

THE SPECIAL ECONOMIC ZONES ACT UPDATE

The President of the Republic of South Africa has signed a proclamation on the SEZ Act on 27 January 2016. The Act has become effective from 9 February 2016.

What are the areas?

The SEZ legislation builds on the Industrial Development Zone (IDZ) dispensation and provides for the existing IDZs at Richards Bay, Coega, East London, OR Tambo and Saldanha Bay to be transitioned into SEZs on the effective date above.

In addition, the SEZ's have been identified across all provinces:

- In Limpopo, an SEZ in Tubatse will focus on platinum-group metals whilst another in Musina will focus on petrochemicals, agro-processing and logistics.
- In Mpumalanga, Nkomati's SEZ is to focus on agro-processing and logistics.
- In the North West province, an SEZ in the Rustenburg area will focus on platinum beneficiation.
- In the Western Cape, Atlantis will focus on renewable energy.
- In the Northern Cape, Upington will focus on solar power.
- In Eastern Cape, Mthata is to focus on agro-processing and tourism.
- In Kwa Zulu-Natal, the Dube Trade Port will focus on agro-processing and electronics.
- In the Free State, an SEZ outside Harrismith will focus on agro-processing, automotive logistics and pharmaceutical.
- Gauteng's SEZ will focus on ICT and electronics

The commencement of the Special Economic Zones Act brings into operation effect the SEZ tax incentive provisions.

What are the benefits?

All the monies from Special Economic Zones (SEZ) fund will be distributed as a grant for support of the following activities:

- Feasibility studies in support for establishment, planning and development of a SEZ
- Start-up costs associated with setting up the SEZ
- Site preparation to enable businesses to locate within the SEZ
- Infrastructure development within SEZ
- Business development and performance improvement of SEZ
- Business incubators to ensure they deliver service to incubatees
- Skills development
- Initiatives to support industrialization and economic growth

Businesses located or operating in SEZ receive support measures from the South African Revenue Services in form of:

- Tax incentives eg employment tax incentive and corporate tax rate of 15%
- Customs duty relief and VAT relief in terms of the VAT Act.

Who qualifies for the benefits?

The following are businesses that may locate in a Special Economic Zone:

- Businesses conducting manufacturing activities
- Businesses performing internationally tradable services
- Businesses providing warehousing and distribution and logistics services
- Business providing services in support for businesses situated in SEZ

In terms of the SEZ Act qualifying entities may apply for the following:

- Designation as a Special Economic Zone to the Minister
- Apply to locate in a Special Economic Zone to the chairperson of SEZ board
- Apply for Special Economic Zone operator permit to the Chairperson of the SEZ advisory board

Important caveat

It is important to highlight that the benefits under the SEZ Fund and the various tax benefits are not automatic due to the choice of locating in an SEZ. A specific application process needs to be followed to secure the benefits.

Please contact Cova Advisory for more information:

Tumelo Chipfupa _____ tchipfupa@cova-advisory.co.za

Duane Newman _____ dnewman@cova-advisory.co.za

Mari Wichmann _____ mwichmann@cova-advisory.co.za

Francisca Strauss _____ fstrauss@cova-advisory.co.za

2011/145850/07 | P.O. Box 503 | Kyalami Estate | 1684 | +27 11 568 3340

Building 1 | Magwa Crescent West | Maxwell Office Park | Waterfall City | Midrand

info@cova-advisory.co.za | www.cova-advisory.co.za

Directors | Duane Newman | Tumelo Chipfupa