



Special Economic Zones (SEZs)- Income Tax Benefits

17 August 2021



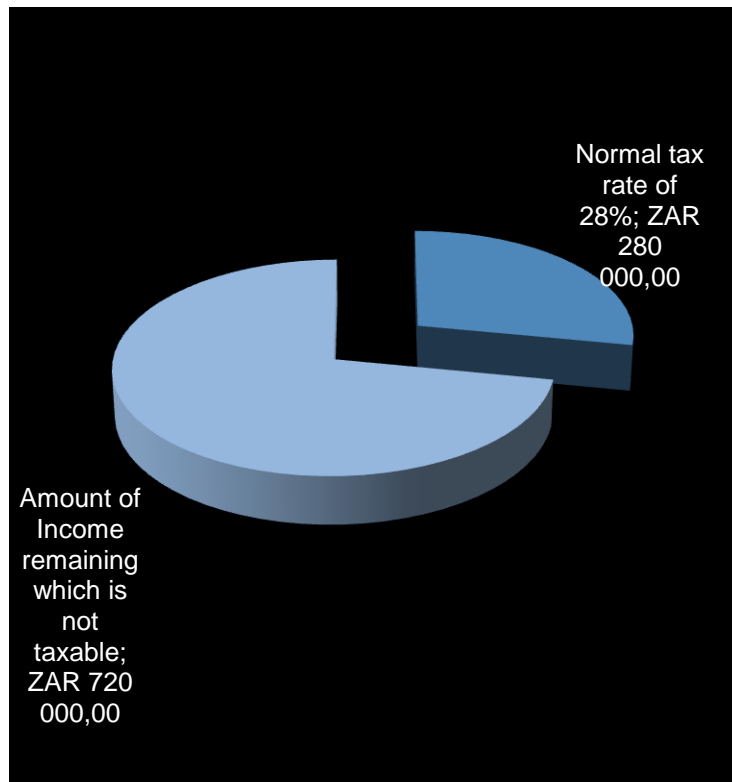
Background to Special Economic Zones



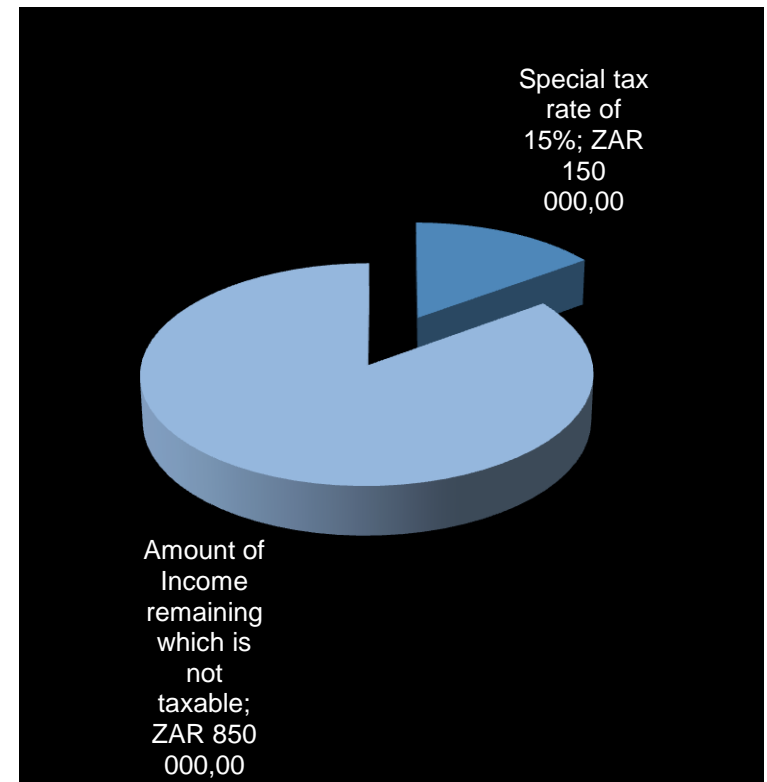
- Government is expanding its manufacturing drive by boosting existing its IDZ effort and creating SEZs
- IDZ's have long provided special customs and VAT incentives
- Section 12R- Qualifying companies will be subject to a reduced CIT tax rate of 15%.
- Section 12S qualifying companies within SEZs will get extra accelerated allowances on buildings and improvements to buildings if they own the buildings
- Both 12R and 12S subject to a sunset clause with the incentives ceasing to apply in respect of any year of assessment commencing on or after 1 January 2031

Comparison of tax paid on R1million taxable income

At a tax rate of 28%



At a tax rate of 15%





Restrictions on Income Tax incentives

- The Minister of Finance needs to approve SEZ for purposes of application of section 12R
- 6 July 2018 the following SEZs approved:
 - Coega
 - Dube
 - East London
 - Maluti-A-Phofung
 - Richards Bay
 - Saldanha Bay

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Restrictions on Income Tax incentives

- Is some general anti-avoidance legislation to ensure additionally and counter transfer pricing
 - Even though may be a qualifying company cannot partake in section 12R benefit if company conducts certain activities
 - Also government gazette which excludes companies which conduct certain activities in terms of certain SIC codes
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- General principle to limit to manufacturing activities

Notice in terms of 12R(4)(4)

- Gazetted 15 April 2016
- Industry types excluded per Std Industrial Classification, including:
 - Retail or wholesale trade excluding motor vehicles & motor cycles
 - Transportation and storage → land transport, water transport; air transport; travel agency activity; support activities for transportation; postal & courier activities
 - Accommodation and food service activities
 - Information & communication-telecommunications; computer programming, consultancy; data processing & hosting activities
 - Financial & insurance activities
 - Real estate activities
 - Professional, scientific & technical activities
 - Administrative & Support activities
 - Repair of personal household goods; repair of computers and communication equipment



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Contact Details



Taxpayers wishing to apply for an advanced tax ruling are referred to the SARS website where more information is available at:
<http://www.sars.gov.za/Legal/Interpretation-Rulings/Pages/Advance-Tax-Rulings-ATR.aspx>

Taxpayers wishing to apply for a non-binding opinion may apply at the following email address: CITOpinions@sars.gov.za

Thank you
Re a leboha
Re a leboga
Ndza Khensa
Dankie
Ndi a livhuwa
Ngiyabonga
Enkosi
Ngiyathokoza