

DC CAPITAL

APDP / AIS

Effective 1 July 2021

 Incentives

Business Overview

- ▶ Proven track record over 30 years
- ▶ Staff complement of over 100 people
- ▶ Leading service provider to the automotive industry
- ▶ Many established client & supplier relationships
- ▶ National footprint
- ▶ Well capitalised, strong balance sheet
- ▶ Trade over \$1bn a year in forex

Tailored Solutions

- ▶ **Incentives:** Specialist advisory, funding & administration services to SA businesses who participate in industry-specific government incentive programmes
- ▶ **Freight Forwarding:** Handling your transport needs with care & professionalism
- ▶ **Procurement:** A total supply chain solution
- ▶ **Funding:** Financing inventory & debtors for importers, exporters and local manufacturers
- ▶ **Forex:** Managing your forex exposures while you focus on your business growth
- ▶ **Insurance Broking:** Advice on how best to manage exposure to unforeseen loss or potential future liabilities
- ▶ **Advisory:** Trusted Advisor to privately owned businesses & publicly listed entities

Automotive investment scheme (AIS)

Available since 2010 this capital investment incentive assists automotive manufacturing companies who are investing in machinery, equipment and tooling to produce components or tooling for the automotive supply chain

- ▶ Benefit:
 - ▶ 25% of qualifying Investment
- ▶ Qualifying Investment:
 - ▶ Plant and Machinery
 - ▶ Owned Buildings
 - ▶ Tools, Jigs, Dies
 - ▶ IT Systems used in production
- ▶ Competitiveness Enhancement Costs (R2m)

Automotive investment scheme (AIS)

- ▶ B-BBEE and Tax compliant
- ▶ Components or tooling to be manufactured for the OEM supply chain
- ▶ At least 25% or R10m annual turnover received from OEM supply
- ▶ Invest a minimum of R2m
- ▶ No reduction in employment allowed
- ▶ Submit application at least 90 days prior to the SOP

Duty Recoveries

Customs/import duties are imposed on certain goods that are imported into South Africa. Import duties are imposed to protect local industries. When sourcing raw material or components it is important to always keep in mind that certain items may be subject to import duties, however these duties can sometimes be claimed back

521

- ▶ Drawback item 521.00 provides for drawback of Customs duty on imported components and materials used in the manufacture, processing, finishing, equipping or packing of goods exported.

522

- ▶ In terms of this item, when goods are imported and re-export in its original form, it poses no threat to the local market and therefore duties can be recovered upon export.

536

- ▶ Automotive component manufacturers who import **components** (raw materials excluded) for use in manufacturing automotive components often pay Customs duty on these components. Refund item 536 was introduced by Customs & Excise to claim back these duties

APDP 2 OBJECTIVES & LEGISLATION

APDP 2 Objectives

To support the vision of the South African Automotive Masterplan of creating a “globally competitive and transformed automotive industry that actively contributes to the sustainable development of South Africa’s productive economy, creating prosperity for industry stakeholders and broader society”.

Effective 1 July 2021

317.04 - INDUSTRY: SPECIFIED MOTOR VEHICLES (PHASE 2)

This item and the Notes thereto provide for the implementation of the Automotive Production and Development Programme Phase 2 (APDP 2) introduced by the International Trade Administration Commission of South Africa (ITAC).

APDP eligible entities and products

- ▶ Final Manufacturer based in South Africa
- ▶ Registered with SARS
- ▶ Registered light motor vehicle manufacturers manufacturing specified light motor vehicles
- ▶ Automotive component manufacturers and automotive tooling manufacturers, for which an eligible production certificate (EPC) was issued
- ▶ B-BBEE compliant in terms of the B-BBEE codes
- ▶ Specified motor vehicles that are light motor vehicles consisting of motor cars (including station wagons), minibuses and light commercial vehicles, fitted / *not fitted* with an engine and gear-box, manufactured in a licensed, special vehicle manufacturing warehouse;
- ▶ Automotive components and tooling; and
- ▶ Automotive components applicable to heavy motor vehicles

"AUTOMOTIVE TOOLING" MEANS

- ▶ dies for drawing or extruding metal, of subheading 8207.20;
- ▶ tools for pressing, stamping or punching, of subheading 8207.30;
- ▶ work holders of subheading 8466.20;

The part of a machine tool that holds the object being worked on; the headstock of a lathe.

- ▶ assembly jigs and assembly lines, of subheading 8479.89; and
- ▶ injection moulds, moulding patterns and moulds of heading 84.80, where the principal use is for the manufacture of specified motor vehicles, heavy vehicles as defined in note 1 to rebate item 317.07 and automotive components for such motor vehicles.

B-BBEE REQUIREMENTS

It is now required to complete your B-BBEE contribution level on the Form C2 and SMD.

Value addition from participants who are not compliant with the above levels will be excluded from the year following the due date of certificate submission until the compliant level is adhered to. In this case, the user must deem the applicable goods as non-qualifying at the weighted average purchase price.

YEAR	Component Manufacturer	OEM	New Entrants
2021	No requirement	Level 6	Level 8
31 Dec 2022	Level 6	Level 4	Level 6
31 Dec 2023	Level 4	Level 4	Level 4

APDP QUALIFYING CRITERIA

- ▶ The products must be wholly manufactured in South Africa;
- ▶ The products listed must be covered by an EPC certificate
- ▶ Not less than 25 per cent of the ex-factory selling price be represented by the sum of
 - ▶ The cost of labour incurred in South Africa;
 - ▶ The value of materials originating in the SACU;
 - ▶ The factory overhead expenses incurred in South Africa;
- ▶ The final process of manufacture was carried out in South Africa (Excl. operations that consist only of packing or painting)

APDP QUALIFYING CRITERIA Cont..

- ▶ Manufacturers of components and/or tooling must achieve a local and/or international OEM supply chain turnover of at least 25% of total automotive turnover or R10m p.a, whichever comes first.
- ▶ Components manufactured for which a PI is claimed must be:
 - ▶ Part of a local or international OEM supply chain;
 - ▶ Replacements parts manufactured by a manufacturer.
- ▶ The validity date of eligible production certificate will commence from the first day in which the application was submitted to ITAC. However, ITAC reserves the right to review the period of validity should the need arise

APDP Benefits

▶ 25% deemed SVA applied Standard Materials on Application for Production Rebate Certificate (must be local materials)

▶ Listed Standard Materials are:

Aluminium	Platinum Group Metals
Brass	Stainless steel
Leather	Steel

PI Factor 1 July 2021 – 31 December 2035 = 62.5%

APDP PI CALCULATION

The PI is calculated as follows:

		APDP 2
Invoice price		1 230
Less	Effective SMD	750
	Non Standard Materials (Local)	450
	75% of Standard Materials	300
	Standard Materials	400
	Less 25% deemed value add	(100)
Value Addition (PRC application)		480
PI Factor (for 2021 for APDP2 & 2020 for APDP)		62.50%
PRCC Value APDP1		300
PRC Value (APDP2 @ rate per product applied for) (Components at a rate of 20%)		60

** benefit based on duty applicable to Customs Value claimed

WHAT CAN / CAN'T WE CLAIM

Claimable

- Components must be:
 - Locally produced
 - Paid for
 - Covered by the EPC
- Sold to:
 - Export (outside SACU) at FOB price
 - Local replacement market
 - Includes 3rd parties and related companies (at arms length)
 - OEM Spares / Replacement market

Unclaimable

- Imported components
- Locally purchased component not further manufactured
- Manufactured components not meeting the 25% local value addition
- Sold to:
 - Local OEMs for fitment online
 - Further local manufacturers
 - Products not listed on EPC

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