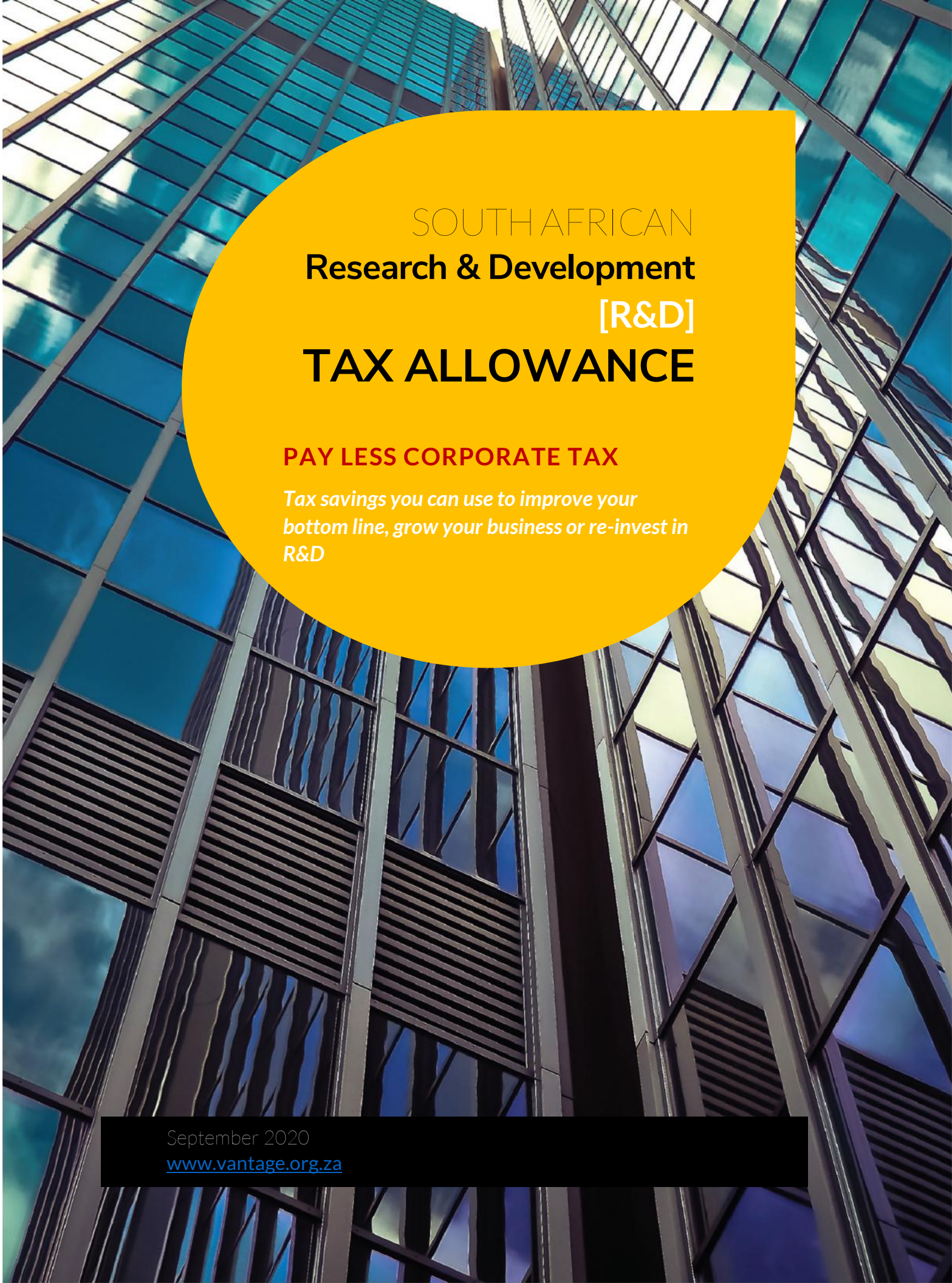


SOUTH AFRICAN

Research & Development [R&D] TAX ALLOWANCE

PAY LESS CORPORATE TAX

Tax savings you can use to improve your bottom line, grow your business or re-invest in R&D

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www.vantage.org.za

OVERVIEW OF THE R&D TAX ALLOWANCE

The South African R&D Tax Allowance is aimed at encouraging businesses to undertake and invest in R&D in South Africa. The objective is to help companies build capabilities to create new products, processes, devices and techniques, or significantly improve existing ones.

The Research and Development (R&D) Tax Incentive provided under Section 11D of the Income Tax Act.

A company undertaking R&D in the Republic of South Africa qualifies for a 150% tax deduction of its operational R&D expenditure. This incentive is available to businesses of all sizes in all sectors of the economy. It only applies to companies that are registered in South Africa.

All the eligible R&D expenditure will qualify for an automatic 100 % tax deduction. An additional 50 % uplift applies to expenditures on R&D activities that have been approved by the Minister of Science and Technology.

WHAT ARE THE BENEFITS TO MY COMPANY?

The R&D tax incentive is an effective additional 50% 'super' tax deduction on eligible R&D expenditure. This equates to an effective 14% tax benefit. For example, if you plan to spend R10m on eligible R&D, the tax saving will be R1.4 million (R10 million eligible spend x 50% super deduction x 28% corporate tax rate).

The R&D tax deduction can be applied to a profit-making business to reduce the tax burden, or carryover as a tax credit for future tax offset.

Ultimately you pay less income tax. Savings that you can use to improve your bottom line, grow your business or re-invest in R&D

HEADLINE INCENTIVES

- SUPER DEDUCTION

The R&D Tax Incentive offers an effective additional 50% tax deduction. This is over and above the usual 100 % deduction allowed on revenue expenditure.

- PILOT PLANT

Additionally, a pilot/prototype plant that is used exclusively for R&D may be claimed at 150 %. This can be written off in the year that it is bought into use, rather than writing off these assets over a period of time.

- ACCELERATED DEPRECIATION

Accelerated allowance available for machinery and plant (other than a pilot/prototype plant) acquired/brought into use for the purpose of R&D - 50 % in the year it is brought into use, 30 % in the year thereafter and 20 % in the third year.

HOW TO QUALIFY

To access the programme, a company must submit an application to the Department of Science and Technology (DST), which is responsible for the administration of the Tax Allowance. The application form must be lodged with the DST before commencing with the R&D. Only the expenditure incurred on or after the date

on which the DST received the application will be considered.

HOW TO GET APPROVAL FOR THE R&D TAX ALLOWANCE?

A special governmental body within the Department of Science and Innovation called the Adjudication Committee, determines which activities or projects are eligible for R&D Tax Allowance 'Super' 50% Deduction.

WHAT IS ELIGIBLE R&D?

For purposes of the R&D Tax Allowance, eligible R&D activities are defined as follows:

Systematic investigative or systematic experimental activities of which the result is uncertain for the purpose of:

- discovering non-obvious scientific or technological knowledge
- creating or developing an invention, a functional design, an innovative computer program, or knowledge essential to the use of the aforementioned
- significantly and innovatively improve an invention, design, computer program or knowledge for the purpose of a new or improved functionality, performance an improvement in performance, reliability or quality
- Creating or developing a multisource pharmaceutical product
- Conducting a clinical trial

At Vantage, we recognise that the criteria appears quite technical and sounds complicated. We can you assist.

VANTAGE SERVICES

VANTAGE helps companies explore this generous tax saving opportunity.

We will:

- Determine if your R&D activities are eligible
- Prepare your application for approval
- Help your team ensure compliance to SARS requirements
- Conduct awareness and education workshops

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