

# A Guide to **the dti** Incentive Schemes 2011/12



**the dti**

Department:  
Trade and Industry  
**REPUBLIC OF SOUTH AFRICA**



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**Important Note:** All incentive schemes on offer by the Department of Trade and Industry (**the dti**) have their own specific guidelines and qualifying criteria. Please consult these before making any enquiries or decisions. Guidelines, application forms and further information about **the dti**'s many incentive offerings are available via **the dti** website ([www.thedti.gov.za](http://www.thedti.gov.za)) and can also be obtained from the various administrative offices at **the dti** Campus.

# Contents



|   |           |
|---|-----------|
| <b>Introduction.....</b>  | <b>2</b>  |
| Vision .....  | 2         |
| Mission .....   | 2         |
| Strategic Objectives .....  | 3         |
| Financial Assistance (Incentives) .....   | 3         |
| <b>Section 1: Small, Micro- and Medium-sizes Enterprises (SMME) Development</b> |           |
| <b>Incentives .....</b>   | <b>4</b>  |
| Black Business Supplier Development Programme (BBSDP) .....                     | 4         |
| Co-operative Incentive Scheme (CIS).....  | 6         |
| The Technology and Human Resources for Industry Programme (THRIP) .....         | 9         |
| <b>Section 2: Industrial-Development-Related Incentives.....</b>                | <b>10</b> |
| Business Process Services (BPS) Incentive .....                                 | 10        |
| Capital Projects Feasibility Programme (CPFP).....                              | 12        |
| Clothing and Textile Competitiveness Improvement Programme (CTCIP).....         | 13        |
| Enterprise Investment Programme (EIP).....                                      | 14        |
| Foreign Investment Grant (FIG) .....  | 15        |
| Production Incentive (PI) .....   | 17        |
| Sector-Specific Assistance Scheme (SSAS).....                                   | 18        |
| Support Programme for Industrial Innovation (SPII).....                         | 21        |
| <b>seda</b> Technology Programme (STP).....                                     | 22        |
| <b>Section 3: Women Economic Empowerment Incentives.....</b>                    | <b>24</b> |
| Bavumile .....  | 24        |
| Isivande Women's Fund.....  | 25        |
| <b>Section 4: Trade, Export and Investment Incentives .....</b>                 | <b>26</b> |
| Critical Infrastructure Programme (CIP) .....                                   | 26        |
| Export Marketing and Investment Assistance (EMIA) .....                         | 28        |
| Automotive Investment Scheme (AIS).....   | 32        |
| Section 12i Tax Allowance Incentive (12i TAI) .....                             | 34        |
| Film and Television Incentive.....  | 36        |
| South African Film and Television Production and Co-Production Incentive .....  | 38        |



# Introduction

## Vision

“A dynamic industrial, globally competitive South African economy, characterised by inclusive growth and development, decent employment and equity, built on the full potential of all citizens.”

## Mission

**the dti's** Mission is to:

- Promote structural transformation, towards a dynamic industrial and globally competitive economy;
- Provide a predictable, competitive, equitable and socially responsible environment, conducive to investment, trade and enterprise development;
- Broaden participation in the economy to strengthen economic development; and

- Continually improve the skills and capabilities of **the dti** to effectively deliver on its mandate and respond to the needs of South Africa's economic citizens.

## **Strategic Objectives**

- Facilitate transformation of the economy to promote industrial development, investment, competitiveness and employment creation.
- Build mutually beneficial regional and global relations to advance South Africa's trade, industrial policy and economic development objectives.
- Facilitate broad-based economic participation through targeted interventions to achieve more inclusive growth.
- Create a fair regulatory environment that enables investment, trade and enterprise development in an equitable and socially responsible manner.
- Promote a professional, ethical, dynamic, competitive and customer-focused working environment that ensures effective and efficient service delivery.

## **Financial Assistance (Incentives)**

In an effort to increase industrial competitiveness and broaden the participation of enterprises in the economy, **the dti** provides financial support to qualifying companies in various sectors of the economy. Financial support is offered for various economic activities, including manufacturing, business competitiveness, export development and market access, as well as foreign direct investment.



## Section 1: Small, Micro- and Medium-sizes Enterprises (SMME) Development Incentives



### **Black Business Supplier Development Programme (BBSDP)**

The Black Business Supplier Development Programme (BBSDP) is a cost-sharing grant offered to small black-owned enterprises to assist them to improve their competitiveness and sustainability in order to become part of the mainstream economy and to create employment. BBSDP provides a grant to a maximum of R1 000 000 (R800 000 maximum for tools, machinery and equipment and R200 000 maximum for eligible enterprises to improve their corporate governance, management, marketing, productivity and use of modern technology).

## Eligible Enterprises

- Majority-black-owned enterprises with a predominantly black management team.
- Enterprises with a turnover of R250 000 to R35 million per year.
- The enterprise must have been operating and trading for at least one year.

## Objectives

- To improve the sustainability of black-owned enterprises, thereby increasing employment.

## Benefits

- R800 000 for tools, machinery and equipment on a 50:50 cost-sharing basis (contribution by the Department of Trade and Industry (**the dti**) = 50%; contribution by the enterprise = 50%).
- R200 000 for business development services on an 80:20 cost-sharing basis.



## **Co-operative Incentive Scheme (CIS)**

The Co-operative Incentive Scheme (CIS) is a 90:10 matching cash grant for registered primary co-operatives (a primary co-operative consists of five or more members who are Historically Disadvantaged Individuals). The CIS is an incentive for co-operative enterprises in the emerging economy to acquire competitive business development services, and the maximum grant that can be offered to one co-operative entity under the scheme is R350 000.

### **The aim of the incentive scheme**

- Promote co-operatives through the provision of a matching grant.
- Improve the viability and competitiveness of co-operative enterprises by lowering the cost of doing business.
- Assist co-operatives to acquire their start-up requirements.
- Build an initial asset base for emerging co-operatives to enable them to leverage other support.
- Provide an incentive that supports broad-based black economic empowerment.

### **Eligible entities**

- Incorporated and registered in South Africa in terms of the Co-operatives Act, of 2005 (Act no. 14 as amended);
- Operating or will operate in the emerging sector;
- Adhere to co-operatives principles;
- Emerging co-operatives owned by historically disadvantaged individuals;
- Rural and semi-urban based; and
- Biased towards women, youth and people with disability.

### **Eligible Activities**

- Business development services;
- Business profile development;
- Feasibility studies/market research;
- Production efficiency;
- Technological improvement projects;
- Plants and machinery;
- Start-up requirements; and
- Working capital requirements.



## **The Technology and Human Resources for Industry Programme (THRIP)**

The Technology and Human Resources for Industry Programme (THRIP) is a partnership programme funded by **the dti** and managed by the National Research Foundation (NRF). On a cost-sharing basis with industry, THRIP supports science, engineering and technology research collaborations focused on addressing the technology needs of participating firms and encouraging the development and mobility of research personnel and students among participating organisations.



## Section 2: Industrial-Development-Related Incentives

### **Business Process Services (BPS) Incentive**

The South African government implemented a Business Process Outsourcing and Offshoring (BPO&O) incentive programme as from July 2007. Between July 2007 and March 2010, the incentive resulted in the creation of at least 6 000 new jobs and attracted R303 million in direct investment.

As part of a process of improving South Africa's position as an investment destination, a systematic review of the BPO&O incentive programme was undertaken with the private sector, resulting in a revised BPS incentive.

### **Eligible Enterprises**

**the dti** will determine whether an applicant is eligible to benefit from the BPS incentive, based on the requirements that an applicant (legal entity):

- must be performing BPS activities;

- may be involved in starting a new operation or expanding an existing operation in order to perform BPS activities, which may be operated from more than one physical location in South Africa;
- must, by the end of three years from the start of operation of the new project or the expansion, have created at least 50 new off-shore jobs in South Africa, as defined in the BPS Incentive Programme Guidelines;
- must commence its commercial operations no later than six months from the date on which the BPS incentive grant was approved. Failure to reach this target date will lead to the cancellation or disqualification of the application, thus requiring the applicant to submit a revised application to reapply for the grant; and
- if in a joint venture arrangement, must have at least one of the parties registered in South Africa as a legal entity.

### **Objectives**

- The BPS incentive aims to attract investment and create employment in South Africa *via* offshoring activities.

### **Benefits**

- A base incentive as a tax exempt grant paid over three years for each offshore job created and maintained.
- A graduated bonus incentive paid as follows:
  - » 20% bonus for more than 400 but less than 800 offshore jobs paid once off in the year in which the bonus level is reached
  - » 30% bonus for more than 800 offshore jobs paid once off in the year in which the bonus level is reached.



## **Capital Projects Feasibility Programme (CPFP)**

The Capital Projects Feasibility Programme (CPFP) is a cost-sharing programme that contributes to the cost of feasibility studies likely to lead to projects outside South Africa that will increase local exports and stimulate the market for South African capital goods and services.

### **Eligible Enterprises**

- South African enterprises.

### **Objectives**

- Increase SA exports, stimulate growth for the local capital goods and services sector and allied industries.
- Attract higher levels of domestic and foreign investment.
- Strengthen the international competitiveness of South African enterprises.
- Create jobs.

### **Benefits**

The size of the grant must fall within the range of R100 000 to R5 million to a maximum of 55% of the total cost of the feasibility study for projects in Africa and 50% for projects outside Africa.



## **Clothing and Textile Competitiveness Improvement Programme (CTCIP)**

The Clothing and Textile Competitiveness Improvement Programme (CTCIP) aims to build capacity among clothing and textile manufacturers and in other areas of the apparel value chain in South Africa to enable them to effectively supply their customers and compete on a global scale. Such competitiveness encompasses issues of cost, quality, flexibility, reliability, adaptability and the capability to innovate.

### **Objectives**

- The main objective with the CTCIP is to create a group of globally competitive clothing and textile companies, thus ensuring a sustainable environment that will retain and grow employment levels.



### **Objectives**

- Stimulate investment in manufacturing.
- Increase employment opportunities.
- Sustain enterprise growth.

### **Benefits**

- Investment grants of 15% to 30% of the investment cost of qualifying assets (machinery and equipment, buildings and commercial vehicles) for new establishments or expansions.

## **Enterprise Investment Programme (EIP)**

### **Manufacturing Investment Programme (MIP)**

The MIP is a reimbursable cash grant for local and foreign-owned manufacturers who wish to establish a new production facility; expand an existing production facility; or upgrade an existing facility in the clothing and textiles sector.

### **Eligible Enterprises**

- Investors in new and expanding projects in the South African manufacturing industry.



## **Foreign Investment Grant (FIG)**

The Foreign Investment Grant (FIG) compensates qualifying foreign investors for costs incurred in moving qualifying new machinery and equipment (vehicles excluded) from abroad to the Republic of South Africa.

### **Eligible Enterprises**

- Foreign investors that have been approved for Manufacturing Investment Programme (MIP).

### **Objectives**

- Compensate qualifying foreign investors for the costs of moving qualifying new machinery and equipment from abroad to South Africa.

### **Benefits**

A cash grant, to a maximum of R10 million, but the lower cost of:

- 15% of the value of new machinery and equipment; or
- the actual relocation cost of new machinery and equipment.



## **Tourism Support Programme (TSP)**

The TSP is a reimbursable cash grant that aims to support the development of tourism enterprises that will stimulate job creation and increase the geographic spread of tourism investment. The grant is for the establishment

or expansion of tourism operations such as:

- accommodation services;
- passenger transport services;
- tour operators; and
- cultural services, and recreational and entertainment services.

### **Eligible Enterprises**

- Investors in new and expanding projects in the South African tourism industry.

### **Objectives**

- Stimulate job creation.
- Encourage the geographic spread of tourism activities.
- Promote Broad-Based Black Economic Empowerment (B-BBEE).

### **Benefits**

- Investment grants of 15% to 30% of the investment cost of qualifying assets (furniture, equipment, buildings and tourism vehicles) for new establishments or expansions.



## **Production Incentive (PI)**

Under the Production Incentive (PI), applicants can use the full benefit as either an upgrade grant facility or an interest subsidy facility, or a combination of both.

### **Eligible Enterprises**

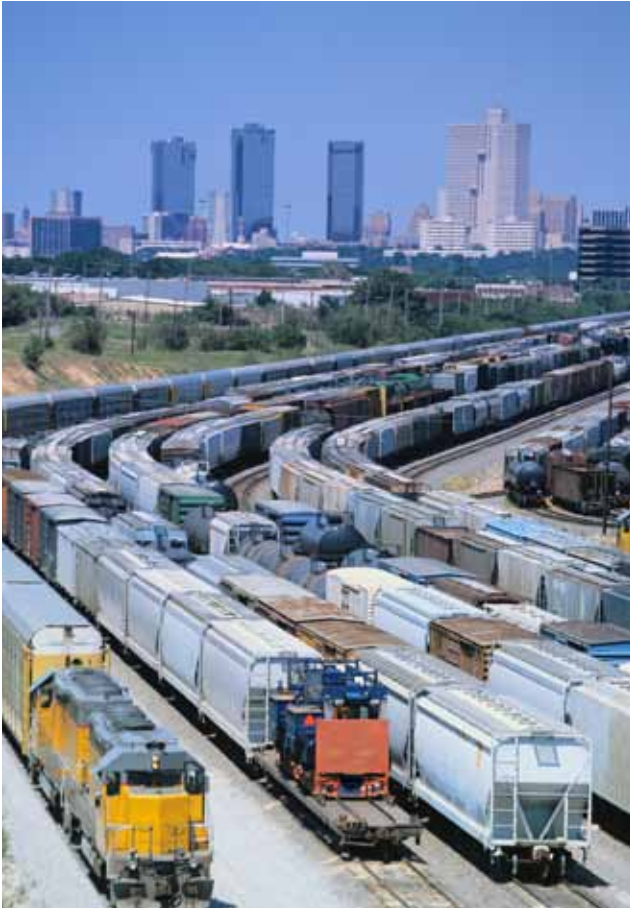
- Clothing manufacturers.
- Textile manufacturers.
- Cut, Make and Trim (CMT) operators.
- Footwear manufacturers.
- Leather goods manufacturers.
- Leather processors (specifically for leather goods and footwear industries).

### **Objectives**

- Assist the industry in upgrading its processes, products and people.

### **Benefits**

- A benefit equal to 10% for the year ending March 2011 of a company's Manufacturing Value Addition (MVA).



## Sector-Specific Assistance Scheme (SSAS)

The Sector-Specific Assistance Scheme (SSAS) is a reimbursable 80:20 cost-sharing grant offering financial support to export councils, joint action groups and industry associations. The scheme comprises two sub-programmes, namely Generic Funding and Project Funding for Emerging Exporters (PFEE). The aim of the SSAS is aligned to **the dti**'s overall objectives in several respects, as indicated below.

### Eligible Enterprises

- Non-profit business organisations in sectors and sub-sectors of the industry prioritised by **the dti**, in respect of (i) generic funding and (ii) project funding provided that the purpose of the organisation and/or its proposed project aims to conform to the objectives of Trade and Investment South Africa (TISA) (a division of **the dti**) and **the dti**'s export strategy.

**SSAS has three components:**

- **SSAS: Generic Funding**

Funding of non-profit business organisations in sectors and sub-sectors of industry prioritised by **the dti**.

**Benefits**

- R50 000 grant for establishing an export council.
- Matching grant based on membership income (for operational costs) in a 2:1 ratio to a maximum of R1 million.
- Local advertising and publicity.
- Marketing materials (export directories and brochures, video and CD-Roms).
- Local exhibition assistance.

- **SSAS: Project Funding**

This is a 80:20 reimbursable cost-sharing grant whereby financial support is granted to Export Councils, Joint Action groups and industry associations aiming at developing particular sectors of the industry, finding new export markets and promoting participation by black SMMEs, women, youth and people with disabilities in the economy.

- **SSAS: Project Funding for Emerging Exporters**

Compensates the costs in respect of activities aimed at the development of South African emerging exporters. The qualifying applicants are export councils, industry associations, provincial investment and economic development agencies, business chambers, (**SEDA**), local municipalities and metropolitan councils.

## **Objectives**

- Develop an industry sector as a whole.
- Develop new export markets.
- Stimulate job creation.
- Broaden the export base.
- Propose solutions to factors inhibiting export growth.
- Promote the broader participation of black-owned businesses and SMMEs in the economy.

## **Benefits**

- Travel and accommodation, transport of samples and marketing materials, exhibition costs.
- Maximum allocation per project is R1,5 million.



## Support Programme for Industrial Innovation (SPII)

The Support Programme for Industrial Innovation (SPII) is a support programme of **the dti**, managed by the Industrial Development Corporation (IDC). The SPII is designed to promote technology development in industry in South Africa through the provision of financial assistance for the development of innovative products and/or processes. The SPII specifically focuses on the development phase, which begins at the conclusion of basic research and ends when a pre-production prototype has been produced.

## **seda Technology Programme (STP)**

### **Objectives**

As part of the government's strategy to consolidate small-enterprise support activities since April 2006, the activities of the Godisa Trust, the National Technology Transfer Centre (NTTC), the three business incubators of **the dti**, the Technology Advisory Centre (TAC), the technology-transfer activities of the Technology for Women in Business (TWIB) programme and the support programmes for small enterprises of the South African Quality Institute were merged into a single programme – the **seda** Technology Programme (STP).

### **Benefits**

- R800 000 for tools, machinery and equipment on a 35:65 cost-sharing basis (contribution by **the dti** = 35%; contribution by the enterprise = 65%).
- R200 000 for business development services on a 50:50 cost-sharing basis.





## Section 3: Women Economic Empowerment Incentives



### **Bavumile**

South African women are gifted and talented in designing and crafting fashionable products for both the local and the international markets, mainly promoting South African Culture and Heritage. However, one of their greatest challenges is to produce quality products that can easily occupy the shelves of many local and international retail shops and boutiques, thus catching the eye of the buyer.

Bavumile was introduced in response to the above and to further implement the objectives of interventions

proposed by two strategies, the Accelerated and Shared Growth Initiative of South Africa (AsgiSA) and the draft Strategic Framework on Gender and Women's Economic Empowerment. Bavumile will ensure the quality production of cultural commercially viable products that are produced by women. By imparting relevant skills and expertise, various products will be identified and prototypes developed. The manufacturing processes will be sequenced in the most efficient order, and the product thus made ready for consumption through different retail shops.



### **Isivande Women's Fund**

Isivande Women's Fund (IWF) is an exclusive women's fund established by the Gender and Women Empowerment Unit of the dit in partnership with Old Mutual's Masisizane Fund. The fund aims at accelerating women's economic empowerment by providing more affordable, usable and responsive finance than is presently the case. IWF targets formally registered enterprises, 60% of which is owned and/or managed by woman. The enterprises must have been existing and operating for two or more years and must fall within a loan range of R30 000 to wR2 million.



## Section 4: Trade, Export and Investment Incentives



### **Critical Infrastructure Programme (CIP)**

The Critical Infrastructure Programme (CIP) is a cost sharing cash grant for projects designed to improve critical infrastructure in South Africa. The grant covers qualifying development costs from a minimum of 10% to a maximum of 30% towards the total development costs of qualifying infrastructure. It is made available to approved Eligible Enterprise upon the completion of the infrastructure project concerned. Infrastructure for which funds are required is deemed to be 'critical': if the investment would not take place without the said infrastructure or the said investment would not operate optimally.

### **Eligible Enterprises**

- Private investors/companies.
- Municipalities

### **Objectives**

- Support competitiveness by lowering business costs and risks.
- Provide targeted financial support for physical infrastructure.
- Stimulate upstream and downstream linkages.

### **Benefits**

- A cash grant to a maximum of 30% capped at R30 million for the development cost for qualifying infrastructure.



## Export Marketing and Investment Assistance (EMIA)

### National Pavilions at International Events

**the dti** assists South African exporters by organising National Pavilions to showcase local products at international trade exhibitions. The EMIA scheme bears costs for space rental, the construction and maintenance of stands, electricity and water charges, as well as freight charges, up to a maximum of three (3) cubic metres or two (2) tonnes per exhibitor.

### International Trade Exhibition Assistance

**the dti** provides financial assistance to export councils, Industry associations, Provincial Trade and Investment Promotion Agencies (PIPAs), Joint Action Groups (JAGs), export clubs and chambers of commerce for international trade exhibitions where there is no National Pavilion scheduled/approved. The EMIA scheme bears costs for rental of exhibition space, stand-building, services, freight-forwarding and travel but will exercise discretion

on the market and sector. If approved, the relevant applicant will manage the entire project on behalf of **the dti**, including all procurement matters.

### **Group Outward-Selling Missions**

**the dti** provides assistance to South African exporters who seek to conclude export orders with foreign buyers. These missions are organised by export councils, chambers of commerce, PIPAs, export clubs or **the dti**.

### **Group Outward-Investment Missions**

**the dti** provides assistance to South African entities that which seek to encourage and attract foreign direct investment (FDI) into South Africa. These missions are organised by export councils, chambers of commerce, PIPAs, export clubs or **the dti**.

Please note that the Group Outward-Investment/Selling Mission offerings also include assistance for:

- Export/Investment seminars and conferences;
- Market research missions; and
- Bidding/Lobbying missions.

### **Eligible Enterprises**

- South African manufacturers and exporters.
- South African export trading houses representing at least three SMMEs or businesses owned by Historically Disadvantaged Individuals (HDIs).

- South African commission agents representing at least three SMMEs/HDI-owned businesses.
- South African export councils, industry associations and JAGs representing at least five South African entities.

### **Objectives**

- Provide marketing assistance to develop new export markets and grow existing export markets.
- Assist with the identification of new export markets through market research.
- Assist companies to increase their competitiveness by supporting patent registrations, quality marks and product marks.
- Assist with facilitation to grow FDI through missions and FDI research.
- Increase the contribution of black-owned businesses and SMMEs to South Africa's economy.

### **Benefits**

- ***Individual exhibition participation:***
  - » Transport of samples
  - » Rental of exhibition space
  - » Construction of stand

- » Interpretation fees
  - » Internet connection
  - » Telephone installation
  - » Subsistence allowance per day
  - » Allowance per day
  - » Return economy-class airfare
  - » Exhibition fees up to a maximum of R45 000.
- **Primary market research and FDI:** Exporters will be compensated for costs incurred recruiting in new FDI into South Africa through personal contact by visiting potential investors in foreign countries.
    - » Return economy-class airfare
    - » Subsistence allowance per day
    - » Transport of samples
    - » Marketing materials.
  - **Individual inward missions:** Assistance under this scheme is extended towards capacity building and skills transfer.
    - » Registration of a patent in a foreign market: 50% of the additional costs, capped at R100 000 p.a.
    - » Return economy class-airfare
    - » Subsistence allowance per day
    - » Rental of exhibition space.



## **Automotive Investment Scheme (AIS)**

The Automotive Investment Scheme (AIS) is 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.

### **Eligible Enterprises**

- Light motor vehicle manufacturers that have achieved, or can demonstrate that they will achieve, a minimum of 50 000 annual units of production per plant, within a period of three (3) years; or
- Component or deemed component manufacturers that are part of the Original Equipment Manufacturer (OEM) supply chain and will achieve at least 25% of a total entity turnover or R10 million 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.

## Objectives

- Strengthen and diversify the sector through investment in new and/or replacement models and components.
- Increase plant production volumes.
- Sustain employment and/or strengthen the automotive value chain.

## Benefits

- The AIS provides for a taxable cash grant of twenty percent (20%) of the value of qualifying investment in productive assets, as approved by **the dti**.
- An additional taxable cash grant of five percent (5%) to ten percent (10%) may be made available for projects that significantly contribute to the development of the automotive sector.



## Section 12i Tax Allowance Incentive (12i TAI)

The 12i Tax Incentive is designed to support Greenfield investments (i.e. new industrial projects that utilise only new and unused manufacturing assets), as well as Brownfield investments (i.e. expansions or upgrades of existing industrial projects). The new incentive offers support for both capital investment and training.

### Objectives

The objectives of the incentive programme are to support the following:

- 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.

### Offerings

- The incentive offers:
  - » R900 million additional investment allowance in the case of any Greenfield project with a preferred status;
  - » R550 million additional investment allowance in the case of any other Greenfield project;
  - » R550 million additional investment allowance in the case of any Brownfield project with a preferred status;

- » R350 million additional investment allowance in the case of any other Brownfield project;
- » An additional training allowance of R36 000 per employee may be deducted from taxable income; and
- » A maximum total additional training allowance per project, amounting to R20 million, in the case of a qualifying project and R30 million in the case of a preferred project.
- » According to the points system, an industrial policy project will achieve 'qualifying status' if it achieves at least five (5) of the total 10 points, and a 'preferred status' if it achieves at least eight (8) of the total 10 points.

### **Targeted Enterprises**

- The investment must be:
  - » A Greenfield project (new project);
  - » A Brownfield project (expansion or upgrade); or
  - » Classified under 'Major Division 3: Manufacturing in the SIC codes'.

### **The project could score points for:**

- Upgrade an industry within South Africa (*via* an innovative process, cleaner production technology or improved energy efficiency);
- Provide general business linkages within South Africa;
- Acquire goods and services from SMMEs;
- Create direct employment within South Africa;
- Provide skills development in South Africa; and
- In the case of a Greenfield project, be located within an IDZ.



## Film and Television Incentive

The South African government offers a package of incentives to promote its film production industry. The incentives consist of the Foreign Film and Television Production incentive to attract foreign-based film productions to shoot on location in South Africa and the South African Film and Television Production and Co-production incentive, which aims to assist local film producers in the production of local content.

## Foreign Film and Television Production Incentive

### Eligible Enterprises

- Foreign-owned qualifying productions with Qualifying South African Production Expenditure (QSAPE) of R12 million and above, provided that at least 50% of the principal photography schedule must be in South Africa, for a minimum of four weeks.

- An applicant must be a Special Purpose Corporate Vehicle (SPCV) incorporated in the Republic of South Africa solely for the purpose of the production of the film or television project.
- An applicant must be the entity responsible for all activities involved in making the production in South Africa and must have access to full financial information for the whole production worldwide.
- Only one entity per film production, television drama or documentary series is eligible for the incentive.

### **Objectives**

- To encourage and attract large-budget films and television productions that will contribute towards South African 's economic development and international profile, and increase FDI.

### **Benefits**

- 15% of the QSAPE; the rebate is capped at R20 million.

## **South African Film and Television Production and Co-Production Incentive**

### **Eligible Enterprises**

- Special-Purpose Corporate Vehicles (SPCV) incorporated in the Republic of South Africa solely for the purpose of the production of the film or television project. The SPCV and parent company(ies) must have a majority of South African shareholders of whom at least one shareholder must play an active role in the production and be credited in that role.
- An applicant must be the entity responsible for all activities involved in making the production in South Africa and must have access to full financial information for the whole production.
- Only one film production, television drama or documentary series per entity is eligible for the incentive.
- The following formats are eligible: feature films, tele-movies, television drama series, documentaries and animation.
- The incentive is available only to qualifying South African productions and official treaty co-productions with a total production budget of R2,5 million and above.

### **Objectives**

- To support the local film industry and to contribute towards employment opportunities in South Africa.

### **Benefits**

- The rebabe is calculated as 35% of the first R6 million of QSAPE and 25% of the QSAPE on amounts above R6 million.



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