



## ISSUE 02

### Automotive Investment Scheme (AIS)

The Automotive Investment Scheme (AIS) guidelines were approved by The Minister of Trade and Industry, Dr Rob Davies, during May 2010. This cash incentive forms part of the Automotive Production and Development Programme (APDP), which will replace the Motor Industry Development Programme (MIDP) in 2012.

#### An Introduction to AIS:

The AIS replaced the Productive Asset Allowance (PAA) of the MIDP which terminated in December 2009. The AIS is intended to grow and develop the local automotive sector through investment in new and replacement automotive models, as well as the manufacturing of automotive components.

Some of the objectives of the scheme:

- Increase plant production volumes;
- Sustain and encourage employment; and
- Strengthen the automotive value chain within the local industry.

The scheme offers a taxable cash grant of 20 - 30 % (payable over 3 years) calculated against the cost of qualifying investment in productive assets made by qualifying Light Motor Vehicles Manufacturers (OEMs) and Automotive Component Suppliers. Qualifying Investment includes Owned Buildings, Plant & Machinery and Tooling.

The AIS is available for investment projects that commenced production from 1 July 2009. Applications must be submitted at least 3 months before the start of production for Component Manufacturers and 6 months before the start of production in the case of OEMs.

#### Benefits and eligibility criteria:

In order to qualify for an initial 20 % benefit:

- An *OEM* must introduce a new or replacement model for production and demonstrate that it will achieve a minimum production volume of 50,000 annual units within a ramp-up period of 3 years.
- A *Component Manufacturer* must demonstrate that a contract has been awarded for the manufacture of components to supply into the OEM supply chain and that the investment will achieve a minimum of 25 % of the project turnover or R 10 million annually by the end of the first full year of commercial production.

An additional 10 % benefit may be available to projects that:

- Achieve additional production volumes;
- Demonstrate defined increased in turnover;
- Demonstrate support to the development of the local tooling industry;
- Expend defined contributions to research and development in South Africa;

- Meet defined employment creation criteria.

### **Budget:**

The budget allocated for the next 3 financial years starting in 2010/11 to 2012/13 amounts to R 2,69 billion. The current financial year's budget for the year to end March 2011 is R 547 million. The expected total budget for 2011/12 will be approximately R 1 billion.

### **AIS Facts and Stats:**

Anna Theron was appointed as the Director of the AIS on 1 November 2010. Immediately prior to this appointment Anna was working with the Industrial Development Zone Programme for East London and Coega IDZs.

To date approximately 70 AIS applications have been submitted to the Department of Trade and Industry (DTI), which includes applications for 4 projects from OEMs.

Anna highlighted to Madelein Fourie of IQuad that the first AIS Adjudication Committee meeting was held in September 2010, though this meeting was merely a briefing meeting.

Anna noted towards the end of February that a total of 26 projects have been processed. Approval letters together with claim forms will be sent out once the minutes of the meetings held to date have been finalised.

Relevant claim procedures are set out in the guidelines and approved Applicants may submit their claims as soon as they comply with the requirements. A factual findings report by an external Auditor must be submitted with all claims, thereafter a Consulting Engineer will be appointed to inspect the relevant assets.

### **Application and Claim Queries:**

IQuad Investment Incentives (Pty) Ltd offers assistance to relevant qualifying entities that are interested in applying for AIS and claiming the cash incentive. Contact can be made with Madelein Fourie on 031 583 0900 or [madelein@iquad.co.za](mailto:madelein@iquad.co.za) should you have any specific queries regarding the Automotive Investment Scheme.

In our next edition we will compare the MIDP with APDP and highlight their key differences in more detail.

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