



Enterprise Development Consultants

Take advantage of Lucrative Tax-Free Cash Incentives!

Enterprise Investment Programme

The current Department of Trade and Industry (DTI) incentive programme, known as the **Enterprise Investment Programme** (EIP) incentivises entities that are engaged in the Manufacturing (includes agro-processing) and Tourism sectors.



Who qualifies?

- **New or Expanding Entities** involved in Manufacturing or Tourism activities

Qualifying Entities:

- **Companies** (including divisions and branches)
- **Close Corporations**
- **Co Operatives**

An expanding entity that is regarded by the DTI as non-qualifying (sole proprietor / partnership / trust*) will be eligible to apply if they elect to convert to a qualifying structure.

* Trusts formed in terms of the communal property act are regarded by the DTI as qualifying in terms of the tourism sector.

Submission of an EIP Application to the DTI:

It is a condition of the EIP Incentive Programme that applications be received by the DTI at least three months before the investment assets are brought into commercial production (manufacturing) or the start of commercial trading (tourism).

Incentive and Claim Periods

Qualifying assets (see MIP/TSP Incentives) up to a maximum of R200 million are incentivised over a

- Investment: **Less than R5 million - 3 years**
More than R5 million - 2 years

Incentive Percentages

- **Less than R5 million**
- 10% per year for three years (30%)
- **R5 million - R30 million**
- sliding % scale (30% - 15%) over two years
- **More than R30 million**
- 15% over two years

Manufacturing Investment Programme (MIP)

Qualifying Assets:

- **Plant and Machinery at cost**
- **Land and Buildings - Owned***
- **Land and Buildings - Rented****
- **Customised Commercial Vehicles*****

* Limited to cost of qualifying plant

** Rental year 1 - capitalised at 20% (limited to 20% of plant)

*** Customised for project / forklifts (limited to 20% of plant)

Second-hand Assets

- **Projects up to R5 million** - all plant and machinery may be acquired second-hand from machine dealers, auctions, liquidations* or existing manufacturers*

* unconnected parties

- **Projects over R5 million** - second-hand plant acquired as per above must be matched on a 1 : 1 basis with new plant

Exception

At least 51% of the claiming entity is BEE / Women-owned

Expansions of Existing Manufacturing Entities

Expanding entities are eligible to apply for the MIP provided they achieve the following conditions as measured from the financial year end prior to the commissioning of the expansion:

- Investment in Plant and Machinery by the end of the first contractual year.
 - **Project more than R5 million** - 35%
 - **Project Less than R5 million and existing assets less than R5 million** - 30%
 - **Clothing and textile manufactures** - 10%
- Year 1's turnover to increase by minimum 15%
- Year 2's turnover to increase by minimum 25%
- May not erode current labour headcount

Qualifying Assets:

- Furniture and Equipment at cost
- Land* and Buildings - Owned
- Land and Buildings - Rented**
- Tourism Vehicles (including buses, boats and railway coaches)

* Cost of land limited to 20% of building cost

** Rental year 1 - capitalised at 20% and further adjusted by the DTI to determine the qualifying value

Mandatory Conditions

The following mandatory conditions must be attained by the applicant:

- The project must be situated outside the following metropolitan areas* (see detailed maps on EDC website):
 - Johannesburg
 - Cape Town
 - Durban (eThekweni)
- Projects located within the above areas may apply provided they are located in a "marginalised area" (unemployment of more than 25%)
- The project must attain at least a level 4 BBBEE rating (new projects / projects with an annual turnover of less than R2.5 million are deemed level 4)
- The project must create a certain minimum number of jobs as determined by the size of the qualifying investment (see EDC website for tables)

Qualifying Activities:

- Short Term Accommodation (hotels, motels, bed and breakfasts, guest houses, lodges, backpackers, fixed tents and caravans)
- Tour Operators (buses, coaches, tourism vehicles)*
- Private Railways and Funicular Railways*
- Water Transport Vehicles * (charter boats, sight-seeing and excursion craft)

* The project is eligible to apply for TSP incentives where the administration offices are located outside of the three non-qualifying metro's or in a "marginalised area"

Second-hand Assets

- Projects up to R5 million - all furniture and fixtures can be acquired second-hand from dealers, auctions, liquidations* or existing projects*
* unconnected parties
- Projects more than R5 million - second-hand furniture and fixtures acquired as per above must be matched on a 1 : 1 basis with new furniture
- Exception
At least 51% of the claiming entity is BEE / Women-owned

Expansions of Existing Tourism Entities

Expanding entities are eligible to apply for the TSP provided they achieve the following conditions as measured from the financial year end prior to the start of commercial trading:

- Expansion must result in an increase in capacity (bed nights / seats) and furniture of at least 30%
- Year 1's turnover to increase by minimum 15%
- Year 2's turnover to increase by minimum 25%
- Entity must increase employment headcount (number of additional jobs determined by project size - see EDC website for tables)

Enterprise Development Consultants (EDC) is a privately owned consultancy practice that specialises in Department of Trade and Industry (DTI) incentives. The DTI have over a number of years formulated incentive packages whereby new or expanding entities that are involved in 'qualifying activities' are able to apply for Tax Free Incentives.

The management of EDC have collectively in excess of 30 years experience in DTI incentives and are 100% involved in the application and subsequent claiming processes. A performance related fee structure assures our clients that an application submitted by EDC is likely to qualify for the relevant incentive benefit. Further EDC are committed to ensuring clients claims are paid by the DTI within the shortest possible time frame.

An overall "application approval" success rate in excess of 97% (in terms of the DTI's previous SMEDP incentive programme) and a current approval success rate of 95% in terms of the EIP, backs up the above statement and indicates management's commitment in ensuring that incentive applications are approved by the DTI, thus ensuring our clients are in line to claim these lucrative incentive benefits, subject to the attainment of the relevant performance criteria.



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