



# Government grants for the Agricultural Sector

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Land Summit  
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# Who are Cova Advisory & Associates?

- Professional advisory firm established in 2012
- Founded by Duane Newman (ex-Deloitte) and Mr Tumelo Chipfupa (ex-DTI)
- Duane Newman is chairman of the Incentive Consultants Association (ICA)
- Head office in Johannesburg - service clients throughout South Africa
- Assist South African enterprises to access government grants / incentives
- The largest dedicated incentives advisory team in South Africa
- Majority black owned
- One of only 7 organisations accredited by SANAS to perform the baseline Measurement & Verification (M&V) for the Section 12L Tax Allowance Incentive for Energy Efficiency
- **Why use a Consultant?**

# Incentives Landscape – South Africa

DTI Financial Year 2016 – 2017

**R12.8 billion** – Total grants, tax allowances and loans from the DTI

**R39.4 billion** – Projected investment

**38,000** – Projected number of jobs to be retained



# Incentives available throughout the entire Business Cycle



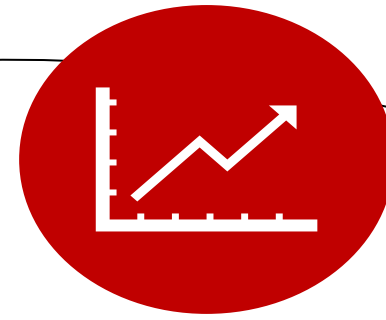
## Research & Development

- Support Programme for Industrial Innovation
- Section 11D Tax Allowance Incentive
- Technology & Human Resources for Industry Programme (THRIP)
- TIA Funding



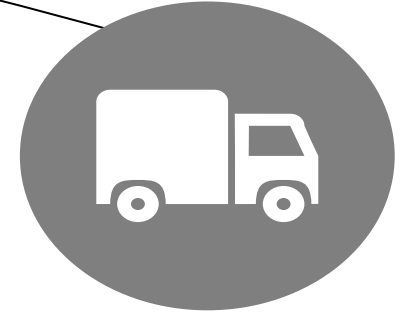
## Enterprise Development

- Strategic Partnership Programme
- Black Industrialists Scheme
- Section 12I Tax Allowance Incentive
- Critical Infrastructure Programme
- Aquaculture Development & Enhancement Programme
- Comprehensive Agricultural Support Programme (CASP)



## Competitiveness

- Agro-Processing Support Scheme
- Jobs Fund
- Section 12L Tax Allowance Incentive (energy efficiency)



## Export

- Export Marketing & Investment Assistance
- Special Economic Zones

# Agro-Processing Support Scheme

- A cash grant for capital investment projects by manufacturing and agro-processing enterprises.
- New or existing enterprises may apply.
- Minimum investment in new assets (Machinery & Equipment; Buildings; Commercial Vehicles) = R 1m.
- Level of subsidization: 20% or 30%.
- Must receive approval before ordering assets.
- Maximum grant: R 20m.

# The Black Industrialists Scheme

- A cash grant for majority black owned and black managed manufacturing enterprises.
- New or existing enterprises may apply.
- Minimum investment in new assets (Machinery & Equipment; Buildings; Commercial Vehicles) = R 30m.
- Subsidizes Assets; Feasibility Studies and Mentorship.
- Level of subsidization: 30% to 50%.
- Must receive approval before ordering assets.
- Maximum grant: R 50m.

# The Section 12I Tax Allowance Incentive

- An additional tax allowance incentive for capital investment projects by manufacturing or agro-processing enterprises.
- New or existing enterprises may apply.
- Minimum investment in new assets (Machinery & Equipment; Buildings): R 50m.
- Level of subsidization: 35%; 55%; 75%; 100%.
- Must receive approval before ordering assets.

# Section 12L – Additional Tax Allowance for Energy Efficiency

- Incentive aimed at promoting the investment in energy efficient equipment and an improvement in processes to increase energy efficiency.
- Section 12L is a notional additional tax allowance for energy efficiency savings achieved and verified by a SANAS accredited Measurement and Verification body.
- Section 12L has been effective since November 2013 with an increased rate of 95c/kWh effective for all years of assessment starting on or after 1 March 2015.
- All energy savings derived from fossil fuels will qualify (coal, gas, diesel, kerosene, electricity, etc).

## Potential tax savings

|        |  |
|--------|--|
| R 0.27 | per Kilowatt Hour of electricity saved |
| R 2.57 | per Litre of Paraffin saved            |
| R 2.82 | per Litre of Diesel saved              |
| R 2.95 | per m3 of natural gas saved            |
| R 3.69 | per Kg of LPG saved                    |



# The Critical Infrastructure Programme

- A cash grant for infrastructure projects that are linked to a capital investment project.
- Examples of qualifying infrastructure: Transport; Electrical infrastructure; Bulk Water Supply; Sanitation; Telecommunications; Infrastructure that will upscale the area's agro-production capacity (e.g. silos); aircraft runways.
- A third party must have access to the infrastructure.
- Level of subsidization: 10% to 50%.
- Must apply at least 2 months before construction commences.
- Maximum grant: R 50m.

# The Strategic Partnership Programme

- A 50/50 cost-sharing grant for supplier development.
- Only large enterprises may apply (annual turnover >R 100m).
- The applicant (i.e. the “Strategic Partner”) must identify at least 3 suppliers that it wishes to support.
- At least 60% of the identified suppliers must be black owned enterprises.
- This grant will subsidize the acquisition of Machinery, Equipment, Infrastructure, Commercial Vehicles, IT Software.
- Level of subsidization: 50%.
- Must receive approval before ordering assets.
- Maximum grant: R 15m per annum x 3.

# The Jobs Fund

- A 50/50 cost sharing grant for projects that focus on:
  - Enterprise development (e.g. initiatives for smaller businesses).
  - Work seekers (e.g. training the unemployed).
  - Infrastructure projects (e.g. incubator hubs)
- New or existing enterprises may apply.
- Minimum investment (capex + opex): R 20m.
- Level of subsidization: 50%.
- Must receive approval before embarking on the project.
- Maximum grant: R 100m.
- Cova can do the “Mid-Term Reviews & Evaluations” required by Treasury

# The Aquaculture Development & Enhancement Programme

- A cash grant for primary & secondary & ancillary aquaculture operations.
- New or existing enterprises may apply.
- Qualifying costs: Land & Buildings; Machinery & Equipment: Commercial Vehicles (including Boats); Bulk Infrastructure; Feed; R&D; Resource Efficiency Equipment; Process Improvement; Accreditation; Training; Mentoring.
- Level of subsidization: 25% to 45%.
- Level of subsidization for emerging black farmers: 40% to 80%
- BEE rating required: Level 1 to 6.
- Must apply at least 60 days before the assets are taken into commercial use.

# Research & Development Grants / Incentives

- Support Programme for Industrial Innovation (DTI)
  - Cash grant for innovative and novel R&D
  - Level of subsidization: 50% to 80%
  - Must apply before incurring costs.
- Section 11D Tax Allowance Incentive (DST)
  - Additional tax allowance incentive for innovative and novel R&D
  - Level of subsidization: 150%
  - Must apply before incurring costs.
- Grant funding available from Technology Innovation Agency – up to 100%

# The Comprehensive Agricultural Support Programme

- Aim: To provide post-settlement support to the beneficiaries of land reform and to other producers who have acquired land through private means.
- 6 priority areas:
  - Financial support
  - On / Off farm infrastructure and production inputs
  - Training and capacity building
  - Marketing and business development
  - Technical and advisory assistance; regulatory services
  - Information and Knowledge management

# Export Marketing Assistance

- A cash grant for SA enterprises wanting to establish export markets.
- Level of subsidization:
  - 100% of airfare for one person up to R 17,000
  - Daily subsistence allowance of R 2,300 (R 2,500 for Africa) - max 15 days.
  - Marketing materials: R 3,500
  - Freight costs for transporting samples: R 20,000
  - Renting a stand at an Exhibition up to R 50,000 (R 70,000 for Africa)
  - Patent and Quality Mark registration costs: 50% up to R 300,000 per year

## In Closing

- There are other grant schemes for Agri businesses – Dept. of Rural Development & Land Reform; Small Enterprise Development Agency; etc

Mr Tumelo Chipfupa

[tchipfupa@cova-advisory.co.za](mailto:tchipfupa@cova-advisory.co.za)

082 789 8915

Mr Grant Whittaker

[gwhittaker@cova-advisory.co.za](mailto:gwhittaker@cova-advisory.co.za)

072 853 6918

[www.cova-advisory.co.za](http://www.cova-advisory.co.za)