	50	R15.00 m	R 2.50 m
	Very small	10	R 3.00 m	R 0.50 m
	Micro	5	R 0.15 m	R 0.10 m
Wholesale Trade,	Medium	100	R50.00 m	R 8.00 m

'With the assistance of other government departments and institutions, the Department of Trade and Industry takes the lead in implementing SMME-related policies, to ensure that adequate financial and non-financial assistance is provided to the sector, for its long-term prosperity and that

of the country as a whole,' according to update on the website of the Department of Trade and Industry on SMME.

The department has the lead in designing and implementation of programmes that incentivise many Small and Medium enterprises in the country. The definition used by the Department is wide and it covers a wide range of tax incentives benefiting a large number of taxpayers and it is for that reason that this document refers to tax incentives available to Small Medium Enterprises and similar institutions, extending to other tax incentives available to promote growth in the business community at large.

Below are some of the differences noted when comparing the definition of Small Business Corporations as defined in the Income Tax act and the small business as defined in the National Small Business Act.

the South African Income Tax Act no 58 of 1962 refers to limited Gross Income of R 20 000 whereas the National Small Business Act of 1996 refers to different annual turnovers per industry which some are above and below the R 20 000 threshold set in the Income Tax act.
An asset base investment is used in the Small Business Tax Act which is not included in the Income Tax act.
Personal service companies are included for the purposes of National Small Business act and these are specifically excluded for the Income Tax act.

In understanding of what is meant by incentives and Small and Medium Enterprises as defined, this paper intend to explore what tax incentives are available to taxpayers in order to drive or boost Investment and infrastructure in South Africa, furthermore what tax incentives are available in general to other industries which might not necessarily relate to Small and Medium Enterprises. It is important that we also understand the role played by Small Medium Enterprises and why the critical importance of incentivising these corporations.
Of importance is that as a starting point we clearly understand that Government incentive programmes are not necessarily designed to provide a tax incentive but to boost an investment in that particular industry but where there is a specific tax incentive or benefit to the taxpayer it is important we understand what that benefit is to the taxpayer and assess whether has it actually benefited the taxpayer.

Chapter3: The problem – South African Economic and Inclusive Growth

South African's economy has been growing at a very low rate for a considerable number of years. This slow growth has been as a result of both external and domestic factors. Next paragraph is mainly two quotes from the South African Reserve Bank quarterly report emphasising on the state of the South African economy and its growth rate. The first one is about how low the growth has been, using numbers and comparing these to prior periods. The second also compares current numbers to prior period but it is more conceptual. It tries to compare difficult times of our economy with other historic difficult times and in so doing strongly emphasises the severity of our economic state.

> 'South African output growth has been slowing steadily. The most recent forecast suggests GDP growth of 0,8 per cent for 2016, down from 1,5 percent as projected in November 2015 and 2,9 per cent a year before that. Forecasts for 2017 have also declined, with the latest number indicating 1,4 per cent growth next year and 1,8 per cent in 2018. By way of comparison, South Africa's annual growth since 1994 has averaged 3 per cent. (*South African Reserve Bank Quarterly Report* 2016).'

And further

> 'Growth in the South African economy has decelerated markedly since 2011. Output increased by just 1,3 per cent in 2015 and forecasts suggest growth will be less than 1 per cent this year, the slowest pace of expansion since the Great Recession, and before that, the emerging-market crisis year of 1998. In the recent past, disappointing growth outcomes have been traceable to specific shocks, including strikes, electricity shortages and drought. But the outlook now indicates more diffuse sources of weakness. Consumer and business confidence is low in historical perspective,' (*South African Reserve Bank Quarterly Report* April 2016).

This, low economic growth, is the core of the problem facing South Africa. To the ordinary citizens and the business community in and outside South Africa, the economy is not growing and where there has been growth is very small and not making sufficient impact. There are domestic and external factors impacting on the country's economy and some do not have a large a degree or permanence.

Domestic factors include shortage in electricity supply, the draught experienced since 2015, increased labour strikes, increased civil protests and significantly reduced investor confidence. External factors have been mainly around a decline in demand and reduced commodity prices. The South African export market is highly dependent on commodity prices which have significantly reduced over the years.

> '….the global economic environment has been relatively unfavourable. World growth weighted by South Africa's trading partners has slowed from over 5 per cent in 2010 to nearly 3 per cent last year (a similar pattern holds for PPP-weighted world growth). Traditional trading partners in Europe have struggled with prolonged recessions. China's growth moderation and rebalancing has severely depressed commodity prices. This has limited the contribution of net exports to growth,' (*South African Reserve Bank Quarterly Report* April 2016).

From above it can be seen that South African economic growth has been contracting over the years. Without economic growth, it becomes difficult to address major challenges that are faced by many South Africans today. Investor confidence has significantly reduced based on perception that South African markets cannot deliver the expected return to investors taking into consideration the decline in economic growth rates.

What is the solution to low economic growth? Governments and many others around the world share a view that the development of Small Medium Enterprises and similar institutions hold the key to economic growth. That view is also shared in South Africa. It is accepted that South Africa needs to develop Small Medium enterprises and similar intuitions in order to grow and develop the economy.

> 'Small and Medium Enterprises (SMEs) have been identified as productive drivers of inclusive economic growth and development in South Africa and around the world. Some researchers have estimated that, in South Africa, small and medium-sized enterprises make up 91% of formalised businesses, provide employment to about 60% of the labour force and total economic output accounts for roughly 34% of GDP. While contributing significantly to the economy, SMEs foster diversification through their development of new and unsaturated sectors of the economy. In addition, innovative and technology-based small and medium enterprises can provide a platform for local, regional and international growth, especially in Brazil, Russia, India, China, South Africa (BRICS) economies. SMEs are considered an important contributor to the economy as drivers for reducing unemployment, especially since the formal sector continues to shed jobs,' Banking Association of South Africa (nd); Xiangfeng (2008); We (2012)).

Given the acceptance of the importance of Small and Medium enterprises to bring about economic growth the questions then become; what can be done to promote these and specifically what tax incentives are available to develop exist to achieve this purpose? Given the rate at which our economy is growing, it is a major challenge for small business to break into respective industries It is even more of a challenge for these corporations to stay competitive in the markets once they have broken through into the industry. The focus on this research is about Government initiatives taken

through tax incentives to boost small medium enterprises and other general incentives for specific industries to promote investment in the country. These incentives benefit taxpayers investing in small medium enterprises and other investors to motivate the formation and sustainability these forms of investment. In order for us to understand these benefits received by the taxpayers we must understand challenges faced by investors in small medium enterprises which we regard as the sub-problems to achieve the desired economic growth.

3.1 Tax incentives to promote economic growth

The main problem articulated up to now is the challenge to achieve economic and inclusive growth. Our economy is growing at a very low rate, with current expectations being that it will not grow substantially year on year. An accepted solution to growth is the development of Small Medium Enterprises. Government has taken an initiative to grow these businesses and thereby boost investment through tax incentives programmes. This research intends to identify and discuss what these incentives are and assess the tax impact and benefit to the taxpayer in taking up those incentives. There are other problems that have resulted in disinvestment in Small Medium Enterprises and some of the constraints or sub-problems facing investment in Small Medium Enterprises and other similar enterprises are discussed below.

3.2 Constraints faced by Small Medium Enterprises

It is of critical importance to understand the constraints or challenges faced by small medium enterprises. As mentioned above small medium enterprises play a critical and strategic role in the development and inclusive economic growth of South Africa, addressing major issues such as rising unemployment. It is for this reason that we need to understand these challenges and the need for Government to incentivise these enterprises.

Below are challenges per the research done by SiMODiSA Association, an organisation that seeks to encourage public-private partnerships to advance entrepreneurship.

Entrepreneurship	Mothership	External Trigger	Local Hero
Skills deficit	Limited incentives to assist transition from Mothership	BBBEE Compliance rather than Commitment	Inadequate formal entrepreneurship education
Funding needs (Angel	Need right skills & support to	Consequences of BBBEE:	Insufficient celebration of non-

Networks; incentives; endowment)	create successful spin-offs	incentivising the wrong behaviour	tech, high-growth entrepreneurs
Remote location and limited access to markets	Tick box mentality: A result of current regulatory framework	Socio-economic and environmental challenges	Limited media coverage
Current government procurement limitations (PFMA)	Adverse selection of entrepreneurs	Retrenchments	Limited number of role models
Limited commercialisation of innovation from Universities	Too few 'entrepreneurship' programmes	Exchange Control impact	Celebrity status distracts from business development

Per the research report, below are the 5 the biggest cross-cutting entrepreneurship challenges.

1. Skills Deficit

According to the survey there are insufficient numbers of institutions providing the necessary training and practical exposure required to support a thriving high-tech industry.

2. Funding

South Africa is lagging behind, particularly in the area of early stage angel investors. Significantly, the other underlying factor is that the country's venture capitalist (VC) market is still in its infancy.

3. Remote location and limited access to markets

South Africa is relatively geographically remote, rendering access to international markets difficult for local entrepreneurs. There is also limited support for entrepreneurs to access markets via partnerships with corporates, mentors and networks providing 'soft landing' opportunities.

4. Government procurement limitations

SMEs should be able to access and bid on government procurement opportunities in a smooth and efficient manner. In the case of the High-Tech Entrepreneurship Model, this would more especially enable the application of tech entrepreneurship to solve service delivery problems.

5. Limited commercialisation of innovation from universities

South African universities are patenting many innovations in multiple fields. However, few are successfully commercialised and there are poor linkages and few elective relationships between academia and industry.

It is quite clear from above on what the challenges and constraints faced by many Small medium enterprises are. Included above as well is constraint around limited incentives. This is a major problem for these corporations. This paper intends to discuss the tax incentives available and how have those benefited the taxpayers.

Chapter 4: Tax Incentives

4.1 Tax for Micro Business

Information below is obtained directly from the Tax Guide for Micro Business 2016/ prepared by the SARS Legal Counsel, Jan 2017. This information is prepared to provide guidance on Turnover tax available to Micro Business. It is a simplified form of tax reducing tax administration and tax liability (with reduced corporate rates) for taxpayers that run Micro business. The objective is to reduce the tax compliance and administrative burden by simplifying and reducing the number of returns that have to be filed by tax payers.

Background

Small and micro businesses have the potential to grow the economy, generate jobs and reduce poverty. In order to alleviate the tax compliance burden on micro enterprises, a turnover tax regime was introduced with effect from 1 March 2009. It streamlines the tax compliance process for micro businesses by replacing a registered micro business' liability for income tax (including CGT) and, to an extent, dividends tax with a liability to account for turnover tax. As the term "turnover tax" suggests, the registered micro business' tax liability is determined by applying a specific turnover tax rate to the registered micro business' "taxable turnover" in a particular year of assessment.

Turnover Tax

Turnover tax is a stand-alone tax, meaning that its determination is separate and independent from the normal tax system. Despite being liable to account for turnover tax, certain receipts and income streams of a micro business could be taxable under the normal tax system. These receipts and income streams may relate to remuneration and investment income received by the micro business, as well as amounts derived by the micro business from carrying on business activities outside South

Turnover tax is payable by any person who is registered as a micro business and is payable in lieu of any income tax, CGT or dividends tax that otherwise may have been payable by the registered micro business. A micro business that does not register as such under Part II of the Sixth Schedule of South African Income Tax Act No. 58 of 1962 will not be liable to account for turnover tax on its income, but will instead be subject to the normal income tax (including CGT) and dividends tax rules. The turnover tax regime is accordingly an option for persons conducting their business activities as sole

proprietors, partnerships, close corporations, co-operatives or private companies. The Act prescribes two broad categories of persons that may qualify as a micro business, namely –

- a natural person (or the deceased or insolvent estate of a natural person who was a registered micro business at the time of death or insolvency);7 and
- a "company" as defined in section 1(1) of South African Income Tax Act No. 58 of 1962.

Provided none of the disqualifying factors discussed applies, a business with a "qualifying turnover" not exceeding R1 million in any year of assessment can elect to register as a micro business and in consequence be taxed under the turnover tax system instead of the usual tax rules that apply to other taxpayers.

"Qualifying turnover", which is the amount upon which the turnover tax is payable. "Qualifying turnover" is defined as the total receipts derived by the person from carrying on any business activities, but excluding:

- any amounts of a capital nature received from conducting business, for example, an amount received from the sale of equipment that was used in the business; and
- Any amounts received by or accrued to a small, medium or micro-sized enterprise from a small business funding entity which are exempt from income tax under section 10(1)(zK)10 or government grants which are exempt from income tax under section 12P of South African Income Tax Act No. 58 of 1962.

A person will qualify as a micro business only if the person's qualifying turnover does not exceed R1 million for a year of assessment. Since it is the total receipts (excluding capital receipts, amounts derived from a small business funding entity and exempt government grants) derived by the person that are taken into account in determining the person's qualifying turnover, it is immaterial whether a receipt constitutes gross income or is in fact taxable. It also follows that if the person is registered as a VAT vendor, any VAT charged on the supply of goods or services by the person must be included in the determination of that person's qualifying turnover.

Only amounts received *by* the micro business that form part of its taxable turnover, amounts that accrue to the micro business but which have not been received by the micro business in the year of assessment must not be included in its taxable turnover. The turnover tax system does not provide for the deduction of expenses against income as is the case under the normal tax system. Taxable turnover is the amount, not of a capital nature, that is received by a micro business during a year of assessment from carrying on business activities in the Republic, less any amounts refunded to any person for goods and services supplied by the micro business.

Turnover Tax Table:

Turnover (R)	Rate of tax (R)
0 - 335 000	0%
335 001 - 500 000	1% of each R1 above 335 000
500 001 - 750 000	1 650 + 2% of the amount above 500 000
750 001 and above	6 650 + 3% of the amount above 750 000

Turnover Tax Rates for any year of assessment ending during the period of 12 months ending on 28 February 2018, SARS Official Website.

Specific inclusions in taxable turnover

The following amounts must be included in taxable turnover:

50% of all receipts of a capital nature from the disposal of –

- immovable property mainly used for business purposes, other than trading stock; and
- any other asset mainly used for business purposes, other than any financial instrument.
- Investment income, other than dividends and foreign dividends, received by a company.

It is the gross amount of a capital nature received by a micro business that must be taken into account, and not the capital gain as determined under the Eighth Schedule. A micro business must in fact disregard any capital gain or loss on the disposal of an asset used by it mainly for business purposes (paragraph 57A of the Eighth Schedule of South African Income Tax Act).

Specific exclusions from taxable turnover

The following amounts must be excluded from taxable turnover:

- Investment income received by natural persons, that is, by individuals carrying on business as sole proprietors or partners in a partnership.
- Any amounts received by or accrued to a small, medium or micro-sized enterprise from a small business funding entity which are exempt under section 10(1)(zK) of South African Income Tax Act No. 58 of 1962.
- Government grants that are exempt from normal tax under South African Income Tax Act section 12P, read with the Eleventh Schedule.
- Any amount that accrued to the business and which was subject to normal tax in a year of assessment before the micro business was registered for turnover tax.

- Any refund received from any person for goods and services supplied to a micro business.

Dividends Tax for Micro Business

Dividends tax is levied at 15% on any dividends paid by a company (which includes a micro business that is a company). The 15% rate may be reduced under a tax treaty. The beneficial owner of the dividend is liable for the tax, except if the dividend is a dividend in specie, in which case the company declaring the dividend is liable for the tax. Specific exemptions are also provided for, including a limited exemption that applies to holders of shares in micro businesses.

VAT for Micro Business

The prohibition against micro businesses from registering for both turnover tax as well as VAT was lifted as from 1 March 2012. A micro business may therefore choose to register for VAT if it meets the requirements for voluntary registration under the VAT Act and registration is in its best interests. Note that for a micro business which is registered for VAT, total receipts for qualifying turnover and taxable turnover purposes include any VAT amounts received by the micro business. A person that elects to be registered simultaneously under both tax systems does so on a voluntary basis in order to access the benefits that these systems offer. Under these circumstances, it is worthwhile for the micro business to consider the potential advantages and disadvantages of being registered as a VAT vendor in relation to the particular trade it is involved in.

Generally, it may be advantageous for a micro business to register voluntarily for VAT if it supplies goods or services to customers who are registered VAT vendors and who may therefore be able to deduct the VAT charged by the micro business as input tax.

Record-keeping

A registered micro business is required to retain a record of –

- All amounts received during a year of assessment;
- Any dividends declared during a year of assessment;
- Each asset at the end of a year of assessment with a cost price of more than R10 000; and
- Each liability at the end of a year of assessment exceeding R10 000.

4.2 Incentive: Section 12 J Venture capital Companies

4.2.1 Background and understanding of Incentive

'National Treasury introduced Section 12J into the Income Tax Act in 2009, to assist in the development of a venture capital industry in South Africa. The sections specifically aim to help the growth of small and medium sized business by increasing their access to equity finance. To attract investors into this typically under-funded sector, which is critical for driving economic growth, SARS offers significant tax incentives.' Polity, 2014.

This piece of legislation was specifically created to boost the investment in SMEs by increasing access into equity finance as this is one of the barriers or constraints found in the development of SMEs.

Firstly we need to understand what is meant by Venture Capital Companies (VCCs) and the requirements that qualify an entity to be a VCC. Below is SARS requirements and definition of the VCC obtained from the SARS website.

A company must meet all of the following preliminary requirements to be able to get an approved VCC status for each year of assessment:

The company must be a resident;
The sole object of the company must be the management of investments in qualifying companies (i.e. investees);
The company's tax affairs must be in order;
The company must be licensed in terms of section 7 of the Financial Advisory and Intermediary Services Act, 2002.

SARS can withdraw the approved VCC status for non-compliance with the following:

If, during any year of assessment, after the approval of the Venture Capital Company status, the company fails to comply with the preliminary requirements as listed above;

The company must satisfy the following additional requirements at the end of each year after the expiry of 36 months from the first date of the issue of VCC shares by the VCC;

A minimum of 80% of the expenditure incurred by the VCC to acquire assets must be for qualifying shares, and each investee company must, immediately after the issuing of the qualifying shares, hold assets with a book value not exceeding:

R500 million in any junior mining company; or

R50 million in any other qualifying company

The expenditure incurred by the VCC to acquire qualifying shares in any one qualifying company must not exceed 20% of any amounts received by the VCC in respect of the issue of VCC shares.

SARS will issue a written notification to the VCC stating the requirements that have not been met and provide a grace period for the VCC to meet the requirements. If the approved VCC does not take the acceptable corrective steps within the period provided for in written notice, the approved VCC status will be withdrawn from -

the commencement of that year of assessment, or

the date of approval of the Venture Capital Company status where the VCC does not meet the additional requirements after the expiry of 36 months from the date of first issue of VCC shares.

4.2.2 Benefits and tax incentives to taxpayers

'Any risk-averse investors will be keenly interested in venture capital as an addition to their investment portfolios. The low-yielding BOND market, fully priced property market and volatile stock market have resulted in private equity becoming the favour of the month. According to Neill Hobbs of Hobbs Sinclair, astoundingly, many investors and investment managers are unaware or unsure of the law around an extraordinary opportunity introduced by National Treasury in 2009 under Section 12J of the Income Tax Act. Now SARS's policy of boosting small-to-medium business has been encouraged by way of a Venture Capital Company (VCC) tax incentive. South African tax payers who invest via this equity finance vehicle receive a 100% tax deduction on funds invested. For high threshold taxpayers, that's an upfront 40% return on investment or, calculated over an investment period of five years, a guaranteed 8% ROI before any gains via the VCC. What's more, the investment is not subject to Income Tax recoupment on disposal of shares after 5 years but will only be subject to Capital Gains Tax.' Hobbs 2015.

'Through section 12J, National Treasury intends to assist with the establishment of Venture Capital Companies (VCCs) in South Africa, along the lines of the UK's successful venture capital trusts. To encourage qualifying investments, the Income Tax Act provides for a substantial tax incentive, effectively allowing investors in 12J compliant funds to write-off an investment in a VCC against their taxable income. The bottom line is that individual investors get 100% of the upside for taking only

60% of the risk (assuming a 40% marginal tax rate). Looked at differently, SARS is effectively giving investors a cheque to make part of their investment,' Broadreach 2014.

There is a direct benefit from an investor's perspective to invest in Venture capital companies as you get a full deduction on the amount invested in a VCC. Once all section 12J requirements are met as set out in South African Income Tax Act, no 58 of 1962, the taxpayer can deduct from the taxable income the investment made in VCC. The incentive to understand is that on a normal investment, the amount invested would be recognised as capital invested and therefore not deductible from the taxpayer's taxable income. When the investment is sold or realised, the gains arising would be treated as capital gains in terms of Eighth schedule of in South African Income tax Act, no 58 of 1962 like any other investment but where the investment was held for a period of 5 years in a VCC, there is no tax recoupment of deduction previously given to the taxpayer, which is another direct benefit to a taxpayers.

According to Hobbs (2015), suitable investors are the following:

- small investment groups who have a high tax threshold and who don't mind a bit of risk
- salaried corporate executives who are looking to reduce their tax burden – (notably a deduction in respect of Retirement Annuity is limited whereas investment into a VCC can be 100% of taxable income)
- companies investing in new initiatives or making acquisitions – the tax advantage here is that investment into a VCC is fully deductible from income tax
- BEE deals which benefit via the tax incentive through BEE parties who own a majority of the shares, enhancing the value of any target company they invest in.

Limitations and success on Venture Capital Companies

Below is the most updated list of Venture Capital Companies from the SARS Website.

VCC Reference Number	Registered Name	VCC Status		Contact Details			
		Status	Date	Public Officer	Telephone	Fax	E-mail
VCC-0001	Olivewood Resources Ltd	Approved	2009-10-20	James Allan	011 325 5457	011 325 4629	james@olivewoodresources.co.za
VCC-0002	Iridium Private Equity (Pty) Ltd	Approved	2012-02-08	Neill Hobbs	021 683 0500	021 683 0577	neillh@hobbsinc.co.za
VCC-0003	Grovest Venture Capital Company Ltd	Approved	2013-03-18	Jeffrey Miller	011 262 6433	086 630 2556	jeffm@grovest.co.za
VCC-0004	Carbide VC 1 (Pty) Ltd	Approved	2013-10-10	J C Bruce	021 855 2343	021 855 3780	carbide1@mweb.co.za
VCC-0005	Harbour Energy 1 (Pty) Ltd	Approved	2013-11-13	Adam Bekker	012 813 6506	086 612 7295	adam@thebroadreach.com
VCC-0006	Engeli Venture Capital Limited	Approved	2014-07-21	Deidre Renison	082 458 4182	086 155 5533	drenison@engeli.co.za
VCC-0007	Smart Capital Limited	Approved	2014-08-01	Shenaz Jhavary	083 459 7866	031 832 4489	warren@smarted.co.za
VCC-0008	Anuva Investments (Pty) Ltd	Approved	2015-01-15	Neill Hobbs	021 683 0500	021 683 0577	neillh@hobbsinc.co.za
VCC-0009	Obelus (Pty) Ltd	Approved	2015-01-16	Neill Hobbs	021 683 0500	021 683 0577	neillh@hobbsinc.co.za
VCC-0010	Sanari Growth Partners (Pty) Ltd	Approved	2015-01-19	Samantha Pokroy	082 312 9130	011 444 1311	spokroy@sanari.co.za
VCC-0011	Leaf Capital Growth Investments (Pty) Ltd	Approved	2015-02-10	Jacqueline Hathorn	021 657 1181	086 208 0119	jacqui@leafcapital.co.za
VCC-0012	Gateway International Education Fund (Pty) Ltd	Approved	2015-02-23	Marcus Oshry	011 463 8842	011 463 9054	marcus@gatewaycapital.co.za
VCC-0013	Titanium VC 1 Ltd	Approved	2015-02-23	J C Bruce	021 855 0076	021 855 3780	jcbruce@mweb.co.za
VCC-0014	Westbrooke Alternative Rental Income Assets Ltd	Approved	2015-04-08	David Cohen	011 245 0860	011 883 7197	richard@westbrooke.co.za
VCC-0015	HC 100 (Pty) Ltd	Approved	2015-06-19	Afzal Khan	021 559 9600	021 559 9611	afzal.khan@raft.co.za
VCC-0016	Oaktree Venture Capital Investments (Pty) Ltd	Approved	2015-07-13	Danie de Villiers	011 704 0648	086 611 7799	danie.devilliers@riskflow.com
VCC-0017	Grovest Hospitality Holdings (Pty) Ltd	Approved	2015-08-03	Jeff Miller	011 262 6858	-	jeffm@grovest.co.za
VCC-0018	KZN Venture Capital Fund (Pty) Ltd	Approved	2015-08-12	Ahmed Khan	084 900 0786	086 742 5923	ahmed.khan@kznvcf.com

VCC Reference Number	Registered Name	VCC Status		Contact Details			
		Status	Date	Public Officer	Telephone	Fax	E-mail
VCC-0019	Providence Hospitality Holdings (Pty) Ltd	Approved	2015-08-13	Jacobus Nel	021 943 3760	021 914 3103	info@fairtree.com
VCC-0020	I-Cubed Consulting (Pty) Ltd	Approved	2015-09-22	Imraan Kajee	072 414 5252	086 775 5340	info@icubedcapital.co.za
VCC-0021	Kingson Capital (Pty) Ltd	Approved	2015-10-06	Gavin Reardon	082 340 8633	086 605 6783	gavin@kingsoncapital.com
VCC-0022	Energia VC1 (Pty) Ltd	Approved	2015-10-07	JC Bruce	021 855 2343	021 855 3780	jcbruce@mweb.co.za
VCC-0023	Nesa Venture Capital Investments (Pty) Ltd	Approved	2015-10-19	Percy Ying	011 326 3903	086 689 0183	percy.ying@nesacapital.co.za
VCC-0024	Pallidus Venture Capital Fund 1 (Pty) Ltd	Approved	2015-10-23	Johann Enslin	021 403 6430	086 461 5001	johann@pallidus.co.za
VCC-0025	Lucid Ventures (Pty) Ltd	Approved	2015-12-11	Gidon Novick	083 631 5397	-	gidon.novick@gmail.com
VCC-0026	Westbrooke Capital Hospitality Ltd	Approved	2016-01-07	David Ben Cohen	011 245 0860	011 883 7197	richard@westbrooke.co.za
VCC-0027	KNF Ventures (Pty) Ltd	Approved	2016-01-13	Keet van Zyl	021 914 5566	086 553 9740	keet@knf.vc
VCC-0028	Carbide Resources VC 1 (Pty) Ltd	Approved	2016-01-13	JC Bruce	021 855 2343	021 855 3780	jcbruce@mweb.co.za
VCC-0029	LinkMakers Capital (RF) (Pty) Ltd	Approved	2016-02-10	Carien Engelbrecht	011 447 5575	086 517 7809	carien@aurik.co.za
VCC-0030	Grovest Tech Ltd	Approved	2016-02-15	Jeff Miller	083 700 0525	-	jeffm@grovest.co.za
VCC-0031	Grovest Energy Ltd	Approved	2016-02-15	Jeff Miller	083 700 0525	-	jeffm@grovest.co.za
VCC-0032	670 Venture Capital (Pty) Ltd	Approved	2016-02-26	Ockert Goosen	021 948 0322	-	ockertg@orafunds.co.za
VCC-0033	Seed Engine Entrepreneur Development Fund (Pty) Ltd	Approved	2016-05-06	Jeff Miller	083 700 0525	-	jeffm@grovest.co.za

VCC Reference Number	Registered Name	VCC Status		Contact Details			
		Status	Date	Public Officer	Telephone	Fax	E-mail
VCC-0034	Baobab Asset Management (Pty) Ltd	Approved	2016-05-11	Elandre Fourie	011 475 1981	011 475 0376	elandref@baobabcptl.co.za
VCC-0035	Open Window Growth Partners (Pty) Ltd	Approved	2016-06-10	Ferdinand Johann van Niekerk	011 431 4092	011 4314099	ferdi@theopenwindow.co.za
VCC-0036	Kigeni Ventures RF (Pty) Ltd	Approved	2016-07-04	Gavin Goldblatt	083 628 6396	-	gavin.goldblatt@kigeniholdings.com
VCC-0037	Growth Grid Venture Capital Partners (Pty) Ltd	Approved	2016-08-02	Roy Martin Fine	021 763 7600	-	rfine@afrifresh.co.za
VCC-0038	Lornazest (Pty) Ltd	Approved	2016-08-22	Kalman Henri Papp	073 134 3827	-	henri.papp@skyestone.co.za
VCC-0039	Optomise VCC (Pty) Ltd	Approved	2016-09-07	Gadi Tal Cohen	082 450 2789	-	gadi@optomise.co.za
VCC-0040	Agis Ventures (Pty) Ltd	Approved	2016-09-26	Kevin Fouche	010 593 6444	-	kevin@maverickfinancial.co.za
VCC-0041	Signature Venture Capital Fund 1 (Pty) Ltd	Approved	2016-09-27	Jeffery Miller	082 450 9702	-	mark@signature.investments
VCC-0042	Smart Ees (Pty) Ltd	Approved	2016-10-13	Michele Shiller	031 818 0300	086 692 0644	michele@smarted.co.za

From above we can provide analysis on the number of companies that have been approved by the South African Revenue Services to be a VCC.

2009: 1 2012: 1 2013: 3

2014: 2 2015: 18 2016: 17

There are currently 42 entities registered as VCCs. Of these entities there was not much noticeable growth of these entities until the amendment of Section 12 J in 2014.

From the above, it's clear that Venture Capital Companies are still quite limited and have not grown to the desired level on National Treasury with only 42 set up by October 2016 since the legislation was introduced in 2009. The legislation was amended in 2014 to increase the size of the book value of companies that a VCC can invest on, this was done to increase the number of investors VCCs and make them more attractive to investors. Even though many investors are still skeptical of investing in VCCs even though they show a huge potential growth for investors according to Hobbs, there has been some tremendous growth in the number of Venture Capital Companies since the legislation amendment in 2014.

With the growth seen in 2015 and 2016, it is reasonable to conclude that more companies were started as VCCs and the growth has been quite substantial since the Government change in legislation which seems to have stimulated growth and increased VCCs.

A further detail analysis would be to analyse specific components that can measured to assess whether has the Venture Capital companies actually yielded results that stimulate growth and investment in the country. These would include amongst others revenue growth analysis, number of employees and whether has there been increase in employment opportunities in the above listed

VCCs, investment capital of qualifying assets, return to investors etc. More information would be needed to provided that analysis however it is with no doubt that we have seen growth in the section 12 J Venture capital companies and more significantly so after Government change in legislation to increase the number of VCCs in the economy.

4.3 Incentive: Automotive Investment Schemes

This programme is designed by the department of Trade and Industry (dti) under Automotive Investment scheme (AIS), it is specifically for light motor vehicle manufactures and the related components. There are two sub –component programmes of AIS, the two programmes are Medium and Heavy Commercial Vehicle Automotive Investment Scheme (MHCH – AIS) and People-Carrier Automotive Investment scheme (P-AIS). These programmes are mostly similar in nature in terms of the requirements to qualify, intended or desired objectives of the programme, the difference is to cater for different types of products in the Automotive manufacturing sector. For the purpose of this paper we will use the light motor vehicles for all intents and purposes.

4.3.1 Background and understanding of Incentive

The automotive industry is quite a big and key player in the manufacturing sector. According to the department of trade and industry, the automotive Industry is the largest manufacturing sector in the South African economy and in 2014 the wider industry contributed approximately 7.2% of Gross Domestic Product, furthermore there are 566 083 vehicles were produced in 2014 and 627 500 projected for 2015.

Below is based on information obtained from the Department of Trade and Industry

The Department of Trade and Industry has initiated the Automotive Investment Scheme (AIS), an incentive designed to grow and develop the automotive sector through investment in new and/or replacement models and components that will increase plant production volumes, sustain employment and/or strengthen the automotive value chain, AIS Guidelines, 2014.

4.3.2 Objective of the Investment scheme

Strengthen and diversify the sector through investment in a new and/or replacement models and components.

Increase plant production volumes.

Sustain employment and/or strengthen the automotive value chain.

4.3.3 Eligibility Criteria

Light Motor Vehicle Manufacturers

An existing light motor vehicle manufacturer that has achieved, or can demonstrate that it will achieve, within three (3) years, a minimum of 50 000 annual units of production per plant.

A new light motor vehicle manufacturer has to demonstrate that it will achieve within three (3) years a minimum of 50 000 annual units of production per plant.

Component Manufacturers, Deemed Component Manufacturers or Tooling companies

A component manufacturer that can prove that a contract is in place and/or a contract has been awarded and/or a letter of intent has been received for the manufacture of components to supply into the light motor vehicle manufacturer supply chain locally and/or internationally; and

A component manufacturer that can prove that after this investment it will achieve at least 25% of total entity turnover or R10m annually by the end of the first full year of commercial production, as part of a light motor vehicle manufacturer supply chain locally and/or internationally.

4.3.4 Mandatory conditions to qualify for the incentive

The applicant must be a registered legal entity in South Africa in terms of the Companies Act, 1973 (as amended); or the Close Corporations Act, 1984 (as amended), and must undertake manufacturing in South Africa.

The applicant must be a taxpayer in good standing and must, in this regard, provide a valid tax clearance certificate before the AIS grant is disbursed.

The grant will only be applicable to investment in assets that will be used in the entity's South African operations.

The applicant must submit a business plan with a detailed marketing and sales plan, a production plan, budget and projected financial income statement, cash flow statement and balance sheet, for a period of at least three (3) years for the project.

The applicant must, in addition to the information supplied in above, submit a projected financial income statement, cash flow statement and balance sheet for a period of at least three (3) years of the relevant division, cost centre or branch where the project is located, if applicable.

The applicant must submit a cost benefit analysis for the project in cases where it cannot provide the above in respect of a cost centre.

Completed applications should reach the offices of the dti no later than:

One hundred and twenty (120) days but not earlier than one hundred and eighty (180) days prior to commencement of production for light motor vehicle manufacturers; and

Ninety (90) days but not earlier than one hundred and twenty (120) days prior to commencement of production for component manufacturers, deemed component manufacturers and /or tooling companies

In the case of component manufacturers and tooling companies; an original letter of intent and/or purchase order on the letterhead of the awarding OEM/ customer, or certified copy thereof should be submitted with the application.

4.3.5 Qualifying Productive Assets and Investment Costs

The following productive assets and investment costs (to be used in the entity's South African operations) may qualify for assistance under the AIS:

Owned buildings and/or improvements to owned buildings

The investment in qualifying buildings must constitute newly acquired or constructed buildings and/or building improvements at cost, whether as part of a new project or expansion, and must be owned by the applying entity. Calculation of the investment grant, with respect to buildings, will take into account the area of the factory, warehousing and administrative space utilised for the project. The cost of qualifying investment in buildings is limited to the cost of the qualifying investment in machinery and equipment.

New plant, machinery, equipment and tooling

Plant, machinery, equipment and tooling (owned by the applicant/legal entity or leased by way of a financial lease, capitalised in the financial statements), at cost, will qualify.
By way of example such plant, machinery and tooling include:

Jigs, Dies and Moulds;
In-plant logistics (software and hardware);
Raw material handling equipment;
Production, testing and design equipment; and
Information technology (IT) equipment and supporting software, used in the manufacturing process.

Second-hand, refurbished and upgraded plant, machinery and tooling

In this context 'second-hand', 'refurbished' and 'upgraded' plant, machinery and tooling refers to those assets that have not been used previously by the applicant and have not formed the basis for receipt of any South African government incentive or grant.
Any claim for second-hand, refurbished and upgraded plant, machinery and tooling assets must be accompanied by the dti consulting engineer's assessment report confirming the

cost of the asset, as well as the invoice of the asset. The dti will accept the lower value of the consulting engineer's assessment report or the invoice. AIS Guidelines March 2014

All imported second-hand assets must be accompanied by a report from the dti-appointed consulting engineer, certifying the level of technology to be equivalent or better than the level currently used in South Africa. The intention is to ensure that assets brought into the local industry are of an acceptable level of technology and is claimed against at fair value.

Where an applicant/legal entity applies or claims for the refurbishment and/or upgrading of plant, machinery or tooling, of which he is the owner, only the actual costs of upgrading or refurbishing may qualify.

Second-hand plant, machinery, equipment or tooling may be regarded as qualifying investment assets provided they meet the following conditions:

Those productive assets that will be second hand, upgraded or refurbished must be specified. Full motivation must be provided why the second hand assets should qualify in terms of the overall objectives of the AIS as set out in these guidelines. In particular it should be motivated that the use of the 'second-hand' assets would:

be technologically advantageous to the project;

provide for high standard production facilities;

lead to the manufacture of products that meet/exceed the quality standards required for sustained competitiveness in the global market;

have at least, a three (3) years productive life span for the purpose of use in the project; or have the same productive life span as a new asset where the productive life span of a new asset is less than three years.

4.3.6 Approval of assets

Approval of all assets set out above will be provisional pending the consulting engineer's assessment and recommendation at the claim assessment phase.

4.3.7 Projects will be evaluated on the following economic benefit requirements

Below is what the department uses to evaluate on whether or not to disburse the grant to applicants. This will be explained in more detail when we look at the benefits to taxpayers:

Investment in a new and/or replacement model;

Tooling;

Value-addition;

Employment creation/retention;

Strengthening of the automotive supply chain.

Empowerment

Increase in plant production volumes by light motor vehicle manufacturers;

Increase in unit production per plant by component manufacturers; and

The approved AIS grant is to be disbursed over a period of three (3) years.

The AIS programme provides investment support to light motor vehicle manufacturers, automotive component manufacturers and automotive tooling companies.

Looking at the objectives set by the department of Trade and Industry, the evaluation criteria to qualify for the grant and the mandatory condition to qualify for the grant, it seems reasonable that the programme is specifically designed to grow the vehicle manufacturing in the country. The set minimum requirements of production show that this is to assist new and developing players in the market (SMEs) even though the large manufacturers stand to gain as well. The government is using the programme as a tool to grow the investment in automotive industry which can potentially contribute to the economic growth of the country and achieve economic growth.

4.3.8 Benefits and tax incentives to taxpayers

In terms of the eleventh schedule of the South African Income tax Act, no 58 of 1962, Automotive Incentive Scheme from Department and Trade and Industry is exempt from Normal tax. This means that any Government cash grants received under the Automotive Incentive Scheme received by a taxpayer will not be included in the taxpayer's calculation of taxable income. The impact of this to a taxpayer is a reduced tax expense and reduced effective tax rate.

The income tax act allows the department of Trade and industry to work out what the cash grant amount is and any amount approved by the department is exempt in full. This is a major benefit to a taxpayer and it will depend on the amount of cash grant received under the scheme.

Below are the categories as set by the department on what the applicants of the cash grant stand to qualify for, amount disbursed by the department is based on specific criteria, if met it has the potential to yield growth at the very least in the automotive industry.

The AIS provides for a non-taxable cash grant of twenty percent (20%) of the value of qualifying investment in productive assets by light motor vehicle manufactures and twenty five percent (25%) of the value of qualifying investment in productive assets by component manufactures and tooling companies as approved by the department of trade and industry.

An additional non-taxable cash grant of between five or ten percent (5 or 10%) may be available to projects that are found to be strategic by the dti as follows:

An additional non-taxable cash grant of five percent (5%) of the value of qualifying investment in productive assets may be available to projects that meet the requirements of Table A – Economic Benefits requirements

An additional non-taxable cash grant of 10% of the value of qualifying investment in productive assets may be available to projects that meet requirements set in Table A and B below.

4.3.9 Evaluation Criteria

The project must be commercially viable when evaluated against its projections, which must be realistic and reasonable.

To qualify for an additional five (5) percent AIS grant, the project must:

Demonstrate that the investment will result in base year employment levels being maintained throughout the incentive period and, in the case of light motor vehicle manufacturers demonstrate also that the said levels will be maintained during the model phase-out period; and

Achieve two (2) economic benefit requirements under Table A below:

Table A – Economic Benefits Requirements

Requirements	**Description**
A. Tooling	Demonstrate substantial support for the development of the local vehicle related tooling industry: * Light motor vehicle manufacturers must demonstrate this by indicating that at least 10% of their tooling budget or a 10% increase in real terms from base year in their tooling budget, whichever is the highest, shall be allocated to the support of the local vehicle related tooling industry. * Component manufacturers must demonstrate this by indicating that at least 20% of their tooling budget or a 20% increase in real terms from base year in their tooling budget, whichever is the highest, shall be allocated to the support of the local vehicle related tooling industry
B. R&D in South African-related to the	Manufacturers must spend at least five percent (5%) of the value of the investment project on

project	experimental research, development or invention to achieve technological advancement for the purpose of creating new, or making appreciable improvement to existing materials, devices, products or processes performed in South Africa and resulting in production competitiveness, provided that the five percent (5%) of the value may not be less than R50 million for light motor vehicle manufacturers and R1,5 million for component manufacturers
C. Employment Creation	Demonstrate that the plant employment levels at base year will be maintained throughout the incentive period and that the project will result in the creation of at least one (1) new job per R5-million investment or at least an additional 100 new direct jobs for light motor vehicle manufacturers or one (1) new job per R1 million investment for component manufacturers or deemed component manufacturers or at least 50 new jobs for components.
D. Strengthening the automotive supply chain	*Light Motor Vehicle Manufacturers: Must demonstrate that the Investment will result in introduction of new components, intermediate products not currently manufactured for that Original Equipment Manufacturer (OEM) or processes not performed for that OEM in South Africa or the creation of new markets for current components manufacturers or the introduction of a new foreign supplier of components not currently manufactured for that OEM in South Africa. * Component manufacturers and Tooling companies: must demonstrate that the Investment will result in introduction of new components, intermediate products or processes not currently manufactured or performed by that company or that the component or tool is not currently made for that OEM in South

	Africa.
E. Value addition	Demonstrate substantial increase in local content with respect to value addition of products.
F. Empowerment	Achieve level three (3) or higher on the B-BBEE codes of good practice as issued under Section 9 of the Broad Based Black Economic Empowerment Act of 2003

To qualify for a second additional five percent (5%) (Cumulative 10%) AIS grant, the project, in addition to achieving the requirements set in Table A above, must achieve economic benefit requirements set in Table B below.

Table B – Economic Benefits Requirements

Requirements	**Description**
A. Increase in unit production per plant for Light Motor Vehicle Manufacturers	If current plant volume is less than 50 000 units per annum, the volume must be increased to 65 000 units per annum. If current plant volume is greater than 50 000 to 65 000 units per annum, the volume must increase by 30%. If current plant volume is greater than 65 000 to 100 000 units per annum, the volume must increase by 25%. If current plant volume is greater than 100,000 units per annum, the volume must increase by 20%. If current plant volume is greater than 200 000 units per annum, the applicant/legal entity must maintain volumes. The increased plant volumes should be achieved by the end of the second full year of commercial production.
B. Increase in turnover for component manufacturers and tooling companies	Demonstrate an increase in turnover of at least 20% in the first full year and 30% in year two (2) of production commencing from SOP (over and above the other requirements set out in these guidelines)

	for the legal entity's appropriate division or plant producing that type of component/ tool, or total company turnover in the case of a new category of product or tool. For a new component manufacturing company or tooling producer to qualify for this additional five percent (5%) they have to demonstrate that they will be making components or tools of a type not currently manufactured for that OEM in South Africa.

4.3.10 Limitations and success of Automotive Investment Schemes

According to the Department of Trade and Industry Incentive Facts and Figures2013/2014 Financial Year, 38 projects have been approved, R8.5 billion investment has been leveraged, the value of projects approved amount to R2.3 billion, claims disbursed amount to R 817 million with 1 656 jobs created and 1429 projected.

Below statistics were provided by the Department of Trade and Industry to the Parliamentary Portfolio Committee in June 2015:

Financial Year	**Budget committed (R)**	**Total payments made since inception (R)**
2010 – 2011	294 252 065	292 252 065
2011 – 2012	951 456 916	951 456 916
2012 – 2013	823 668 384	823 668 384
2013 – 2014	817 838 357	817 838 357
2014 – 2015	1 239 696 497	1 239 696 497
2015 – 2016	971 664 769	0
2016 – 2017	803 092 088	0
2017 – 2018	439 810 541	0
Total	**6 341 479 617**	**4 126 912 219**

- Industry support that is of physical cost to the fiscus is the grant offered under the AIS.
- The total investment approved since inception amounts to R25 145 843 725
- Total of incentives approved since inception amounts to R6 902 984 593
- Since inception 245 projects have been approved under AIS; associated new jobs created are 11 351.

It is evident from the statistics above that this incentive has resulted in the fiscus foregoing some taxes but the programme has had positive effects in South African Automotive Industry and has contributed positively to growing the economy through investments and jobs created.

'Incentives provided to the automotive industry have supported announced investments of more than R20 billion. Government will review all such incentives to assess their effects on economic growth, productivity, competitiveness and jobs,' National Treasury Budget Review, 2016.

4.4 Incentive: Aquaculture Development and Enhancement Programme

4.4.1 Background and understanding of Incentive

Aquaculture Development and Enhancement Programme (ADEP) is programme designed by the Department of Trade and Industry to stimulate investment and growth in the agricultural sector. Aquaculture includes breeding, rearing, harvesting of plans and animals in all types of water environments. The programme aims to achieve economic growth within agricultural sector through its strict requirements to be eligible and qualify for the grant. Looking at the threshold set by the National Small Business Act within the agricultural sector, the programme support is available but not limited to include the SMME as would be defined under National Small Business Act.

The programme was designed to boost investment and grow the aquaculture sector which was found to be in its infancy stages around 2012 by the Department of Agriculture. To stimulate growth in the industry this programme was introduced by the Department of Trade and Industry in partnership with Department of Agriculture, Forestry and Fisheries. 'Minister of Trade and Industry (the dti) has launched the Aquaculture Development of and Enhancement Programme (ADEP) to stimulate the investment and growth in the aquaculture sector. The aim of ADEP is to stimulate investment in the aquaculture sector with the intention to increase production; sustain and create jobs; encourage geographical spread and broaden participation. ADEP will offer a grant of R40 million for new and expansion of the existing projects'. Aquaculture is still at

an infancy stage and ADEP will provide an opportunity to grow the sector, Department of Agriculture, Forestry and Fisheries, 2015.

Below is based on information obtained from the Department of Trade and Industry

4.4.2 Objective of the Investment scheme

The objective of the Aquaculture Development and Enhancement Programme (ADEP), a sub-programme of the Enterprise Investment Programme (EIP), is to broaden participation and stimulate investment in the aquaculture sector with the intention to:

Develop emerging aquaculture farmers;
Increase production;
Sustain and create jobs; and
Encourage geographical spread.

It is available to South African registered entities engaged in primary, secondary and ancillary aquaculture activities in both marine and freshwater classified under the following Standard Industry Classifications (SIC1):

SIC 132: Fish hatcheries and fish farms, (including crocodile and alligator farms).
SIC 301& 30122: Production, processing and preserving of aquaculture fish.

Emerging Black Farmers

For the purpose of ADEP, the definition of the emerging Black farmer will take into consideration the following characteristics: high levels of Black ownership (>51%); exercises control over the business; and makes a long-term commitment to the business and is a medium- to long-term investor.

Black people refer to African, Coloured and Indian persons who are natural persons and:
are citizens of the Republic of South Africa by birth or descent; or
are citizens of the Republic of South Africa by naturalisation before the commencement date of the Constitution of the Republic of South Africa Act of 1993.

4.4.3 Eligibility criteria for Incentives

The applicant must:

Be a registered legal entity in South Africa in terms of at least one of the following legislative requirements:
The Companies Act, 2008 (Act No.71 of 2008) as amended; The Companies Act, 1973 (Act No. 61 of 1973) as amended; or
The Close Corporations Act, 1984 (Act No. 69 of 1984) as amended; The Co-operative Act, 2005 (Act No.14 of 2005) as amended; or
A registered higher or further education institution; or
A licensed and/or registered research institution.

Be compliant with applicable and relevant aquaculture legislative requirements. In this regard, applicants will be required to submit proof of compliance from either National or Provincial government department(s)3 responsible for aquaculture during the submission of claim(s) and before disbursement of the incentive.

Be a taxpayer in good standing and must, in this regard, provide a valid tax clearance certificate before a disbursement of the grant.
In cases where entities within a group of companies are registered separately and are paying their own taxes (i.e. can produce their own tax clearance certificates), the holding company and each of its subsidiaries may, in their own right apply.
Submit a valid B-BBEE certificate of compliance (i.e. B-BBEE levels 1 to 6) with an application and claim(s), for entities with a turnover of above ten million rand (R10 000 000).
Applicants with a turnover of less than ten million rand (R10 000 000) may submit financial statements verified by an independent external auditor or accredited person.

Submit a complete ADEP application at least sixty (60) calendar days prior to commencement4 of the commercial use of the assets or undertaking activities being applied for.

4.4.4 Qualifying Projects under ADEP

Primary Aquaculture Operations:

Broodstock operations;
Seed production operations;
Juvenile (spat, fry, fingerling) operations, including hatchery and nursery facilities;
Aquaponics (a system of combining conventional aquaculture with hydroponics in a symbiotic environment);
On-growing operations, including but not limited to rafts, net closures, net pens, cages, tanks raceways and ponds.

Secondary Aquaculture Operations:

Primary processing for aquaculture (post-harvest handling, eviscerating, packing, quick freezing);
Secondary processing for aquaculture (filleting, portioning, packaging);
Tertiary processing for aquaculture (value adding: such as curing, brining, smoking, further value adding such as terrines, roulades, pates, paters);
Waste stream handling for aquaculture (extraction of fish oils, protein beneficiation, organic fertilizers, pet feeds, animal feeds).

Ancillary Aquaculture Operations:

Aquaculture feed manufacturing operations;
Research and development projects related to aquaculture;
Privately owned aquaculture veterinary services (farm inspections, disease surveillance and control, histopathological analysis, etc. specifically for the aquaculture industry).

4.4.5 Qualifying Costs under projects listed above:

Owned land and/or buildings at cost.
The investment in qualifying owned land and/or buildings must constitute land and/or buildings at cost, acquired for the purpose of the aquaculture project and must be owned by the applicant. The land and/or building costs must be directly associated with the purchase, renovation, or construction of an aquaculture facility for the investment project under consideration and be located on land or sea area that has been zoned for aquaculture commercial, industrial or mixed use.

Leasehold improvements capitalised in the balance sheet.
Rental costs, for emerging black farmers only, limited to ten thousand rand (R10 000) per month and claimable at stage two (2) only.

Machinery and equipment (owned or capitalised financial lease) at costs.

Commercial vehicles and work boats (owned or capitalised financial lease) are only eligible if they are:
Registered in the name of the applicant (legal entity); and
Are used for commercial purposes linked to the aquaculture operation such as collection, delivery and/or distribution; and
The investment in such qualifying vehicles or work boats may not exceed fifty per cent (50%) of the cost of qualifying investment in land and/or buildings, leasehold improvements, machinery and equipment and bulk infrastructure.

Bulk infrastructure (limited to bulk water and electrical infrastructure) that is part of a defined aquaculture investment. That is, the bulk infrastructure costs should directly support the qualifying aquaculture project.

Aquaculture feed cost may qualify for the grant of up to a maximum of ten per cent (10%) of qualifying investment in assets and infrastructure.

Research and development costs (excluding salaries of employees).

New technology leading to energy and resource efficiency improvements.
Competitiveness improvement activities, this includes process improvement or optimisation, conformity assessments and skills development.

Second-hand (previously-used) machinery, equipment, commercial vehicles and work boats can be regarded as qualifying investment costs provided they meet the following conditions:
Assets purchased from a connected party must be at a fair market value;
The assets may be acquired locally or abroad from existing aquaculture establishment(s), a Liquidation Sale, Public Auction, through an offer directly to the Liquidator, or a bona-fide machine dealer. The applicant must provide the liquidation order or auctioneer report reflecting the source of the relevant machinery and equipment;
All imported second-hand assets must be accompanied by an engineer's report certifying the level of technology: whether it is equivalent or better than the current level in use in South Africa. The intention is to ensure that assets brought into the local sector are of an acceptable level of technology and fair value.

4.4.6 Benefits and tax incentives to taxpayers

In terms of the eleventh schedule of the South African Income Tax Act, no 58 of 1962, Aquaculture Development and Enhancement Programme, a sub programme of the Enterprise Investment Programme from Department and Trade and Industry is exempt from Normal tax. This means that any Government cash grants received under the ADEP received by a taxpayer will not be included in the taxpayer's calculation of taxable income. The impact of this to a taxpayer is a reduced tax expense and reduced effective tax rate.

The income tax act allows the department of Trade and industry to work out what the cash grant amount is and any amount approved by the department is exempt in full. This is a major benefit to a taxpayer and it will depend on the amount of cash grant received under the scheme.

Below are the incentives available to tax payers and they are exempt in terms of 11th schedule of the South African Income Tax Act, no 58 of 1962.

The Aquaculture Development and Enhancement Programme offers a reimbursable cost-sharing grant of up to a maximum of thirty million rand (R30 000 000) on new, upgrading or expanding projects towards qualifying costs on the following:

Machinery and equipment;
Bulk infrastructure;
Owned land and/or buildings;
Leasehold improvements;
Aquaculture Feed;
Commercial Vehicles; and

Workboats;

Competitiveness improvement activities;

Research and Development (aquaculture-related);

Environmental Impact Assessments (eligible only for emerging farmers).

Mentorship (eligible only for emerging farmers

Aquaculture feed cost may qualify for the grant of up to a maximum of ten per cent (10%) of qualifying investment in assets and infrastructure.

Maximum grant that can be approved for competitiveness improvement activities is five hundred thousand rand (R500 000)

Applying projects that are majority black owned, majority women owned, or are projects with investment of five million rand (R5 000 000) and below, may invest up to 100% in second-hand assets without making an equivalent investment in new assets

Mentoring (eligible only for Emerging Black farmers). The maximum grant that can be payable for mentoring is fifty thousand rand (R50 000) per eligible applicants.

4.4.7 Evaluation Criteria

In order to qualify for an ADEP grant, a project must achieve a minimum score of four (4) in the following economic benefit criteria as shown in Table A below:

Table A – Economic Benefits Criteria

Criteria	**Score**
i) **Capital Investment**	
< R5m	1
≥ R5m < R30m	2
≥ R30m – R200m	3
(ii) New full time Job creation	
1 job per R1 million investment	1
>1 - 2 jobs per R1 million investment	2
>2 or more jobs per R1 million investment	3

(iii) Geographical spread	
Aquaculture establishments in areas with unemployment above 25% Aquaculture Development Zones and Special Economic Zones (IDZs, Industrial Parks, etc.) Aquaculture Development Zones and Special Economic Zones (IDZs, Industrial Parks etc.) in areas with unemployment above 25%	1 2 3
iv) Contribution to Broad-Based Black Economic Empowerment	
B-BBEE scoring from ≥ 80 but < 90 (Level 4 contributor) B-BBEE scoring from ≥ 90 but < 95 (Level 3 contributor) B-BBEE scoring from ≥ 95 but < 100 (Level 2 contributor) B-BBEE scoring ≥ 100 (Level 1 contributor)	1 2 3 4
v) Emerging Black Farmer	
Meets conditions of Emerging Black Farmer	4

4.4.8 Limitations and success of Aquaculture, Development and Enhancement Programme

How much has investment in the Aquaculture sector grown? Below is different analysis obtained from reports of the Department of Agriculture, Forestry and Fisheries comparing the two reported years, 2015 and 2012.

Employment

Looking at employment per the report from Department of Agriculture, Forestry and Fisheries, in 2015, South African marine aquaculture industry employed 1 607 employees on permanent basis and just a few are employed on temporary basis. Majority of jobs was created by Abalone sub-sector accounting for 1 219 employees followed by Oyster sub-sector with 157 people, Finfish sub-sector accounted for 152 employees and Mussel sub-sector accounted for 79 job opportunities. The total number of employees has not changed when compared to the 2012 report.

Domestic and Market Prices

In 2015, there are more than 355 processing companies registered with Marine and Coastal Management. Six companies command 47% share in the processing sector and the remaining 53% were taken up by the large number of small fishing companies. In 2012, there are more than 355 processing companies registered with Marine and Coastal Management. Six companies command 45% share in the processing sector and the remaining 55% were taken up by the large number of small fishing companies. The only difference between the two reporting years is that the 2% which was reported under a large number of small fishing companies moved to the bigger players in the industry.

Exports of fish and aquatic invertebrates

In 2011, South Africa exported 1.3 billion kilograms of fish and aquatic invertebrates in 2011 yielding an export value of R 30.2 billion according the 2012 report from the Department of Agriculture, Forestry and Fisheries. This number significantly declined to what was reported in 2015, South Africa exported 106 569 tons of fish and aquatic invertebrates in 2014 yielding an export value of R5.23 billion.

ADEP Programme

The only mention of ADEP in the 2012 and 2015 reports is that it was introduced by the minister of Trade and Finance, not enough information to assess what has been the impact of the programme relative to growth and investment in the industry. According to the Department of Trade and Industry Incentive Programme Facts and Figures 2013/2014Financial year, 20 projects have been approved under Aquaculture Development and Enhancement Programme, the investment leveraged in the programme is around R 403 billion with an approved value of R 93 billion. R 7million has been disbursed and 78 jobs created.

4.5 Incentive: Manufacturing Investment Programme (MIP) and Manufacturing Competitiveness Enhancement Programme (MCEP)

4.5.1 Background and understanding of Incentive

Both these programmes have been discontinued by the Department of Trade and Industry for reasons that the budget allocated to the projects were met, however they have had a significant impact on the establishment and investment grown in the manufacturing and it's worth a while to

touch on some of the key impact they have had in the investment and growth in the manufacturing sector. The programmes were both designed to stimulate grown in the manufacturing sector by supporting the industry with the working capital incentives. Below information is obtained from the Department of Trade and Industry.

According to the Department of Trade and Industry, Manufacturing Investment Programme was introduced in 2008 with an objective to support investment in new and expansion projects by Small and Medium-Sized Enterprises in the manufacturing sector. The 6 years budget set aside was met with overwhelming interest from the industry and this necessitated the suspension of the programme earlier than originally intended.

With the suspension of the MIP, a new programme Manufacturing Competitiveness Enhancement Programme (MCEP) was introduced, this programme was intended to make the manufacturing industry for Small Business Corporation a competitive and sustainable industry. The MECP incentive did not have any direct tax benefits to the taxpayer, however it was created also to incentivise small corporation trough expansion of their working capital and this has had a positive result building on from the initial Manufacturing Investment Programme.

With the programmes currently in suspension, the intention is not to discuss the details of the incentive but only limit the discussion to the tax benefits enjoyed by the taxpayers under the MIP and assess whether or not the programmes were able to contribute to the economic growth.

In the MECP programme, working capital loans to the maximum of R50 million were given to Small Business Corporations at fixed rate of 4% payable over 48 months.

4.5.2 Tax incentive to Taxpayers

Below tax incentives are for the Manufacturing Investment Programme.

Investment projects of R5 million and below may qualify for a non-taxable investment grant equal to 30% of their total qualifying investment cost.

Investment projects of above R5m limited to R30 million may qualify for a non-taxable investment grant of between 15% and 30% of their qualifying investment costs.

Foreign investment projects may qualify for a non-taxable additional grant for the cost of transporting their qualifying machinery and equipment to South Africa. The additional grant is the lower of 15% of the value of qualifying imported machinery and equipment or the actual transport

costs of relocating qualifying new machinery and equipment from abroad to a maximum of R10 million.

In terms of the eleventh schedule of the South African Income tax Act no 58 of 1962, Manufacturing Investment Grants from Department and Trade and Industry which is part of Enterprise Investment Programme is exempt from Normal tax. This means that any Government cash grants received under the scheme by a taxpayer were not included in the taxpayer's calculation of taxable income. The impact of this to a taxpayer is a reduced tax expense and reduced effective tax rate with income (grants) not being taxed.

In addition to the exempt grants under 11th schedule of South African Income Tax act, taxpayers could benefit from section 12E accelerated capital allowance where they qualify as Small business Corporations as defined by South African Income Tax Act and tax incentives available applicable to research and development of capital expenditure, which allows for 150% deduction of expenditure incurred per section 11D of South African Income Tax.

4.5.3 Limitations and success of Manufacturing Investment Programme and Manufacturing Competitiveness Enhancement Programme (MCEP)

According to the Department of Trade and Industry, below has been achieved on two programmes.

Manufacturing Investment Programme

About 2 000 new and expansion projects in the manufacturing sector had been approved and over R2 billion disbursed to enterprises. Over 200 (10%) of the approved projects were Foreign Direct Investments by either new or already established entities in South Africa. The expected investment by FDI enterprises supported by the programme is more than R13 billion and over 20 000 jobs are expected to be created and sustained by these enterprises. More than 1000 (50%) of all approved projects were by small enterprises with investments of less than R5 million per project. The small enterprises supported are expected to create and or sustain more than 30 000 jobs.

Per the Invective Programme Facts and Figures2013/2014 Financial Year, 374 projects were approved, R10,4 billion investment leveraged, the value of projects approved amount to R 1.4 billion rands with R 738 million claims paid and 11 734 jobs created.

4.5.4 Manufacturing Competitiveness Enhancement Programme (MCEP)

Over R5 Billion was originally set aside for this programme and is now fully committed. MCEP was designed as an incentive to support enterprises in the production sectors of the economy soon after the onset of the global economic recession to weather very adverse market conditions, secure higher levels of investment, raise competitiveness and retain employment.

Department of Trade and Industry is confident that the programme objectives have been met. The MCEP has supported 1 153 entities with acquisition of capital equipment and reengineering of business processes to improve their competitiveness. All assisted enterprises have retained jobs and are committed to Black Economic Empowerment. Per the Invective Programme Facts and Figures2013/2014 Financial Year, 365 projects were approved, R11,7 billion investment leveraged, the value of projects approved amount to R 2.8 billion rands with R 996 million claims paid and 106 539 jobs created.

Table below is an extract from Nationa Treasury Budget 2014 Estimate of Natioinal Expenditure, Vote 36 Trade and Idustry, it shows the actual expenditure by the Department of Trade and Industry and Medium term budget estimates. There are 7 programmes done by the department of Trade and Industry to stimulate economic growth in the country, one of them is Incentive Development and Administration which we will touch on much. Looking at the medium-term expenditure from 2014/2015 fiscal year to 2016/2017 fiscal year, under the total Incentive Development and Administration , manufacturing industry accounts for about 61% of the total expenditure. This shows how critical the manufacturing industry is to the development and economic growth of country.

Table 36.17 Incentive Development and Administration

Subprogramme	Audited outcome			Adjusted appropri-ation	Average growth rate (%)	Expen-diture/ total: Average (%)	Medium-term expenditure estimate			Average growth rate (%)	Expen-diture/ total: Average (%)
R thousand	2010/11	2011/12	2012/13	2013/14	2010/11 - 2013/14		2014/15	2015/16	2016/17	2013/14 - 2016/17	
Broadening Participation Incentives	183 832	112 054	209 854	391 821	28.7%	5.6%	421 352	422 082	423 563	2.6%	6.8%
Manufacturing Incentives	1 336 769	2 100 813	2 954 767	3 357 184	35.9%	60.8%	3 649 733	3 802 255	4 026 499	6.2%	61.1%
Services Investment Incentives	233 551	306 592	427 027	618 902	38.4%	9.9%	580 496	580 919	621 386	0.1%	9.9%
Infrastructure Development Support	1 020 607	742 582	896 375	1 042 325	0.7%	23.1%	853 800	1 404 397	1 939 611	23.0%	21.6%
Product and Systems Development	5 817	8 499	12 701	13 656	32.9%	0.3%	15 736	16 313	17 519	8.7%	0.3%
Business Development and After Care	12 418	13 009	13 827	19 246	15.7%	0.4%	19 164	20 504	22 236	4.9%	0.3%
Total	**2 792 994**	**3 283 549**	**4 514 551**	**5 443 134**	**24.9%**	**100.0%**	**5 540 281**	**6 246 470**	**7 050 814**	**9.0%**	**100.0%**
Change to 2013 Budget estimate				(100 000)			(105 467)	(457 613)	–		

4.6 Incentive: Section12I Additional Investment and training allowances in respect of industrial policy projects

Secion 12I is regarded as part of the Manufacturing incentives, in discussing other incentives that are not necessarily for Small Medium Enterprices, it makes sense to discuss the incentive to support manufacturing industry given focus by Government to incentivise investors in this industry and it's contribution to the total economic Gross Domest Product (GDP). As mentioned earlier under incentives on Manufacturing Investment Programme (MIP) and Manufacturing Competitiveness Enhancement Programme (MCEP), manucatuirng accounts for about 61% of total expenditure under the Incentive programme offered by the Department of Trade and Industry as shown in the National Treasury Budget 2014 Estimate of Natioinal Expenditure, Vote 36 Trade and Idustry

'The sector currently employs around 1.7 million people, and continues to occupy a significant share of the South Africa economy with manufacturing output accounting for 15% of GDP. For every R1 invested in manufacturing there is R1.13 of value addition to the South African economy,' SA Government News Agency, 2015.

4.6.1 Background and understanding of Incentive

The 12I Tax Incentive is an incentive allowance that is designed to support what is known as Greenfield and Brownfield investments industrial projects. According to the Department of Trade and Industry, these industrial policy projects are to support investment in manufacturing assets, to improve the productivity of the South African manufacturing sector and training of personnel, to improve labour productivity and the skills profile of the labour force.

The South African Income Tax Act defines the two industrial policy projects as ff:

Greenfield Investments: means a project that represents a wholly new industrial project which does not utilise any manufacturing assets other than wholly new and unused manufacturing assets.

Brownfield Investments: means a project that represents an expansion or upgrade of an existing industrial project.

4.6.2 Objective of the Incentive Scheme

The objectives of the incentive programme are to support:

• Investment in manufacturing assets, to improve the productivity of the South African manufacturing sector; and

• Training of personnel; to improve labour productivity and the skills profile of the labour force.

4.6.3 Eligibility Criteria

Mandatory Requirements	Greenfield Projects	Brownfield Projects
There must be manufacturing assets to be acquired and contracted for on or after the date of approval According to section 12I (1): Manufacturing assets: Means any building, plant machinery acquired, contracted for or brought into use by a company and includes any improvements to such building, plant and machinery which – (a) will mainly be used by that that company in the Republic for the purpose of carrying on an industrial project of that company within the Republic; and (b) will qualify for deduction in terms of section 12C (1)(a), section 13 or 13 quat of South	Used for new and unused buildings, plant and machinery	Used for additions to existing buildings, plant and machinery

African Income Tax Act.		
Section 12I (7) explains mandatory minimum required assets to: An industrial project of a company constitutes an industrial policy project if – (a) Minister of Trade and Industry, after taking into account the recommendations of a the adjudication committee, is satisfied that: (1) The cost of all manufacturing assets to be acquired by the company for the purposes of the project will exceed – (aa) in the case of Greenfield projects R50 million; and (bb) in the case of Brownfield projects, the higher of R30 million; or the lesser of R50 million or 25% of the expenditure incurred to acquire assets previously used in the project (2) The project does not constitute an industrial participation project and does not receive and concurrent industrial incentive provided by any national sphere of government; and (3) The project is not integrally	R50 million from 1 Jan 2015 (Previously R 200 million)	R30m or the lesser of R50m from 1 January 2015 (Previously R 200 million) or 25% of expenditure on existing assets

related to any other project of the company (or any other company that forms part of the same group of companies as that company) that has been approved as contemplated in subsection (8).		
Section 12I (7) explains that the project must upgrade an industry within the Republic by utilizing new technology that results in improved energy efficiency.	Utilise modern, viable energy-efficient equipment & processes in the sector	At least 10% energy saving
Section 12I (7) explains that the project must upgrade an industry within the Republic by providing skills development.	At least 2% of wage bill	At least 2% of wage bill

4.6.4 Industrial Policy Project status

The benefits available to the taxpayer are dependent on the status given to the industrial policy project in terms of its contribution to the South African economy as determined by the Minister of Department of Trade and Industry.

Section 12I (8) of the Income Tax Act states that the Minister of Department of Trade and Industry must, after taking into account the recommendations of the adjudication committee approve an industrial project as industrial policy project, either with a or without a preferred status, where that Minister is satisfied that industrial policy project will significantly contribute to the Industrial Policy Programme within the Republic having regard to the following:

The extent to which the project will upgrade an industry within Republic by –
Utilising innovative processes
Utilising new technology that results in

(aa) Improved energy efficiency;
(bb) cleaner production technology and
Providing skills development

The extent to which the project will provide general business linkages within Republic;

The Extent to which the project will acquire goods and services from small, medium and micro enterprises. This particular requirement is of critical importance in that it recognises the requirement to grow the SMMEs at the incentive under Section 12I encourages taxpayers to use small, medium and micro enterprises which have identified are essential for economic growth.
The extent to which the project will create direct employment within the Republic;

The extent to which the project will provide skills development in the Republic; and

In the case of Greenfield project, the location of the project within an Industrial Development Zone.

The Minster of Depart of Trade and industry will use the above criteria to determine a point scoring system which determines the status of the taxpayer that is using the incentive under Section 12I.

According to the points system, an industrial policy project will achieve 'qualifying status' if it achieves at least 4 (four) of the total 8 points, and 'preferred status' if it achieves at least 7 (seven) of the total 8 points. Below is obtained from the Department of Trade and Industry document on Section 12I Tax Allowance Incentive and the point scoring system works as follows:

Qualifying Criteria	**Greenfield Project**	**Brownfield Project**
Innovation	The project will utilise processes of innovation, thereby changing pre-existing techniques and the use of	The project will utilise processes of innovation, thereby changing pre-existing techniques and the use of

	plant, machinery and equipment within the same industrial sector as the project AND These processes will materially improve production time, reduce production costs, improve product quality or improve product longevity within the same industrial sector as the project (Maximum of 1 point)	plant, machinery and equipment within the same industrial sector as the project AND These processes will materially improve production time, reduce production costs, improve product quality or improve product longevity within the same industrial sector as the project (Maximum of 1 point)
Improved Energy Efficiency	The project will utilise viable energy-efficient equipment and processes throughout the additional investment allowance benefit period, innovative for the particular industrial sector, as certified by the South African National Energy Development Institute - SANEDI (not taking into account any period before the month in which the industrial policy project reaches 50% of its production capacity)	Energy efficiency improvement of at least 12,5 % relative to a baseline as determined for the 12 month period prior to the application as certified by the South African National Energy Development Institute by the end of the additional investment allowance benefit period (Maximum of 1 point) or Energy efficiency improvement of at least 15% relative to the

	(Maximum of 2 points)	baseline as determined for the 12 month period prior to the application, as certified by National Energy Development Institute, by the end of the additional investment allowance benefit period. (Maximum of 2 points)
Business Linkages	The project will be engaged in the production of goods, where less than 40% of the local demand for such goods is produced in the Republic or where these goods were not previously produced in the Republic; or The project will contribute to the global competitiveness of an industrial sector by the production of goods where identical or similar goods would not be produced in the Republic without substantial capital investment (Maximum of 1 point)	The project will be engaged in the production of goods, where less than 40% of the local demand for such goods are produced in the Republic or where these goods were not previously produced in the Republic; or The project will contribute to the global competitiveness of an industrial sector by the production of goods where identical or similar goods would not be produced in the Republic without substantial capital investment (Maximum of 1 point)
SMME Procurement	Acquire at least 10% of its raw materials, intermediate products and services from small, medium and micro	Acquire at least 10% of its raw materials, intermediate products and services from small, medium and micro

	enterprises. (Maximum of 1 point)	enterprises (Maximum of 1 point) or At least 15% of its raw materials, intermediate products and services from small, medium and micro enterprises. (Maximum of 2 points)
Skills Development	The cost of training will be more than 2% of the annual average wage bill, but less than 2,5%; (Maximum of 1 point) or more than 2,5% of the annual average wage bill (Maximum of 2 points)	The cost of training will be more than 2% of the annual average wage bill, but less than 2,5%; (Maximum of 1 point) or more than 2,5% of the annual average wage bill (Maximum of 2 points)
Located in a Special Economic Zone (SEZ)	Located in SEZ (Maximum of 1 point)	Not applicable
Points to be attained for Qualifying Status (QS)	4,5,6 of 8 points	4,5,6 of 8 points
Points to be attained for Preferred Status (PS)	7 or 8 out of 8 points	7 or 8 out of 8 points

4.6.5 Benefits and tax incentives to taxpayers

Section 12I (2) of the South African Income Tax Act deals with the benefits available to the taxpayers and these largely depend on the type of project and the status of the project as determined above.

The benefits available to taxpayers are broken into capital expenditure and training costs incurred by the taxpayers.

Capital Expenditure

According to Section 12(I) (2), in addition to other sections available to the taxpayer in terms of the South African Income Tax Act, the taxpayer can deduct the investment allowance equal to:

(1) 55% of the cost of any new and unused manufacturing assets used in an industrial policy project with a preferred status; or
(2) 100% of the cost of any new and unused manufacturing asset used in an industrial policy project with preferred status that is located within an industrial development zone; or

(1) 35% of the cost of any new and unused manufacturing asset used in any industrial policy project other than an industrial policy project with preferred status; or
(2) 75% of the cost of any new and unused manufacturing asset used in any industrial policy project other than an industry policy project with preferred status that is not located within an industrial development zone.

Section 12I (2) of the South African Income Tax Act further states that the investment allowance is available to the taxpayer in the year of assessment during which that asset is first brought into use by the company as owner thereof for the furtherance of the industrial policy project carried on by that company, if the asset was acquired and contracted for on or after the date of approval and was brought into use within the four years from the date of approval.

There are limitations set by the South African Income Tax Act in terms of how much investment allowance can the taxpayer deduct and these limitations are set out in Section 12I (3). In terms of this section the investment allowance available to the taxpayer may not exceed R 900 million for the Greenfield project with a preferred status and R 550 million for any other Greenfield project. For the Brownfield project the invest allowance limit is R 550 million for the project with a preferred status and R 350 million for any other Brownfield project.

Training Costs

Section 12I (4) and (5) deal with tax benefits available to taxpayers in terms of training costs that can be deducted under industry policy project.

According to Section 12I (4) and (5), in addition to investment allowance above, any training costs provided to employees for the furtherance of industrial policy project can be deducted from the taxpayer's taxable income, the amount deductible is limited to R 36 000 per employee and within a

period of 6 years from the date of approval, the training costs deductible may not exceed R 30 million for industrial policy project with a preferred status and R 20 million for any other industrial policy project.

In addition to section 12I Incentive and training allowance, taxpayers could benefit from section 12E accelerated capital allowance where they qualify as Small business Corporations as defined by South African Income Tax Act and tax incentives available applicable to research and development of capital expenditure, which allows for 150% deduction of expenditure incurred per section 11D of South African Income Tax.

4.6.6 Limitations and success Additional Investment and training allowances in respect of industrial policy projects

Below are extracts from an article named 'R267m greenfield project to kick off S Africa's beneficiation agenda' written by Natalie Grave in September 2015 of the Cremer Media's Engineering News. The vital points around this article are about Greenfield investment incentives created by Government in support of business, manufacturing in this case. These incentives (tax) are created to support industries with a focal point to address the issues of unemployment, inequality and poverty as these hinder on the country's potential for economic growth.

'Described as a tangible example of its reindustrialisation and mineral beneficiation agenda, government on Friday broke ground on a R267-million greenfield project that will see the development of a facility catering for mineral beneficiation, diamond cutting, polishing and trading, as well as light manufacturing for jewellery and other high-end products within the OR Tambo International Airport-industrial development zone (ORTIA IDZ)'.

'The Jewellery Manufacturing Precinct (JMP), which would take between 15 and 18 months to build, aimed to attract investors through a range of incentives, including dedicated customs support services, duty-free importation of production-related raw materials and inputs and reduced tax and exemption for certain beneficiation activities.'

'Exemption from import duty and value-added tax would apply in respect of raw materials and assets imported for input into the manufacturing process for products exported from the IDZ to other countries.'

'The facility would also offer investors access to clustered, purpose-built infrastructure in close proximity to the OR Tambo International Airport, making it suitable for export-oriented production.'

'Trade and Industry Deputy Minister Mzwandile Masina added that the initiative would also serve to advance the country's developmental goals, which sought to reverse high levels of poverty, unemployment and the unequal distribution of wealth.'

Interesting fact to note about the project is how it's linked to the entry point of international investors, the OR Tambo International point. The other facts to note is on how the article articulates on incentives available over and above the section 12I tax incentive available for investors (taxpayers) who are embarking on this project through the initiated Government support, just to mention a few, exemption from import duty and Value Added Tax on importation of input costs, reduced tax. These benefits are quite essential to attract investors.

'Government has a range of targeted incentives to support industrialisation. A total of R10.2 billion over the medium term has been allocated to manufacturing development incentives and R3.4 billion to the special economic zones programme, largely for bulk infrastructure. The infrastructure programmes in industrial parks receive additional funding of R260 million in 2016/17 and 2017/18 through reprioritization,' National Treasury Budget Review, 2016.

Even though the government has initiated the incentive programme, per the National Treasury Budget review for 2016, the tax expenditure on industrialisation is dropping from R294 million to in the 2010/2011 fiscal year to R51 million in 2012/2013 fiscal year and this is mainly because of taxpayers not claiming section 12I. 'Tax expenditure in 2010/11 and 2011/12 is still linked to the predecessor of the section 12I manufacturing incentive that expired in 2005. Since the inception of section 12I, 73 projects have been approved. However, only about 10 per cent of the allowances approved had been claimed by 2013/14, resulting in the low tax expenditure numbers in the outer three years,' National Treasury Budget Review, 2016.

Chapter 5: Tax incentives to boost economic growth in countries outside South Africa

Many countries outside the Republic of South Africa have realised economic growth through the development of Small Medium Enterprises. This model has been recognised by many Governments and international recognised bodies as a major contributor to addressing the issue of employment and investment across the globe, these are the two critical factors (Employment and Investment) are to realise economic and inclusive growth for any country. 'SMEs (small and medium-sized enterprises) account for 60 to 70 per cent of jobs in most OECD countries, with a particularly large share in Italy and Japan, and a relatively smaller share in the United States. Throughout they also account for a disproportionately large share of new jobs, especially in those countries which have displayed a strong employment record, including the United States and the Netherlands.' OECD publication, SMALL BUSINESSES, JOB CREATION AND GROWTH: FACTS, OBSTACLES AND BEST PRACTICE

In this Chapter we will consider one of the countries outside South Africa that have developed or grown their economy either by using Small Medium Enterprises or/and have used tax incentives to boost investment in order to achieve economic growth. For reasons below we used China for reference.

5.1 Tax incentives to boost investment and economic growth in China

One of South Africa's major trading partners is the People's Republic of China. Both South Africa and China are members of BRICS. To illustrate the importance of trade relations between two countries we will refer to some of the facts as was pointed by the Minister of Trade and Industry in SA News, Sep 2015.

'Economic cooperation and trade between South Africa and China have developed and has great potential'

> Total trade between South Africa and China experienced an upward trajectory since 2009, growing from R118 billion to R271 billion by the end of 2013, but decreased to R261 billion by the end of 2014.

Between 2009 and 2014, total trade growth rate highest peak was 36% in 2011, due to China's increased appetite for South Africa's raw commodities.

China has set up more than 80 companies in South Africa since 1998 bringing its foreign direct investment (cumulatively) to nearly US$6 billion (R83 billion).

This figure includes an investment of approximately US$5.5 billion (R76 billion) by China's ICBC bank that purchased a 20% stake in Standard Bank in March 2012.

Meanwhile, South African investment in China is valued at approximately US$700 million (R9.7 billion).

5.2 Definition of SME in China

'The Interim Categorizing Criteria on Small and Medium-sized Enterprises (SMEs), published in 2003 and based on the SME Promotion Law of China, sets the guidelines for classifying SMEs. It replaced the old guidelines that came into effect in 1988 and the supplementary criteria of 1992,' Liu Xiangfeng, 2008.

Below table is an extract from research extract of Liu Xiangfeng on SME Development in China: A Policy Perspective on SME Industrial which illustrates different categories of SMEs within different economic sectors in China.

Table 1: Definitions of SMEs in China

Size Category	Industries	Employment-based	Total assets	Business revenue
Small	Industry	< 300	<¥ 40million	< ¥ 30million
	Construction	< 600	<¥ 40million	<¥ 30million
	Wholesale	<100		<¥ 30million
	Retail	<100		<¥ 10million
	Transport	<500		<¥ 30million
	Post	<400		<¥ 30million
	Hotel & restaurant	<400		<¥ 30million
Medium	Industry	300- 2000	¥ 40million-400million	¥ 30million-300million
	Construction	600-3000	¥ 40million-400million	¥ 30million-300million
	Wholesale	100-200		¥ 30million-300million
	Retail	100-500		¥ 10million-150million
	Transport	500-3000		¥ 30million-300million
	Post	400-1000		¥ 30million-300million
	Hotel & restaurant	400-800		¥ 30million-150million

Note: SME meet one or more of the conditions. ME should meet three conditions, the others are SE.

Source: SME promotion law of China,2003.

5.3 The role of Small and Medium Enterprises in China

Research below was done by Dr Wei Li who is a postdoctoral research fellow at the University of Sydney Business School and the China Studies Centre. Her research interests include China's economic transition, Chinese investment into Australia, globalization of the state owned enterprises, common resource governance, and urban sustainability.

With challenges faced by Small Medium Enterprises in China, below research is quite instrumental in illustrating how the Small and Medium Enterprises have developed in China and of how critical importance is the role that they have played to achieve an inclusive and economic growth particularly for low income earners. This has had a major impact on investment and employment opportunities for the people of China.

5.4 Research by Dr Wi Li: Small and medium enterprises - the source of China's economic miracle - and their financing challenges

Small and medium enterprises (SMEs) now play a significant role in China's economic development. The institutional environment of China was originally unfavourable for the emergence and

development of SMEs. Private enterprises (which are mostly SMEs), for example, were not permitted to exist until 1988, ten years after economic reform started in 1978. However, the increasingly significant contribution of SMEs to the economic growth of the country prompted the Chinese government to improve policies and measures concerning the development of SMEs. In 2002, the central government promulgated the SME Promotion Law, signalling a major shift in attitude from the central government towards SMEs after years of market reform.

SMEs have contributed hugely to the creation of China's economic miracle. In particular, SMEs played an essential role in driving economic growth through investment in fixed assets, generating exports, and promoting technology assimilation. SMEs are estimated to contribute more than 60 per cent of China's GDP. As Table 1 shows, private enterprises (overwhelmingly SMEs) have overtaken state owned enterprises (SOEs), becoming the biggest source of investment in urban fixed assets. In 2010, private enterprises accounted for over half of the total investment in urban fixed assets. Private enterprises have also surpassed SOEs in generating exports. In 2010, private enterprises' total exports were double the value of exports from SOEs. In addition, SMEs' role in promoting technology assimilation should not be neglected. A great number of technology-oriented SMEs are headquartered in innovation and high technology zones in cities like Beijing and Shenzhen. These SMEs, which are flexible and able to rapidly adapt to new technologies as well as to draw in and train specialized human capital, are significant in making new services and products available and facilitating the spread of technology and innovation. Let us take the development of the solar industry in Dezhou city as an example. While local large manufacturers such as Himin Group have shown strong leadership in undertaking major R&D projects, small businesses are important in forming industrial agglomeration, which has catalysed the deployment of solar innovations.

Table 1: Investment in urban fixed assets and exports, 2004-2010 (percentage by source)

	2004	2006	2008	2010
Total investment (billion yuan)	5902.8	9336.9	14873.8	24141.5
State owned enterprises	57.8	48.0	43.0	42.3
Foreign owned enterprises	11.8	10.6	9.5	6.6
Private enterprises	**30.4**	**41.4**	**47.4**	**51.1**
Total exports (billion US dollars)	762.0 [a]	969.1	1428.6	1577.9
State owned enterprises	22.2 [a]	19.7	18.0	14.9
Foreign owned enterprises	58.3 [a]	58.2	55.3	54.6
Private enterprises	**19.6** [a]	**22.1**	**26.6**	**30.5**

[a]2005 figure.

Source: Huang (ed.), 2012, Annual Report of Non-state Owned Economy in China No.8 (2010-2011), Social Science Academic Press

Furthermore, the SME sector contributes to China's economic miracle by serving as an engine of job creation. The SME sector is a large provider of employment in China, especially new jobs. Currently, SMEs account for around 80 percent of China's manufacturing employment and are estimated to create 80 per cent of new urban employment. More importantly, SMEs employ more low-income workers and socially vulnerable groups and sometimes are the only source of employment in poorer regions. The opportunity to work at SMEs also provides disadvantaged groups with access to knowledge which comes from working with other people, potentially generating positive externalities for improving human capital.

The growth of SMEs also means that there are sufficient participants in the market to create competitive market pressure and expanding China's market economy. Together with foreign investment companies, SMEs make up the bulk of China's privately owned sector. A sufficient number of participants and transactions in the market improve overall efficiencies. Besides, SME development is also essential for simultaneously absorbing resources and workers laid-off or dispersed from the restructuring of the large enterprise sector, so that market reform can be carried through smoothly. Based on statistics from China's Information Office of the State Council, from 1998 to 2003, nearly 19 million workers laid-off from SOEs were re-employed, and most of them went to SMEs.

Tax revenue collected from SMEs has also increased significantly in the last decade. Its average annual growth rate of around 25 per cent is well above China's GDP growth rate. In 2010, tax revenue collected from private enterprises topped 800 billion yuan, accounting for nearly 11 per cent of the total tax take. In theory, this stream of tax revenue gives governments more leverage to roll out appropriate fiscal policies to boost growth and finance key infrastructure and social programs.

Financing challenges

Although SMEs are a major source of China's economic miracle, underfunding is a risk for the health and continuing growth of China's SME sector. China Enterprise Survey System's latest data indicates that more than 40 per cent of the 4,283 surveyed enterprises considered lack of finance to be their greatest challenge. Credit assets of state institutions are disproportionately composed of loans allocated to SOEs and large enterprises. Based on a recent survey, 66 per cent of SMEs sampled claimed that they had difficulty accessing bank finance. The situation has worsened since the global financial crisis in 2008. The monetary tightening policy adopted by the People's Bank of China further marginalized SMEs from the formal banking system.

Economic theory suggests that credit market failure, attributed to information asymmetries, is the key cause for lack of finance for SMEs. Lenders are imperfectly informed about borrowers. Bank

officers do not have 'perfect' information on enterprises and their proposals. This leads to insufficient credit available for sound or 'bankable' propositions. Enterprises in their early stages of development such as the SMEs face more acute asymmetric information problems, because information on these enterprises is limited and they sometimes lack transparency. Also, assets of start-up firms are often knowledge based and exclusively associated with the founding entrepreneurs. Take manufacturing or technology based start-up firms as an example. Entrepreneurs will be reluctant to provide full information about their knowledge of opportunity, as disclosure may help competitors. In this context, banking institutions face higher costs in obtaining information and monitoring small enterprises, and thus have less incentive to extend credit to them.

In China's case, the finance challenge is even greater for SMEs. Underlying their financing problems is the ongoing reform of China's financial system. Potential issues include the high market share of large state-owned commercial banks in deposits and loans, interest rate controls, insufficient development of the capital market, and restrictions on cross-border capital transactions. However, since financial policies and institutions are an essential part of China's macroeconomic policies, they have always been designed to facilitate national economic development. Any reform of the financial system to promote SMEs has to be aligned with other economic policies, and be undertaken within the current context of economic reform. Nevertheless, establishing a financial framework that fosters competition and transparency should be the long-term reform direction for China, as it will not only support SME growth, but also increase resource allocation efficiency in other economic systems and encourage investment to move towards more productive projects and entrepreneurship, facilitating broader-based growth.

Another issue that hinders Chinese SMEs' access to formal finance is that most of them lack formal corporate structures or fixed assets as collateral and their ownership and financial structures tend to be opaque. Firms keep two sets of accounting books: one for official declaration, one for internal usage. In an interview, one owner of a squid boat business in Zhejiang Province explained that there were five official shareholders on the company's registration certificate, but behind each of official shareholders were several 'invisible' shareholders who provided start-up and operational funds to the business and received ownership interests. This makes it difficult for banks to evaluate their operation and financial circumstances. Moreover, China lacks an adequate credit rating system for SMEs, or the appropriate financial-service institutions. This lessens the incentives for SMEs to build a credit reputation.

Finally, to respond appropriately to SMEs' financing challenges, it is important to note the distinct features of China's SME financing structure. In particular, informal and semi-formal finances provide a major source of credit for China's SMEs. Yet, rather than being regulated by formal laws, they are mainly supported by informal rules, social norms and structures, and enterprise relations, which

have evolved through social and market development and vary from one locality to another. Thus, the same type of informal finance can play a different role in local economies across regions, due to the heterogeneity of local institutional support. Moreover, the boundary between formal and informal finance institutions in China is not always clear. There is a transition from informal to formal finance institutions where some finance institutions and arrangements can be either formal or semi-formal. These finance institutions operate with peculiar arrangements, some of which are not legal but are not discouraged by law enforcement agencies either, although the degree of tolerance varies from one locality to another. Therefore, policies targeting SME finance should take into consideration these variations and dynamics.

The good news is that certain reforms have already been rolling out. In March this year, the central government approved plans to set up a pilot zone in Wenzhou city to regulate semi-formal and informal financing activities. A batch of non-governmental financing institutions has received permission to be set up officially on a trial basis. Wenzhou's experience will provide lessons for the wider and deeper level of financial reform.

In the open ceremony of China's 18th Party Congress this month, Hu Jintao in his report stresses: *We should deepen reform of the financial system and improve the modern financial system so that it will better contribute to macroeconomic stability and support development of the real economy.* The world has its eyes on one of the world's largest financial system undergoing reform.

5.5 Interesting facts to consider from Dr Wei Li's research above

The interesting facts of this research is how critical is the SME to the China's economic growth contributing more than 60% of the economic activity.

How the SMEs have grown over the years in China considering that private business was not allowed 1988, 10 years after the economic reform in 1978.

Small Medium Enterprises accounts for more than 80% of new urban development.

Small Medium Enterprises accounts for about 80% of manufacturing sector/

Tax revenue collected from SMEs has also increased significantly in the last decade averaging annual growth of 25% well above China's GDP growth rate

In 2010, tax revenue collected from private enterprises topped 800 billion yuan, accounting for nearly 11 per cent of the total tax take

Nearly 19 million workers laid-off from State Owned Entities we reemployed and most of them went to Small Medium Enterprises

SMEs employ more low-income workers and socially vulnerable groups and sometimes are the only source of employment in poorer regions.

Major concern for Small Medium Enterprises is funding and China is not an exception to this and yet it has managed to grow this sector quite significantly to be recognised as one of critical area of economic growth in the country.

The Department of Trade and Industry has initiated the Automotive Investment Scheme (AIS), an incentive designed to grow and develop the automotive sector through investment in new and/or replacement models and components that will increase plant production volumes, sustain employment and/or strengthen the automotive value chain, AIS Guidelines, 2014.

5.6 Tax incentives for SMEs in China

All SMEs face major challenges particularly when starting off, the major issue being funding. The Government of China also recognises the importance of stimulate growth in the SME sector through fiscal policy. Up until now we have looked the growth and contribution made by the Small and Medium Enterprises in China. The other aspect we need to consider is how Government has played a role to stimulate investment growth within the Small and Medium Enterprises sector. ‘Over the last decade, China has introduced a series of fiscal policy initiatives to boost small and medium enterprises’ (SMEs) development and innovation efforts. Thanks to special supporting funds, tax incentives and administrative benefits, the SME sector currently represents a key segment of China’s economy, contributing 60 percent of the country’s GDP, 50 percent of fiscal and tax revenue, and 75 percent of urban employment’, Dezan Shira and Associates, 2015.

‘In the People’s Republic of China (“the PRC”, hereinafter refer to as China), there are around fifteen types of taxes that foreign entities may need to pay, which includes Enterprise Income Tax (“EIT”), Individual Income Tax (“IIT”), Value Added Tax (“VAT”), Business Tax (“BT”), Consumption Tax, City Construction Tax, Custom Duty, Stamp Duty, Property Tax, Vehicle and Vessel Tax, City Land Usage Tax, Deed Tax, Land Value Added Tax, Resource Tax, Vehicle Purchase Tax. This paper aims to introduce the fundamental principles and guidelines of EIT liability in China. Additionally, the key elements of China’s VAT and BT systems are also introduced. Many SME’s will enjoy tax benefits, such as reduced rates for small or low-profit enterprises. Further incentives are provided for high-tech enterprises or those that are established in western regions’, EU SME Centre, China Enterprise Income Tax, 2012.

Below illustrates types of tax incentives available in China to stimulate growth, some of these incentives are targeted at Small Medium Enterprises.

Income subject to Tax Reduction or Exemption

Income by Project Type	Description	Applicable EIT Rate
Agriculture	Agriculture, forestry, animal husbandry and fishery project income.	Exempt
Infrastructure	Infrastructure Projects involving ports and wharfs, airports, railways, highways, urban public transportation, electric power, water supplies, or other infrastructures which are within the scope of key support from the State.	Exempt for the first three years, and a 50% reduction in EIT for the following three years, starting from in year which the project first generates operating income.
Conservation	Environmental protection and energy or water conservation projects (e.g. public sewerage treatment, public refuse treatment, synergistic development and utilization of methane, sea water desalination etc. projects).	Exempt for the first three years, and a 50% reduction in EIT for the following three years, starting from in year which the project first generates operating income.
Technology	Qualified technology transfer income obtained by a Resident Entity.	Exempt up to 5 million RMB annually and a 50% reduction for any amounts which exceed 5 million RMB.

Tax Incentives to Specified Regions, Industries and Enterprises

Income by Project Type	Description	Applicable EIT Rate
Small or Low-Profit Enterprises	Enterprises must have less than 300,000 RMB in annual taxable income, less than 10 million RMB in total assets, less than 80 employees, and not be engaged in prohibited or restricted industries. An exception is provided for manufacturing companies, which may have less than 100 employees and a maximum of 30 million RMB in total assets.	20%
Small or Low-Profit Enterprises	From 1 January 2012 to 31 December 2015, the income of small-size or low-profit enterprises, having less than 60,000 RMB in annual taxable income.	Additional 50% EIT reduction, and reduced rate of 20%
Western Regions	From 1 January 2011 to 31 December 2020, enterprises in western regions (Chongqing, Sichuan, Guizhou, Yunnan, Tibet, Shaanxi, Gansu, Ningxia, Qinghai, Xinjiang, Inner Mongolia and Guangxi etc.) which engage in encouraged industries may be eligible to enjoy a reduced EIT rate.	15%
Hi-Technology	Companies which qualify as 'high-tech', as determined by tax authorities.	15%

Venture Capital	Venture capital enterprises which make equity investments in small or medium sized, advanced and new technology enterprises that have not been listed on a stock exchange.	70% of invested amount may be deducted from taxable income, beginning in the year that the equity has been held for at least two years.
New Circuit Manufacturing	Newly established software manufacturing and integrated circuit designing enterprises.	Exempt for the first two years, and a 50% reduction in EIT for the following three years, starting the first profit-making year.
Integrated Circuit Manufacturing	Integrated circuit manufacturing enterprises which manufacture integrated circuit products with a line width of less than 0.8 millimetres.	Exempt for the first two years, and a 50% reduction in EIT for the following three years, starting the first profit-making year.
Large Investments in Circuit Manufacturing	Integrated circuit manufacturing enterprises with investment amounts exceeding 8 billion RMB or which manufacture integrated circuit products with a line width less than 0.25 millimeters.	15%; or in the case the operational period of the investment is more than 15 years, exempt in the first five years and a 50% reduction in the following five years, starting in the first profit-making year.
Software and Circuit Design	Key software manufacturing and integrated circuit designing enterprises, within the state planning layout.	10% for years not otherwise exempt

Below are some of the recent changes to further stimulate growth within the Small and Medium Enterprises sector by the Government of China. These are preferential tax policies for SMEs announced by the Chinese Premier Li Legiang on executive meeting of State Council as reported by Dezan Shira and Associate of China Briefing, Business intelligence.

> SME with a taxable income not exceeding RMB 300 000 will be allowed to pay corporate income tax at the rate of 20% on only 50% of their taxable income. Specifically if the SME prepays CIT based on its actual profit of the current year, and accumulative actual profit at the time of making the prepayment is less than RMB 300 000, it is entitled to the Halved Tax Policy.
>
> SMEs with a monthly sales volume of RMB 20 000 to R 30 000, shall be exempt from Value Added Tax and Business tax.

Both these policies were given for the benefit of taxpayers for the period of 1 October 2015 to 31 December 2017. They have a direct benefit to the taxpayers of reduced effective tax rate by paying tax on only half taxable income and reduced VAT expense.

The government of China views development of Small and Medium Enterprises as an imperative area for the future economic growth of the country. It is quite remarkable how a country that never allowed for private business to exist at some point in time has managed to grow and develop its Small and Medium Enterprises sector contributing largely to achieve economic and inclusive growth. 'According to the Ministry of Commerce, in 2012 there were 42 million SMEs in China, which accounted for 99 percent of registered firms in the country. This figure continues growing as SMEs are expected to play a bigger role in sustaining and improving China's competitiveness. While small and medium businesses have become a major drive of the country's economic advancement in most of industries, China is particularly enjoying the positive influence of SMEs towards innovation in the R&D and technology sectors. In this respect, data shows that they currently contribute 65 percent of China's new patent registrations and over 80 percent of new product development. However, financing constraints and difficulties in getting loans from the banks still prevent SMEs from achieving their full innovation potential. In the coming years, the government is likely to launch new preferential tax policies to support SMEs in addressing these difficulties and promote their development,' Dezan Shira and Associates, 2015.

Chapter 6: Conclusion

South African Government plays a critical role in ensuring that inclusive economic growth takes place. Fiscal policy through tax incentives for Small Medium Enterprises is seen as an important factor to achieve this economic growth. This policy can and is being used for this purpose, applied to even larger enterprises. Managing a tax system is instrumental to achieving Government fiscal policy objectives. If the fiscal policy is to be applied as one of the means to achieve economic growth, the Government must define a clear and direct path as to how it aims to achieve its objectives and this should be consistently monitored. 'The role of the tax system cannot be divorced from broader fiscal and macro-economic policy or from more general conceptualisation of the role of the state itself within a particular political system.' (Davies Tax Committee, 2014).

South African Government has set the National Development Plan as macro-economic policy to grow the economy of South Arica. In order to realise this growth, South African fiscal policy needs to be aligned with the growth strategy of the economy as the national revenue collected through the tax system is used to fund the major part of economic growth policy. In collection of the national revenue, there is a necessary need to maintain a balance between a sustainable (and growing) investment and collecting the maximum tax possible in the most effective and efficient manner that aims to address both the economic and social developmental needs of the country. This balance is necessary as no Government in the world can grow an economy alone, for economic growth to be achieved there must be investment opportunities and business must thrive, citizens of the country must be involved and participate (and not unemployed) in the economy.

It is important how taxpayers view a tax system in an economy, particularly in a South African economy which is largely and negatively impacted by poverty, high unemployment and high inequality. At the very least it should aim to address these challenges as they negatively impact and hinders economic growth and investment opportunities for many South Africans:

> 'It is not surprising, therefore, that attitudes towards the tax system have varied markedly. Some perspectives view taxation as a coercive, extractive exercise of predatory state power, essentially to maintain the status quo favouring powerful interest groups. Other perspectives regard taxation as an important mechanism for redistribution, social solidarity and justice as well as nation building in a manner which helps to transform not only the economy but broader society. One end of the spectrum regards all forms of taxation as market distortions which policy and administration should minimise while the other end of the spectrum sees tax policy not only as a means to correct market failure (through internalising negative and positive externalities) but also to stimulate and direct growth for particular purposes through incentives and other supply side measures. Tax systems are often under huge pressure to compensate for other economic and social policy distortions which are deemed politically intractable, such as in

> international trade, the labour market and so forth.' (Davies Tax Committee, 2014.

This is quite crucial as taxpayers need to believe that tax system is used as one of the means to achieve both economic growth and as a tool to address the social developmental needs of the economy. Tax incentives programmes to support SMEs and business at large can be used as one of other means to encourage investment and ultimately yield economic and inclusive growth.

In conclusion, there are two aspects or questions that are of critical importance. The first part to understand is the Small Medium Enterprise contribution to the South African economy as it has been identified as the potential drive for economic growth in the discussion above. The second question to answer is how well do the incentives discussed above contribute to the development of Small Medium Enterprises?

How much does the SME contribute to South African economy?

Below table is an extract from a research report prepared by the Small Enterprise Development Agency (SEDA). This shows the significant of and industries impacted by the SME in our country. Interesting fact to note below is that SME in South Africa absorb about 14% of the labour market. This percentage is very low given the potential impact SMEs can have on growing an economy, however they still play and contribute to our economy positively.

KEY INDICATORS	2015Q2
Number of SMMEs	2 251 821
Number of formal SMMEs	667 433
Number of informal SMMEs	1 497 860
SMME owners as % of total employment	14%
% operating in trade & accommodation	43%
% operating in community services	14%
% operating in construction	13%
% operating in fin. & business services	12%
% contribution to GVA*	21%
% black owned formal SMMEs	34%
% operated by income group < R30k pa	7%

*Source: BER, StatsSA *GDP before taxes and subsidies*

As mentioned above, SME play a critical and positive role in South African economy and within reach

for many South Africans to remediate issues of poverty, unemployment and inequality in the country. The difficulty comes about challenges faced by the SMEs in contributing to the economy, a lot more enterprise development need to be done by both large corporate and Government to assist these enterprises as they have a potential to become the back bone of South African economy.

> 'Small, Medium and Micro Enterprises (SMMEs), also referred to as small business, play an important role in an economy. They can be key drivers of economic growth, innovation and job creation. In South Africa, government recognises the importance of this segment of business activity, so much so that a new Ministry of Small Business Development was established in early 2014. The aim of the Ministry is to facilitate the promotion and development of small businesses. These enterprises contribute significantly to national GDP and have proved to be major contributors to job creation (The DTI, 2008). South Africa struggles with an alarmingly high national unemployment rate of 25% (Statistics South Africa, Quarter 2: 2015), which is partly exacerbated by a chronic shortage of skilled labour. Against this backdrop, government is aiming to put policies, strategies and programmes in place which aim to create an enabling environment for small business,' (Small Enterprise Development Agency (SEDA), 2016).

South African economy has not seen any substantial economic growth for a number of years and this has made it difficult to address the issues of poverty, unemployment, inequality in the country. Per the 2017 budget speech, the Minister of finance allocated almost R 4billion over the next 3 years for development and establishment of SMEs, the question one should ask is whether it is sufficient given South African economic challenges and how do we measure that? There has been tremendous growth at least in the formal sector of the SMEs in South Africa, below illustrates how much SMEs has grown since 2010 and their significance and contribution to the South African economy.
Below tables represents financial profile of SMEs in South Africa based on research report discussed above commissioned by Small Enterprise Development Agency (SEDA) on SMEs and they are based on the QFS survey of StatsSA. They cover the financial position of SMMEs and are only available by economic sector from December 2010. Since the data is collected by StatsSA from the enterprises themselves, this data is representative of the formal sector only. All the values are in current prices. The focus is on growth based on revenue of SMEs, growth in company tax paid by the SMEs and the growth in contribution to the Gross Value Added which is defined as Gross domestic product before taxes and subsidies. The analysis is done by comparing two periods, Dec 2010 and June 2015.

Turnover

The majority of SMME turnover is in the trade sector, followed by manufacturing. Increases from 2010 to 2015 in these two sectors are mostly due to inflation. The only significant real increases were in the real estate and business, community and construction sectors.

R million	Dec-10	Mar-15	% change
Community	14 004	27 856	99%
Construction	29 192	57 254	96%
Electricity, gas & water	1 516	1 872	23%
Manufacturing	130 293	164 685	26%
Mining and quarrying	8 242	8 814	7%
Real estate & bus.services	46 925	142 846	204%
Transport	22 168	33 538	51%
Trade	207 877	290 140	40%

Company Tax

Taxes paid by SMMEs increased substantially between 2010 and 2015. In 2010, the economy had just emerged from the big recession, after which enterprises recovered somewhat in the following years. At the moment most company taxes by SMMEs are paid by those in the trade and manufacturing sectors.

R million	Dec-10	Mar-15	% change
Community	194	535	176%
Construction	125	659	427%
Electricity, gas & water	36	25	-31%
Manufacturing	1 975	3 086	56%
Mining and quarrying	47	157	234%
Real estate & bus.services	1 416	2 193	55%
Transport	472	331	-30%
Trade	2 226	3 922	76%

Contribution to GVA

The gross value added (GVA = GDP before taxes and subsidies) is the sum of all wages, net operating surplus (NOS) and consumption of fixed capital. From the QFS data we can derive a proxy for the GVA of SMEs by summing the combined salaries paid, profits and depreciation respectively.

R million	Dec-10	Jun-15	% change
Large	234 619	257 056	10%
Medium	31 125	40 982	32%
Small	84 923	149 464	76%
Total	**350 667**	**447 502**	**28%**
RSA GVA	*634 375*	*851 095*	*34%*
% SMEs	18%	22%	

From this aggregate we can derive that SMEs contributed 18% to GVA in 2010Q4, and their contribution increased to 22% by 2015Q2.

It is quite certain that there has been growth in terms or revenue growth of SMEs, contribution to the fiscus made by the SMEs and the overall contribution to the GVA and overall GDP.

How well do tax incentives support development of Small Medium Enterprises?

It is very difficult to find research that links a tax incentive to development of Small Medium Enterprises; these incentives have not been properly monitored as one of the key drives for development of Small Medium Enterprises. This is an area that needs to be properly monitored and assessed by Government and relevant stakeholders in the South African Economy as e development of Small Medium Enterprises has been identified as the key driver for economic growth and it would make a contribution to assess all the key drivers of Small Medium Enterprises. Even though there is no direct linkage on how tax incentives support Small Medium Enterprises, particularly incentives provided by the Depart of Trade and industry which have been discussed to great length above,

there is evidence that these incentives promote growth in business at large and address some of the challenges that negatively impact economic growth.

It is important that we understand that development of Small Medium Enterprises is not mainly or solely driven by creating tax incentives to boost this sector of the economy but having a variety of key drivers that address the challenges faced by Small Medium Enterprises, for an example creating funding or access to capital to Small Medium Enterprises. For the purposes of this document we focus on one of the key drivers being a tax incentive towards development of Small Medium Enterprises.

The incentives are available and they are to the benefit of tax payers. Below we look at some of the positive aspects of these tax incentives contributing towards the development of business and economy at large, these might not necessarily impact Small Medium Enterprises directly but nonetheless they remain a positive contribution to business and economic development at large.

Turnover Tax:

'As at 4 July 2013 there were 7 827 active micro businesses, 139 with addresses unknown, 59 dormant, 74 in estates, 345 in active and 49 suspended', Davies Tax Committee, July 2014.
From the above we can confirm the Micro Business that were registered as at July 2013, most of these could previously not registered as taxpayers or the owners of these entities would have been registered in their own capacity as individual taxpayers. Having registered it gives the taxpayer the benefit of reduced tax liability as the tax rates applicable to a Micro Business are far less than trading in your name and accounting for tax as an individual. Furthermore, this form of tax is far more simplified as opposed to registering for normal corporate tax which is paid at a larger tax rate and quite administrative for compliance purposes. Turnover Tax was introduced in 2009, in 2013 over 7000 taxpayers were registered as Micro Business, this is positive growth to the development of SME in terms of growth, it is growth in economy in terms of having a formalised business that allows the revenue authorities to collect tax in compliance with South African Income Tax Act No. 58 of 1962.

Venture Capital Companies

Venture Capital Companies have not grown to desired levels, however there has been some considerable growth with the change in legislation in 2014 as previously discussed to increase the size of the book value of companies that a Venture Capital Companies can invest in, this was done to increase the number of investors, broadening the investor base and also increasing the Venture Capital Companies as a whole. These entities can be viewed as

similar to Small Medium Enterprises given their size and the type of management structure that would exist in such a company. Great and massive tax benefits are available to taxpayers that venture into these entities. A 100 per cent deduction for investing in Venture Capital Companies is quite substantial; this allows investors to get a 100 per cent return on a 72 per cent investment opportunity assuming the corporate tax rate of 28 per cent for companies or 41 per cent for an individual. The benefit is given in the form of full deduction against Gross income of the taxpayer. The benefits of Venture Capital companies do not only give a direct tax benefit to the investor but it raises capital for these entities which enables these entities to undertake greater investment opportunities and grow equity within Small Medium Enterprises and similar institutions.

Tax incentives offered by Department of Trade and Industry

There are great programmes offered by the Department of Trade and industry and some of these incentives are discussed above. Many of these programmes are designed to promote growth within industry and to boost business in the Small Medium Enterprises sector and not necessarily to provide tax benefits to taxpayers but providing tax benefits within the incentive programme is another way to make these incentives more attractive to investors. Creating these incentives has resulted in a positive contribution towards the respective industry where these programmes are implemented, what has not been properly assessed is how much have they positively contributed to the development of Small Medium Enterprises. The success or failure of these incentives programmes has been discussed above under each incentive programme and what we can conclude on these is that they positively contribute towards business within respective industries and economic growth. All these incentives have been created with some minimum requirements for an investor to get the required incentive from Government and these requirements put in place to qualify for these incentives also necessitates a certain level of desired growth that promotes development of business in general, for an example, turnover, number of employees, level of investment, Black Economic empowerment, what is not specific is how much do they contribute to Small Medium Enterprises.

SMEs are faced with many challenges as starting up or small companies to the extent that many don’t survive the industry for a considerable period of time. The challenges faced by SMEs were mentioned above. Enterprise development through SMEs remains critical to the potential economic growth of the South African economy. Government need to consistently put a concerted effort to ensure growth of SMEs. One of many ways to achieve that or to partly fund SMEs is Government

support for Small and Medium Enterprises through tax incentives programmes, it worked very well in the People's Republic of China, the same can be achieved for South Africa.

Chapter 7: Areas requiring further research

Performance and analysis of companies listed and approved by the South African Revenue Services under Venture Capital Companies. This would actually asses how significant have these companies contributed towards investment in the economy and whether they have actually yielded any results to achieve economic growth.

Incentives offered by Department of Trade and Industry promote growth within respective industries, how much of these can be attributed towards development of Small Medium Enterprises.

National Treasury analysis of incentives and how much National Treasury spends on each incentive available in Department of Trade and Industry.

Tax incentives for Small Medium Enterprises seem to be focused on manufacturing and trade enterprises, what benefits are available for SME that provide services.

What are the best tools to measure performance of entities that have been awarded or granted with these incentives, do these entities meet targets as required by the Department providing the incentives?

Are the requirements to obtain incentives cause of any barriers for new SMEs to get access to the industry and to what extent do these cause limitation to gain access to the markets?

It’s very good to compare South Africa to one of its major trading partner like China but it would be interesting to see how countries that share the same economic growth challenges in Africa particularly in Southern Africa remediate economic growth issues.

8. REFERENCES

Reports

Banking Association of South Africa, (nd) *SME Enterprise* accessed April 6, 2017 http://www.banking.org.za/what-we-do/sme/sme-enterprise

Estimate of National Expenditure, Vote 36 Trade and Idustry, National Treasury Budget 2014

Monetary Policy Review, South African Reserve Bank April 2016.

National Treasury Budget Review 2016, National Treasury, February 2016

South Africa - Economic forecast summary (November 2016) http://www.oecd.org/economy/south-africa-economic-forecast-summary.htm

Statutes

Companies Act No. 71 of 2008

National Small Business Act of 1996

South African Income Tax Act no 58 of 1962

SARS Interpretation Note no 9 (Issue 6), Income Tax Act no 58 of 1962, Small Business Corporations

Research

Small and medium enterprises - the source of China's economic miracle - and their financing challenges, University of Sydney, Enterprise Development, We, Li , December 2012.

Small and Medium Enterprises: Taxation Considerations, Interim Report, Davies Tax Committee, July 2014

SME Development in China: A Policy Perspective on SME Industrial Clustering. Institute for International Economic Research (IIER), National Development and Reform Commission (NDRC), Xiangfeng, Liu (2008)

The Small, Medium and Micro Enterprise Sector of South Africa, Research Note 2016 No1, Small Enterprise Development Agency (SEDA), January 2016.

The Tax System and Inclusive Growth in South Africa: A Discussion document, The Davies Tax Committee, Dec 2014.

Speech

South African Reserve Bank – "Outlook on Monetary Policy", address by Deputy Governor of the South African Reserve Bank at the JP Morgan Investor Seminar Washington, D.C., 16 April 2016

Articles

Accelerating the Growth of SMEs in South Africa, SiMODiSA Association

China Briefing, Business Intelligence, Dezan Shira and Associates, September 2015.

Guidelines on China Enterprise Income Tax, EU SME Centre 2012.

Manufacturing sector can drive South Africa's global competitiveness, SA Government News Agency, 2015.

R267m Greenfield project to kick off S Africa's beneficiation agenda, Natalie Grave, September 2015

Section 12 J- Are Taxpayers missing the boat? Hobbs, Neill Partner, Hobbs Sinclair Chartered Accountants, Feb 2015.

South Africa's relationship with China, SA Government News Agency Sep 2015.

Tax incentives drive in new Section 12J Venture Capital Companies http://www.polity.org.za

Publications

Department: Department of Agriculture, Forestry and Fisheries, A profile of the South African Aquaculture Market Value Chain 2015

Department: Trade and Industry Incentive Facts and Figures2013/2014 Financial Year

Department: Trade and Industry Presentation to Parliamentary Portfolio Committee on SA Automotive Sector, June 2015.

Department: Trade and Industry, AIS Guidelines March 2014

Department: Trade and Industry, Enterprise Investment Programme, Manufacturing Investment Programme 2011

Department: Trade and Industry, Programme Guidelines, Aquaculture, Development and Enhancement Programme (ADEP), sub-programme of Enterprise Development Programme, June 2016.

Department: Trade and Industry, Section 12I Tax Allowance Incentive (12I TAI), January 2015

http://www.sars.gov.za/ClientSegments/Businesses/Pages/Venture-Capital-Companies.aspx

OECD publication: SMALL BUSINESSES, JOB CREATION AND GROWTH: FACTS, OBSTACLES AND BEST PRACTICES