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# DENTONS

Cape Town

## Incentives October 2025



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# Introduction

This Guide is developed in partnership between Dentons and Wesgro, the official tourism, trade and investment promotion agency for Cape Town and the Western Cape. Dentons is a global law firm with a strong presence in South Africa, providing comprehensive legal services across multiple practice areas, including corporate law, investment structuring and public sector advisory. The firm brings extensive expertise in navigating government incentive programmes, industrial policy frameworks and regulatory compliance. Wesgro works to promote investment and trade in the Western Cape, supporting businesses in accessing funding opportunities and fostering economic growth in the region.

1.1. Incentive programmes are designed to promote industrial competitiveness, job creation, and transformation. These include tax allowances, grants for manufacturing and services sectors, and support for innovation and infrastructure through schemes like the Critical Infrastructure Programme (“**CIP**”) and the Automotive Investment Scheme (“**AIS**”). The Department

of Trade, Industry and Competition (“**DTIC**”) administers these incentives to align with national priorities such as localisation, export growth, and green industrialisation. Special Economic Zones (“**SEZs**”) and targeted investment promotion through InvestSA further enhances the incentive landscape, offering streamlined access to opportunities for both domestic and foreign investors.

1.2. Below is an overview of the offerings of various incentive schemes as provided for by the South African Revenue Services (“**SARS**”), the Department of Science, Technology and Innovation (“**DSI**”) and the DTIC.

## 2. SARS Incentives

### 2.1. Employment Tax Incentive

2.1.1. Eligible employers can reduce their pay as you earn (“**PAYE**”) liability by hiring young, less experienced workers. To qualify, employers must be registered for PAYE and employ individuals aged 18–29 earning below ZAR7,500 per month, with specific wage and hour



requirements. The incentive is available for up to 24 months per qualifying employee and is calculated based on monthly remuneration, with higher benefits in the first year. Employers must remain tax compliant to claim the employment tax incentive (“ETI”) or receive refunds, which are processed biannually. Excess ETI amounts can be rolled over, but unclaimed incentives are forfeited after each reconciliation period. Penalties apply for underpayment of wages or displacement of existing employees, and in addition, the receiver of revenues may audit claims and reverse incorrect ETI amounts.

## 2.2. Section 12I of the Income Tax Act

2.2.1. This section of the Income Tax Act 58 of 1962 (“ITA”) offers tax allowances to South African companies investing in manufacturing.

2.2.2. Eligible projects include:

2.2.2.1. Greenfield investments (new industrial projects using new assets)

2.2.2.2. Brownfield investments (expansions/upgrades of existing projects)

2.2.3. To apply, companies must (i) submit a proposal to the DTIC before acquiring assets, (ii) invest a minimum of R50 million (Greenfield) or R30 million (Brownfield), (iii) use new and unused manufacturing assets, and (iv) bring assets into use within 4 years of approval.

2.2.4. Approved projects may receive up to 55% tax allowance on qualifying assets, deductible from taxable income.

## 2.3. Deduction for Learnership Agreements

2.3.1. Section 12H of the ITA provides employers with additional tax deductions for registered learnership agreements aimed at promoting skills development. To qualify, the agreement must be

registered with a sector education and training authority (“SETA”), entered into before 1 April 2022, and linked to a trade from which the employer derives income. Deductions include an annual allowance (R40,000 or R20,000 depending on the learner’s NQF level) and a once-off completion allowance, with enhanced amounts for learners with disabilities. The allowance is pro-rated if the agreement spans less than 12 months, and completion must occur within the year of assessment. Employers must submit required information to the SETA annually. Deductions are disallowed if the learner previously failed a similar learnership with the same employer or associated institution.

# 3. DSI Incentive

## 3.1. R&D

3.1.1. The research and development (“R&D”) tax incentive under section 11D of the ITA offers a 150% tax deduction to South African registered companies conducting approved scientific or technological research and development. The incentive is administered by the DSI. To qualify, companies must (i) be registered in South Africa, (ii) incur R&D expenditure directly and solely within the country, and (iii) have their activities approved by the Minister of Science and Technology. Eligible R&D must involve systematic investigative or experimental activities aimed at advancing scientific or technological knowledge, creating inventions, functional designs, innovative software, or improving existing technologies. The incentive excludes routine testing, market research, and activities conducted outside South Africa. Only expenditure incurred after the application’s receipt by the DSI is

deductible. The scope includes direct R&D costs such as labour, materials, and prototypes, but excludes capital assets and administrative expenses. Companies must maintain detailed records and submit annual progress reports to retain eligibility and support claims with SARS.

## 4. DTIC Incentives

### 4.1. **Technology and Human Resources for Industry Programme (“THRIP”)**

4.1.1. THRIP supports collaborative research between industry and public institutions to develop technology and skilled human resources. It offers cost-sharing grants up to ZAR15 million over three years, with higher funding ratios for SMMEs and black-owned entities. Projects must involve a university or public research institution and focus on applied R&D.

### 4.2. **Support Programme for Industrial Innovation (“SPII”)**

4.2.1. SPII funds the development of innovative products or processes from post-research to prototype stage. It offers grants up to ZAR5 million through two schemes: (i) Product Process Development (“PPD”) for small enterprises, and (ii) a Matching Scheme for all businesses. Funding ratios depend on BEE ownership, with higher support for women and disability-owned businesses.

### 4.3. **Automotive Investment Scheme (“AIS”)**

4.3.1. AIS promotes investment in the automotive sector by offering cash grants of 20–25% of qualifying productive asset investments. It targets OEMs and component manufacturers aiming to increase production volumes and employment. Applicants must meet production thresholds and ensure BEE compliance.

### 4.3.2. People-Carrier Automotive Investment Scheme (“P-AIS”)

4.3.2.1. A sub-programme of AIS, P-AIS supports investment in people-carrier vehicles and components. Grants range from 20% to 35%, depending on economic benefits like job creation and empowerment. It applies to CKD assemblers and component manufacturers supplying the people-carrier value chain.

### 4.3.3. Medium and Heavy Commercial Vehicles Automotive Investment Scheme (“MHCV-AIS”)

4.3.3.1. MHCV-AIS incentivizes investment in medium and heavy commercial vehicle manufacturing. Grants are awarded based on investment in new or replacement models and components, with additional bonuses for meeting employment and empowerment criteria.

### 4.4. **Black Industrialists Scheme (“BIS”)**

4.4.1. BIS provides financial and non-financial support to black-owned and managed manufacturing businesses. It aims to accelerate industrial participation and competitiveness. Support includes grants, loans, and access to markets, with a focus on job creation and transformation.

### 4.5. **Agro-Processing Support Scheme (“APSS”)**

4.5.1. APSS offers cost-sharing grants to agro-processing businesses investing in new or expanding operations. It supports value addition, job creation, and rural development. Grants cover capital investment, machinery, and infrastructure.

### 4.6. **Aquaculture Development Enhancement Programme (“ADEP”)**

4.6.1. ADEP supports the growth of South Africa’s aquaculture sector through grants for infrastructure, equipment, and operational costs. It aims to





increase production, create jobs, and improve food security.

#### 4.7. **Strategic Partnership Programme (“SPP”)**

- 4.7.1. SPP encourages partnerships between large firms and emerging suppliers to boost local manufacturing capacity. It provides grants to support supplier development, technology transfer, and market access.

#### 4.8. **Export Marketing and Investment Assistance (“EMIA”)**

- 4.8.1. EMIA helps businesses grow exports and attract foreign investment by subsidizing costs for international marketing, trade missions, and exhibitions. It supports market diversification and global competitiveness.

#### 4.9. **Sector-Specific Assistance Scheme (“SSAS”)**

- 4.9.1. SSAS funds export promotion activities for industry associations and groups of SMMEs. It covers costs for marketing, training, and participation in trade shows, aiming to enhance export readiness.

#### 4.10. **Capital Projects Feasibility Programme (“CPFP”)**

- 4.10.1. CPFP provides cost-sharing grants for feasibility studies of projects likely to boost South African exports. It supports early-stage planning for capital-intensive ventures, especially those targeting foreign markets.

#### 4.11. **Global Business Services (“GBS”)**

- 4.11.1. GBS incentivizes job creation in the business process outsourcing (“BPO”) sector. It offers per-job grants to companies establishing or expanding operations in South Africa, with a focus on youth employment.

#### 4.12. **Film and Television Production Incentives**

- 4.12.1. These include various schemes supporting local and foreign productions, co-productions, and emerging black filmmakers. Grants cover qualifying production costs and aim to grow the creative industry, promote transformation, and attract international investment.

#### 4.13. **Critical Infrastructure Programme (“CIP”)**

4.13.1. CIP supports investment by funding essential infrastructure that enables business operations. Grants are awarded for infrastructure deemed critical to the viability of a project, such as roads, utilities, and facilities.

#### 4.14. **Special Economic Zone (“SEZ”) Programme**

4.14.1. SEZs offer tax incentives and infrastructure support to businesses operating in designated zones. They aim to attract investment, boost exports, and stimulate regional development through tailored regulatory environments.

## 5. **Concluding Remarks**

5.1. The incentives contained in this guide are strategically structured to attract investment by enhancing industrial growth, job creation, and economic transformation. They support innovation and competitiveness across key sectors, offering investors meaningful opportunities to participate in South Africa's development while benefiting from targeted financial and tax advantages. The above constitutes a brief overview of the incentives available. However, the intricacies of application and timings thereto often require professional advice in order to increase the chances of success.

## **About the Partners**

### **Wesgro**

Wesgro is the official tourism, trade and investment promotion agency for Cape Town and the Western Cape. The investment team assists Western Cape companies seeking expansion, South African companies investing in the region and foreign companies entering the market for the first time. Wesgro offers a comprehensive range of services to investors, including providing market intelligence, navigating South Africa's policy and regulatory landscape, assisting with site location identification, addressing regulatory challenges and facilitating referrals to specialist advisory services such as legal firms, recruitment agencies and property professionals.

### **Dentons**

Dentons is the world's largest global law firm, connecting talent to opportunity across more than 80 countries. As a trusted legal partner to investors, Dentons South Africa combines local insight with global reach to help clients navigate complex legal and regulatory environments. The firm advises across key sectors such as finance, energy, infrastructure, real estate, technology and private equity, offering expertise in corporate and commercial law, mergers and acquisitions, employment, competition and regulatory compliance. With a strong track record in supporting businesses entering or expanding in Africa, Dentons helps investors establish operations, secure project financing and achieve sustainable growth.









## WESGRO

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For further information on setting up or expanding your business in Cape Town & the Western Cape, please contact Wesgro's Investment Team



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For further information regarding local regulations, markets and investment landscapes, please contact Dentons Law Firm.



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