NUMBER OF TAX INCENTIVES

http://www.southafrica.info/business/investing/incentives/sars.htm

The Income Tax Act, 1962 (as amended) contains several specific tax incentives. These include:

- Double taxation avoidance agreements are presently in place to avoid the full taxation of same income of certain persons, enterprises and property under the laws of two countries have been entered into by South Africa with various countries. Sea and air transport agreements have also been entered into by South Africa with Belgium, Brazil, Republic of China (Taiwan), Denmark, Finland, France, Greece, Ireland, Italy, Japan, Norway, Portugal and Spain.
- Depreciation may be claimed in respect of the cost of plant and machinery, implements, utensils and other articles used for the purpose of trade. The allowance generally consists of the amount by which the value of the asset has diminished by reason of wear and tear or depreciation during the year and is calculated according to the declining balance method.
- Capital allowance write-off over 5 years at 20% per annum on a straight line basis in respect of machinery and equipment used for the first time in a manufacturing or similar process.
- A wear-and-tear allowance is available annually for machinery and equipment, which do not qualify for the 20% capital allowance. Rates are not prescribed and are subject to the tax authorities that favour the diminishing balance method of calculating wear and tear. However, in respect of non-manufacturing plant and machinery, office equipment, furniture and motor vehicles the following rates are normally granted: office equipment (10%), office furniture (10%) and motor vehicles (20%).
- Five percent depreciation allowance is allowed annually on cost of buildings (and improvements) where the building is used in a manufacturing or similar process and the building or improvement is commenced after 1 January 1989.
- Initial and annual depreciation allowances on ships and aircraft.
- Special depreciation allowances on hotel buildings and equipment.
- Patents, copyright, trademarks, designs and other intellectual property acquiring and developing costs incurred before October 29 1999 may be written off over the expected life of such assets or 25 years, whichever is the shorter or if incurred after October 29 1999 the allowance per year shall amount to 5% of the amount of the expenditure connected with the use of an invention, patent trade mark, or copyright or 10% of the amount of the expenditure connected to the use of any design.
- CSIR (Council for Scientific and Industrial Research) approved capital investment on buildings and equipment used exclusively for scientific research, may be written off, on a straight line basis, at the rate of 25% per year.
- Employee housing may result in special deductions and allowances being available for the cost of erecting same.
- Lease premiums paid for the use of land or buildings, plant and machinery, film recordings or advertising matter connected therewith, patent, design, copyright or similar property and any know-how connected with all of the above may be written off over periods for which the right of use has been granted or 25 years, whichever is shorter.

Tax incentives fall under the jurisdiction of the South African Revenue Services (SARS).