

South Africa

Southern Africa Government Grants and Tax Incentives

Research and Development Tax Incentive

This is a tax incentive designed to encourage private-sector investment in scientific and technological research and development (R&D) activities in South Africa. The 150% tax deduction applies to pre-approved projects with expenditure in respect of R&D incurred before 31 December 2033, and translates to a 13.5c saving for every Rand spent.

Qualifying criteria

The applicant must conduct activities aimed at resolving scientific or technological uncertainties that cannot be solved by professionals in the particular field using existing tools and methodologies. The activities can be investigative and/or experimental, the result of which is uncertain, with the purpose of discovering new or innovative technology or knowledge which will be first in the world. Qualifying expenses must be directly and solely for R&D activities undertaken physically in South Africa.

Global Business Services (GBS) Incentive

The GBS incentive provides financial assistance to entities starting or expanding business process service operations in South Africa through offshoring activities. The incentive consists of two components:

- A base cash incentive for non-complex, complex and highly complex jobs created, based on fully loaded costs per job. It is calculated on a reducing scale, from when the job is created, and range from R130 000 to R290 000 per job created (paid out over five years)
- Graduated bonus incentive for greater job creation and sustainability. This is determined and paid out at the end of the fifth year period and is dependent on the number of jobs created and maintained.

Qualifying Criteria:

The following criteria must be met by the applicant:

- Be a registered legal entity in South African and a taxpayer in good standing;
- Be B-BBEE compliant;
- Be involved in starting a new operation or in expanding an existing operation;
- Have secured at least one three-year fixed-term contract for offshore activities;
- Submit the application prior to the engagement of qualifying jobs;
- Pay a minimum wage of five thousand rand (R5 000) per month;
- The project must be financially viable and a going concern.
- The following is considered when determining eligibility:
 - Projects performing mostly non-complex jobs must create a minimum of 50 new offshore jobs within three years from start of the operation and employ at least 80% youth;
 - Projects performing mostly complex and highly complex jobs combined must create a minimum of 30 new jobs within three years from start of the operation and employ at least 60% youth; and
 - The project must commence with operations and employment not later than six months from the date of approval.

For any assistance regarding the South African incentives, please contact Elizabeth Lombaard at elizabeth.lombaard@kpmg.co.za