

R500m boost for plastic sector



Topline Plastics is an IDC-funded client that manufactures plastic bags, sheeting and tubing

The Industrial Development Corporation (IDC) has approved a R500-million funding scheme to support start-up companies, expansions and empowerment acquisitions in the downstream plastic sector over a period of five years, starting in 2019.

The scheme will provide debt and equity-type finance at reduced return requirements, to support the sector's re-industrialisation and adjustment. Specific focus is given towards environmental sustainability, diversification to higher value products and industry modernisation. Investments will be capped at a maximum

of R35-million per transaction.

The South African downstream plastic sector consists of an estimated 1 800 small and medium enterprises (SMEs) employing around 43 000 people. The scheme adds value to locally produced surplus polymer and its unique impact lies in its contribution and linkage to almost every value chain in the economy. This fund will specifically support IDC's development outcomes, namely, facilitating sustainable direct and indirect jobs; promoting entrepreneurial development and growing the SME sector, and increasing localisation of production.

\$80m for the green economy

The IDC and KfW (the German Development Bank) have signed an agreement to boost the Green Economy through an \$80m fund.

The South African facility for Green Growth (SAFGG) will enable local businesses to access funding for investments into the Green Economy. The projects that will be considered are those that will have a positive impact on protecting the environment and decreasing carbon dioxide emissions, whilst protecting scarce resources such as water.

This fund will assist the IDC's role in providing funding to smaller and mid-size companies that are harnessing opportunities in the Green Economy.



KfW executive board member Dr Stephan PeiB and IDC CFO Nonkululeko Dlamini

Injection for start-ups

The Department of Trade and Industry plans to attract R60-billion in private sector investment in support of the Black Industrialists Programme.

In support of small- and medium-sized enterprises (SMEs), as well as to promote entrepreneurship, various measures are being put in place, while those previously announced are being implemented, including:

- A R3.2-billion allocation to launch a Small Business and Innovation Fund in 2019/20, which will lend to small business intermediaries such as fund managers and incubators to support ideation and start-up companies especially those focusing on innovation
- The Black Business Supplier Development Programme has been allocated R906-million. The programme offers a cost-sharing grant for small businesses to acquire tools,

machinery, equipment and training. Over the medium term, 2 630 small enterprises are expected to benefit from this programme

- Transfers to the Small Enterprise Finance Agency (SEFA) will amount to R764.9-million over the Medium-Term Expenditure Framework (MTEF) period
- A Township and Rural Enterprise Fund of R600-million is provisionally allocated

Opportunities - National Budget 2019

Opportunities in infrastructure

- The IDC's efforts towards inclusive development in the agro-processing value chain will benefit from allocations to accelerate land reform, spatial development, specifically through special economic zones, industrial parks, township and urban development.

- The Infrastructure Fund, in partnership with the private sector, development finance institutions and multilateral development banks to leverage off infrastructure development. Public sector spending on transport and logistics, as well as on water and sanitation infrastructure is projected to increase.

- Government's plans for the electricity sector, specifically by opening it up for much- increased private sector participation in electricity generation, as well as by allowing direct access to the transmission network.

- The localisation benefits associated with infrastructure development are likely to be enhanced; this should support business partners oriented towards public sector procurement, eg rolling stock, pipelines, signalling devices, etc.



Tax breaks and levies

- *Refining the Special Economic Zones regime*
Qualifying companies deriving taxable income from within the special economic zone regime can benefit from a reduced corporate tax rate of 15%.

- *Employment tax incentive*
Employers will be able to claim the maximum value of R1 000 per month for employees earning up to R4 500 monthly, up from R4 000 previously. The incentive value will taper to zero at the maximum monthly income of R6 500.

- *Energy-efficiency savings tax initiative*
The energy-efficiency savings tax incentive, which provides companies with a tax deduction for energy-efficient investments, will be extended to 31 December 2022.

- *Carbon tax*
Carbon tax will be implemented on 1

June 2019. The tax will assist in reducing emissions and ensuring that South Africa meets its commitments under the 2015 Paris Climate Agreement.

- *Tax exemption for certified emissions reduction*

The tax exemption for income generated from the sale of certified emissions-reduction credits will be repealed from 1 June 2019.

- *Urban development zone tax incentive*

The incentive aimed at encouraging urban development zones in 16 municipalities is due to expire on 31 March 2020.

- *Fuel levy goods*

The scope and definition of fuel levy goods in the Customs and Excise Act (1964) to be reviewed in order to address the anomaly of fuel levies being

imposed on petrol, diesel and biodiesel but not on fossil fuels (such as paraffin and biogas etc).

- *Collective Investment Schemes*

In 2018, amendments were proposed in the Taxation Laws Amendment Bill to tax the profits of some collective investment schemes as revenue instead of capital.

- *Refining the VAT treatment of foreign donor-funded projects*

The VAT Act provides relief for foreign donor-funded projects if they meet specified criteria.

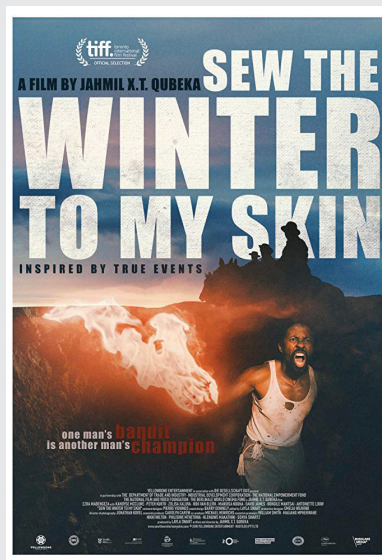
- *Transfer pricing*

Government intends to review the "affected transaction" definition in the arm's length-transfer pricing rules.

Telling local stories

Sew the Winter to My Skin – an IDC-funded movie – has made headlines by recently being selected as the South African entry in the Foreign Language category at the 2019 Academy Awards and for winning three awards at the 2019 South Africa Film and Television Awards (SAFTAs).

Directed by Jahmil XT Qubeka and produced by Layla Swart through their jointly, 100% black-owned production company, Yellowbone Entertainment. *Sew the Winter to My Skin*, is a story set in the rural farmland. It is about John Kepe, a Robin Hood-like outlaw who once evaded the Afrikaner authorities during the early 1950s in the rural Eastern Cape by stealing



livestock and other property to share with the poor.

The IDC facilitated the project by providing funding in the form of a venture loan and cash-flow facility from the dti film rebate incentive. The project supports the South African film industry by telling local stories for international distribution.

The film, starring Zolisa Xaluva, Bok van Blerk, Mandisa Nduna and Bongile Mantsayi, was screened in the Contemporary World Cinema at the Toronto International Film Festival in September 2018. The movie was released in cinemas on Friday, 8 February 2019.

Labour brokers judgement



Last year the Constitutional Court ruled in favour of the National Union of Metalworkers of SA (Numsa) that an employee who earns less than the stipulated threshold (R205 000 per annum) contracted through a labour broker to a client firm for more than three (3) months becomes an employee of the firm (refer to Section 198A of the LRA), employed on the same terms and conditions of similar employees, with the same employment benefits, the same prospect of internal growth and the same job security.

What does the judgement mean?

The judgement will serve to tightly regulate

the labour broking system to protect workers – temporary workers usually get lesser wages, less or no benefits, as well as less protection/security than permanent employees of the client or firm.

Impact of the decision according to the court:

- Part of this protection entails that placed employees are fully integrated into the workplace as employees of the client after the three-month period
- The contractual relationship between the client and the placed employee does not come into existence through negotiated agreement or through the

normal recruitment processes used by the client

- The threshold determines whether the employee automatically becomes employed on the same terms and conditions of similar employees, with the same employment benefits, the same prospects of internal growth and the same job security that follows

This means that the client can be held liable for any claims involving an allegation of an unfair labour practice or unfair dismissal, these being claims that arise from the provisions of the LRA.