

The background of the slide features a hand holding a tablet, with a large digital globe and network graphics overlaid. The globe is blue and shows the continents, with various icons and lines representing data and connectivity. The hand is wearing a grey sleeve.

SARS SEZ

South African Revenue Service



16 May 2024

Strategic Objectives Alignment

A SMART, MODERN SARS WITH UNQUESTIONABLE INTEGRITY, TRUSTED & ADMIRER

SO:1

Create awareness, clarity and certainty to SMME Taxpayer and Trader.

SO:2

Make it easy for SMME Taxpayer and Trader to comply.

SO:8

Work with and through stakeholders to improve the tax ecosystem.

Background to Special Economic Zones



- Government expanded its manufacturing drive by boosting its existing IDZ effort and creating SEZ's
- IDZ's have long provided special Customs and VAT incentives
- 2013 introduced CIT incentives from the date Special Economic Act came into operation
- 9 February 2016 President signed the SEZ Act into operation.
- Also 9 February 2016 the regulations to the SEZ Act were promulgated into the government gazette.

Special
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Introduction to SARS SEZs



- **Fiscal incentives** entail government revenue contribution exemptions that are otherwise due by the general population. They include both incentives related to corporate taxes, i.e. corporate income tax (CIT), value-added tax (VAT), export tax, property tax, withholding tax and customs duties on the import and export of products. Examples of tax incentives are tax holidays, special deductions, credits and deferrals.
- **Financial incentives** are direct or indirect transfers of funds/liabilities to benefit a particular business/activity/sector; or advantageous provisions of goods and services; or specific payments-in-kind, which benefit only the investor in question. Examples of financial incentives are matching grants, reduced interest rate loans, and reduced prices on land.
- Both fiscal and financial incentives are, or can be, quantifiable and are directed towards specific types of enterprises with a goal of steering investment into a particular area or to influence their character and behaviour.

Income Tax



- **Section 12R** – Qualifying companies will be subject to a reduced CIT tax rate of 15%
- Restrictions on the Income Tax Incentives - (Companies will be disqualified from the SEZ income tax incentive if more than 20% of its deductible expenditure incurred or gross income arises from transactions with connected persons):
 - :90% of income must be derived from business or services within the SEZ
 - Legislation to address concerns that profits may be artificially shifted into SEZ approved companies
 - The Minister of Finance needs to approve the SEZ for purposes of application of Section 12R

IT cont.



- The following SEZ's have been approved however only five (5) are currently operational:
 - Atlantis SEZ
 - Coega – (operational)
 - Dube – (operational)
 - East London – (operational)
 - Mauti-A-Phofung
 - Musina/ Makhado SEZ
 - Nkomazi SEZ
 - OR Tambo SEZ
 - Richards Bay – (operational)
 - Saldanha Bay – (operational)
- Even though you could be a qualifying company you cannot partake in Section 12R benefits if the company conducts certain activities
- The Government Gazette also excludes companies which conduct certain activities in terms on certain SIC codes

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IT cont.



Restrictions on Income Tax incentives

- 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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IT Cont.



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

IT Cont.



Income Tax incentives

- Section 12S qualifying companies within SEZs will get extra accelerated allowances on buildings and improvements to buildings
- Both 12R and 12S subject to a sunset clause:
Initially till 2024, **revised to 2031**; alternatively, 10 years from commencement of trade within an SEZ
 - 12R - *This provision ceases to apply in respect of any year of assessment commencing on or after 1 January 2031*
 - 12S - *provision ceases to apply in respect of expenditure incurred during any year of assessment commencing on or after 1 January 2031*
- S12I—Industrial policy investment projects (*almost at its end*)
- s11(e) – Depreciation allowance
- s12B, 12C ,12D capital allowances- machinery and plant (manufacturing allowances), hotels, ships, aircraft, pipelines, transmission lines and railways
- s12F-Airport and Port Assets -5% annual deduction on the cost of acquisition
- s12H-Learnership allowance-
 - Employer gets deduction between R20,000 to R60,000, in each of year of learnership
 - Employer gets deduction at end of learnership –R20,000 to R60,000.00 for each year completed.
- 12J-Venture Capital Company (VCC) regime

IT Cont.



- s37B- Deduction of an allowance in respect of environmental treatment and recycling asset
- s37C and 37D-Deductions in respect of environmental conservation and maintenance
- s12K Certified emission reductions – tradable carbon emissions
- 12L Energy savings incentive
- s11D –R &D allowances-150%
- Small business turnover tax –turn over less than R1 million
- Small Business Corporations (gross income of less than R20 million)-
 - Accelerated depreciation allowance on plant and machinery- all yr 1
 - Improved tax rates – on graduated basis

Some other
allowances/in
centives

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

Value-Added Tax (VAT)



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- The VAT policy intention is for the alignment to the SEZ objective via the introductions of a VAT incentive which is only applicable in the Customs Controlled Area (CCA) of the SEZ.
- The CCA is a designated approved area [approved by SARS, DTI (DG: T&I)] within an SEZ having entrances and exits controlled by SARS Customs where approved enterprises and business activities will be conducted.
- The Customs Controlled Area Enterprise called a CCAE is an approved business holding a valid SEZ permit, situated in a CCA and is referred to for VAT purposes as a Vendor. The CCAE could be a storage warehouse, Rebate Stockist, Manufacturer and therefore are required to be licences/registered as a Customs client.
- Within the SEZ there are also Industries and Services Areas (ISA), these could be industrial and office park environments surrounding the CCA and occupied by service providers supplying local raw materials or services to the CCAE's and SEZ operators.
- There is a two-fold approach to the VAT Incentive:
 - Policy and legislative amendments concluded in 2003
 - Operational impact – New Customs and VAT procedures to evidence movement of goods and rendering of services

VAT Cont.



- The specific legislative measures applicable to the specific zero rating of goods and services are:
 - Section 11(1)(c) – lease of goods under a rental agreement
 - Section 11(1)(d) – sale of goods that were imported and not entered for home use
 - Section 11(1)(m) – sale of goods to the CCA (excluding motor cars)
 - Section 11(1)(mA) – sale of fixed property situated in a CCA
 - Section 11(2)(k) – services rendered in a CCA

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VAT Cont.



- The specific legislative measures applicable to the specific exemption of goods imported into a SEZ are:
 - Item 498 in Schedule 1 – goods imported into the CCA
 - Item 498.01 for the CCAE
 - Item 498.02 for the SEZ Operator
- Specific exclusions are:
 - Denied input tax – motor cars and entertainment
 - Adjustments – timeframes and partially taxable CCAE
- The applicable form from a VAT perspective is the VAT 267 –
“Declaration in respect of goods and services supplied and delivered / rendered to a CCAE* / SEZ Operator* in a CCA* and the temporary admittance / removal of goods to / from a CCA”

VAT Cont.



- SARS has also published an Interpretation Note to clarify the VAT incentives – Interpretation Note No 40 (Issue 3) - [IN 21 - 40 | South African Revenue Service \(sars.gov.za\)](#)
 - This note applies to the Supply of Goods to a CCA:
 - ❖ RSA Storage Warehouse to CCAE Storage Warehouse
 - ❖ RSA Storage Warehouse to CCAE Rebate Store
 - ❖ Foreign supplier to CCAE Rebate Store
 - ❖ Foreign supplier to CCAE Storage Warehouse
 - ❖ RSA Rebate Store to CCAE Rebate Store – delivery in CCA
 - ❖ Vendor to CCAE/SEZ Operator inside CCA
 - The Incentive applies to the following transaction types:
 - ❖ Lease of goods
 - Vendor to CCAE/SEZ Operator – exclusive use
 - CCAE to another CCAE – exclusive use in CCA
 - ❖ Services
 - Vendor to CCAE/SEZ Operator in CCA
 - CCAE rendered to another CCAE in the CCA

VAT Cont.



➤ There are exclusions as follows:

❖ General:

- The domestic sale or importation of a motor car
- Goods that were temporarily removed from the CCAE and not returned
- within thirty (30) days (liability for tax at a rate of 15%)

❖ Specific:

- CCAE Rebate Store to RSA Rebate Store / Vendor in RSA / another
- CCAE Rebate Store – recipient collects
- RSA Rebate Store to CCAE Rebate Store – delivery outside CCA
- Vendor to CCAE/SEZ Operator outside CCA
- CCAE Storage Warehouse to a Vendor after home use entry / CCAE
- Rebate Store – recipient collects
- Permanent Removal of Goods from a CCAE Storage Warehouse to RSA

VAT Cont.



- In order to access the incentive, the following applies:
 - ❖ You must be a CCAE and a vendor
 - ❖ If not a vendor – registration is done through the RAV01
 - ❖ If already registered or once registered as a vendor any VAT incurred is refunded by completing and filing the VAT 201
 - ❖ Administration of the relief is mainly evidenced by completing and retaining the VAT 267 and the SAD 500 (for goods where a Customs procedure applies, and the VAT 267 (for goods where no Customs procedure applies and for services)

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Customs



- **Legislation**

- **DTI** – it is the Manufacturing Development Act No 187 of 1993 and the Government Notice R 1224 of December 2000
- **Customs** – the following is applicable, Section and applicable Rules to 21A, Rebate Item 498 and the applicable Schedules
- **Licensing, Registration, Designation** – for participation there are various requirements, and these are explained on our web page – www.sars.gov.za, under Customs & Excise, RLA. The applicable form is the DA185 and the appropriate annexures to this form

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Customs Cont.



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- **Definitions**

- **Customs Controlled Area (CCA) SARS office** means a South African Revenue Service (Customs and Excise) office located at the entrance and exit to the CCA of an SEZ operating under the Controller for the area within which the SEZ is designated which has been established by the South African Revenue Service on premises provided by an SEZ Operator for the purpose of performing its functions in relation to any activity carried on in that CCA
- **CCA enterprise** means any juristic person permanently located in a CCA and who is registered or licensed as contemplated in Customs and Excise Rules

Customs Cont.



- **Definitions cont.**
 - **Customs and Excise control** means measures applied to ensure compliance with Customs and Excise laws and procedures
 - **Customs and Excise laws and procedures** shall have the meaning assigned thereto in Rule 59A.01(a);
 - **Customs and Excise warehouse** means a licensed Customs and Excise manufacturing or storage warehouse;
 - **SEZ Operator means** the holder of a valid SEZ Operator permit granted by the Minister of Trade and Industry;
 - **Licensed**, Licensee or any cognate expression means any person or premises licensed in terms of any provision of the Act;
 - **Manufacturing warehouse** means a licensed Customs and Excise manufacturing warehouse;
 - **Registered or any cognate expression** means registration in terms of Section 59 and its Rules or any other provision of the Act;

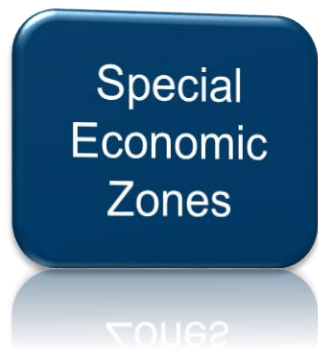
Customs Cont.



- **Definitions cont.**
 - **Regulation or “regulations”** means a regulation or regulations, or any amendment thereof enacted in terms of the Manufacturing Development Act, 1993 regulating any matter relating to an SEZ or a CCA;
 - **Storage warehouse** means a licensed Customs and Excise storage warehouse;
 - **The Act** includes any provision of “this Act” as defined in Section 1 of the Customs and Excise Act, 1964 (Act No. 91 of 1964);

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Customs Cont.



- **Who needs to do what:**
 - **IDZ Operator**
 - ❖ Operator (register)
 - ❖ Importer/Exporter (register)
 - ❖ Rebate user (register)
 - ❖ CCA (designation)
 - **CCA Enterprises**
 - ❖ Rebate user (register)
 - ❖ Importer/Exporter (register)
 - ❖ Manufacturing warehouse (license)
 - ❖ Storage warehouse (license)
- **Rebate Provisions**
 - Rebate Item 498.00 provides for the SEZ Operator and CCA Enterprises to import goods of any description into the CCA without the payment of Customs duty and VAT for manufacturing purposes or for the basic structural elements permanently installed in a CCA.
 - The rebate provision is sub divided into –
 - ❖ **498.01** = Goods of any description imported by a registered CCA enterprise into the CCA

Customs Cont.



- **Rebate Provisions cont.**
 - The rebate provision is sub divided into –
 - ❖ **498.02** = Goods of any description imported by a registered SEZ operator for use in the construction and maintenance of the infrastructure of a CCA in an SEZ. Infrastructure in item 498.02 shall be limited to the basic structural elements permanently installed in a CCA, including sanitation, supply of electricity, roads, bridges, buildings etc.
 - Any application for registration as a rebate user in a designated CCA will only be considered if the applicant complies with the provisions of Section 75(2) and Rules 75.01 to 75.10 thereto.
 - The surety that would be required must cover the duty which would be payable in normal circumstances if no rebate provision existed.

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

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