**INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA**

**DATE: 1 JULY 2021**

**DETAILED INFORMATION ON PRODUCTION REBATE CERTIFICATES (PRCs)**

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**THIS DRAFT DOCUMENT IS SUBJECT TO AMENDMENTS, WHICH MAY INCLUDE THE FOLLOWING (WITHOUT LIMITATION):**

1. **CONFORMING IT TO ANY CHANGES TO THE RELATED SCHEDULES TO THE CUSTOMS AND EXCISE ACT, 1964 CURRENTLY BEING CONSIDERED BY SARS;**
2. **OTHER AMENDMENTS, INCLUDING AMENDMENTS CONCERNING BROAD-BASED BLACK ECONOMIC EMPOWERMENT REQUIREMENTS.**

**DETAILED INFORMATION ON PRODUCTION REBATE CERTIFICATES**

**TABLE OF CONTENTS Page**

1. Production incentive 6
2. Qualifying entities 6-7
3. Eligible products 8-10
4. Calculating The Production Incentive 11-13
   1. How the PI is calculated 11

* 1. Registered motor vehicle manufacturers and components not

manufactured by itself 12-13

* 1. Tax invoice price 13
  2. Standard material 13

1. PI factor 14
2. Application for PRCs 14-17
3. Issue and use of PRCs 18-19

7.1 Products imported against PRC 18

7.2 Specification on PRC of products that were exported 18

7.3 Handling of original PRC and notification 18

7.4 Transfer of PRCs 18

7.5 Only one claim per PRC 18

7.6 Validity of PRCs 19

7.7 Dating of PRCs 19

7.8 Acceptance of PRCs with defects 19

1. Claim procedure 19

8.1 Original documents to be submitted 19-20

8.2 Copies of documents to be submitted 21

8.3 Motor vehicle manufacturers and component not manufactured by itself 21

8.4 Sampling, covering forms 21

8.5 Annexure A2 21

8.6 Form A2 21

8.6.1 Completion of Annexure A2 21

8.6.2 Subtotals on A2 22

8.6.3 Reconciliation sheet 22

8.6.4 Separate applications 22

8.7 Worksheet 23

8.8 Form A2SL and A2SE 23

8.8.1 Inclusion of summary by tariff subheading per claim 23

* + 1. Explanation of summary by tariff subheading 23

1. Proof of payment of invoices 23-24
2. Assurance report by auditors 25
3. Withdrawal of PRCs and penalties 25-26

Annexure A1.1 Guidelines for an application by a component

manufacturer to register the manufacturer and product

for eligibility under the APDP Phase 2 27-30

Annexure A1.2 Application to register an automotive component as an

eligible product by a manufacturer in terms of the APDP 31-35

Annexure A1.3 Example of an eligible production certificate (EPC) 36-37

Annexure A1.4 Guidelines for an application by a component

manufacturers to register under rebate item 317.06 38-42

Annexure A1.5 Application to register as a component manufacturer

in terms of item 317.06 43-47

Annexure A2 Application for a Production Rebate Certificate

Annexure A2SL Summary of total claim per tariff subheading 33

Annexure A2SE Summary of total claim per tariff subheading 34

Annexure A2W Example of worksheet 35

Annexure A3 Letter of authorization: Issue/transfer of Production

Rebate Credit Certificate 36

Annexure A4 Example of notification

Annexure A5 Assurance report 37

Annexure A6 Declaration by Chief Executive or Director nominated in

writing by the Chief Executive in respect of an application

for an Production Rebate Certificate in terms of the

Automotive Production and Development Programme 39

Annexure A8 Automotive Production and Development Programme Phase 2-

Standard Material and Component Declaration 43

**ACRONYMS**

**APDP** 2 - Automotive Production and Development Programme Phase 2

**CKD** - Completely knocked down

**DKD** - Direct Knocked Down

**EPC** - Eligible production certificate

**FOB** - Free on board

**IRBA** - Independent Regulatory Board of Auditors

**ITAC** - International Trade Administration Commission

**MVA**  Manufacturing value addition

**OEM** - Motor vehicle manufacturer

**PI** - Production incentive

**PGM** - Platinum group metals

**PRC** - Production rebate certificate

**PCA** - Production Claim Application

**SA** - South Africa

**SACU** - Southern African Common Customs Union

**SARS** - South African Revenue Service

**SAICA** - South African Institute of Chartered Accountants

**SKD -** Semi-Knocked Down

**SMD** - Standard material declaration

**The dtic** - The Department of Trade, Industry and Competition

**VA** - Value added (production value added/standard value added)

**VAT** - Value-added tax**DETAILED INFORMATION ON PRODUCTION REBATE CERTIFICATES**

***This document must be read in conjunction with the APDP Phase 2 Regulations and applicable SARS legislation.***

***The right is reserved to amend any guideline/rule/condition pertaining to this programme or to impose new guidelines/rules/conditions if deemed necessary.***

1. **PRODUCTION INCENTIVE (PI)**

The PI is an incentive available to final manufacturers and will be calculated at the point of sale based on value added on qualifying motor vehicles, automotive tooling, automotive components manufactured in South Africa. The PI will basically be calculated on the tax invoice of the final manufacturer less the value of imports and non-qualifying local materials used by itself or by other manufacturers in the manufacturing value chain.

1. **QUALIFYING ENTITIES** 
   1. The following entities, with manufacturing operations based in South Africa, that are registered with SARS as tax payers and B-BBEE compliant in terms of the B-BBEE codes may apply for PRCs:
   2. Registered light motor vehicle manufacturers, manufacturing specified light motor vehicles, as defined in Note 9.1.1 (fitted with engine and gearbox) and Note 9.1.2 (not fitted with engine or gearbox) to the APDP Phase 2 Regulations in South Africa according to the prescribed extent of assembly defined in Note 5 to Chapter 98 of Schedule No.1 to the Customs and Excise Act, 1964.
   3. Registered light motor vehicles manufacturers not qualifying for a volume assembly localisation allowance will still qualify for a PI.
   4. Automotive component manufacturers and automotive tooling manufacturers, for which an eligible production certificate (EPC) was issued in terms of Note 9.2.1 to the APDP Phase 2 Regulations. (See Annexure A1.1 and A1.2 for EPC application procedures).
      1. Platinum group metals which were free issued to a final manufacturer of a catalytic converter and other cost relating to the manufacture thereof; and
      2. Value added activities applicable to products bought from a component manufacturer and exported.
   5. The qualifying entities must submit valid B-BBEE certificate of compliance or sworn affidavit approved by the dtic as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR** | **COMPONENTS MANUFACTURERS** | **ORIGINAL EQUIPMENT MANUFACTURERS (OEMs)** | **NEW ENTRANTS** |
| 2021 | No requirement to comply | Level 6 (six) | At least at level 8 (eight) |
| 2022 | Level 6 (six) | Level 4 (four) | Level 6 (six) |
| 2023 | Level 4 (four) | Level 4 (four) | Level 4 (four) |

* 1. Final manufacturers must submit the BBB-EE certificate not later than 31 December each year.
  2. ITAC reserve the right to withdraw any EPC and revoke the PRCs issued to the final manufacturers that do not meet the required level.
  3. Participation under the APDP Phase 2 is voluntary;
  4. By registering under and participating in this programme, a manufacturer unconditionally binds itself to the rules and conditions of the programme and the interpretation thereof by ITAC; and
  5. By participating under the programme, a participant binds itself to the submission of any industry data requested by ITAC or thedtic for monitoring purposes.

3. **ELIGIBLE PRODUCTS**

3.1 Specified motor vehicles that are light motor vehicles consisting of motor cars (including station wagons), minibuses and light commercial vehicles, fitted with an engine and gear-box, manufactured in a licensed, special vehicle manufacturing warehouse;

3.2 Specified motor vehicles that are light motor vehicles consisting of motor cars (including station wagons), minibuses and light commercial vehicles, not fitted with an engine or gear-box, manufactured in the licensed, special vehicle manufacturing warehouse;

* 1. Automotive components;
  2. Automotive tooling;
  3. Automotive components applicable to heavy motor vehicles as defined in Note 1 to rebate item 317.07 of Schedule No. 3 to the Customs and Excise Act, 1964; and
  4. Specified motor vehicles manufactured in a licenced, special manufacturing warehouse in South Africa, destined for assembly outside the borders of the Republic, must be in the form of kits that have untrimmed painted bodies with no parts assembled to the body (excluding those of subheading 8701.20 and 8706).

3.7 In order to qualify for a PRC:

3.7.1 The products listed in 3.1, 3.2, 3.3, 3.4, 3.5 and 3.6 must be wholly manufactured in South Africa.

If the qualifying sales value of catalytic converters includes the value of the PGM sourced in the SACU, PRCs will only be considered for those catalytic converters that comply with the following conditions:

1. Platinum rhodium and palladium received from a refinery in the SACU.
2. The wash coat and coating mixture has to be produced in the SACU using the PGM mentioned in a) and the coating must take place in the SACU.
3. Imported stainless steel may be used in the canning process, but the value thereof will be non-standard material.
4. The complete canning process has to be undertaken within the SACU. (i.e. casing must be formed, moulded, shells must be pressed/formed and welded and the end cones must be welded to the body of the catalytic converter shell) Only complete (welded) catalytic converters sold will be considered for a PRC, unless otherwise determined by the Commission.

Where the application for catalytic converters to earn a PRC does not include PGM sourced in the SACU and or the coating mixture is prepared and/or the coating process is undertaken outside the SACU but the canning process is undertaken in the SACU, the rules for all other PRC applications will apply.

3.7.2 The products listed in 3.3, 3.4 and 3.5 must be covered by an EPC.

3.7.3 Not less than 25 per cent of the ex-factory selling price (exclusive of VAT, *ad valorem* excise duty and environmental levy) of the components and automotive tooling as contemplated in note 3.3, 3.4 and 3.5, at the time of sale, be represented by the sum of –

- The cost of labour incurred in South Africa;

- The value of materials originating in the SACU;

- The factory overhead expenses (excluding profit) incurred in South Africa; and

- The final process of manufacture was carried out in South Africa, provided that operations that consist only of packing or painting shall not qualify as manufacturing processes.

3.7.4 Manufacturers of components must achieve a local and/or international OEM supply chain turnover, excluding tooling, of at least 25% of total automotive turnover or R10m in OEM supply chain invoicing (exclusive of VAT, *ad valorem* excise duty and environmental levy) per annum, whichever comes first.

3.7.5 Components manufactured for which a PI is claimed must be:

* Part of a local or international OEM supply chain; and
* Replacements parts manufactured by a manufacturer adhering to the conditions set in 3.7.2, 3.7.3 and 3.7.4.
  1. The guidelines and application forms relating to eligible production certificates are set out in Annexure A1.1 and A1.2.
  2. The validity date of eligible production certificate will commence from the first day in which the application was submitted to ITAC. However, ITAC reserves the right to review the period of validity should the need arise.
  3. Should the final manufacturer wish to be represented by a third party/consultant in submission of EPC and PRC applications, the final manufacturer must provide ITAC with a letter of appointment of its representative, detailing the identity of the representative and the scope and duration of the representation signed by:
  4. Its Chief Executive Officer or other person having a similar executive authority

where there is no chief executive officer position; or

* 1. A duly appointed and authorized representative of the final manufacturer.
  2. Should the final manufacturer wish to terminate a representation as provided for in section 3.10 earlier than indicated in the letter of appointment provided to ITAC, such party must provide ITAC with a letter to this effect. The letter must comply with requirement of section 3.10 as applicable regarding signatures.
  3. Once the final manufacturer has appointed a representative, communications between ITAC and final manufacturer may take place through the appointed representative.
  4. Notwithstanding subsection 3.12, ITAC may communicate with the final manufacturer directly.

1. **CALCULATING THE PRODUCTION INCENTIVE**

The PI, basically a percentage (PI factor) of the difference between the selling price and material (value added or VA), may be earned by the final manufacturer in South Africa of eligible products, see section 2 and 3 above. For purposes of the APDP Phase 2, 25% of certain material, also referred to as standard material, will qualify for the PI.

4.1 The PI is calculated as follows:

- Tax invoice price (exclusive of VAT, *ad valorem* excise duty,

environmental levy and other adjustments as per note

4.3 below) R xxxx

- **Less**: Imports and non-qualifying components/material R xxxx

- 75% of standard material R xxxx

- Standard material R xxxx

- Less: 25% qualifying portion R xxxx

- Non-standard goods R xxxx \_\_\_\_\_\_

- Value added R xxxx

- PI factor %

- PRC value at the applicable duty rate R xxxx

Please note that the 25% local value deeming will be calculated by the applicant for the PI whilst ITAC will apply the PI factor and the applicable duty rate to derive the duty credit certificate value.

See **Annexure A7** for a more detailed discussion on the calculation of the PI.

4.2 Registered motor vehicle manufacturers and components not manufactured by itself.

4.2.1 OEMs are allowed to issue tax invoices and to claim PRCs for:

1. *Catalytic converters*, if the OEM pays for the manufacturing cost of a catalytic converter (e.g. it is invoiced for the cost of the PGM, digesting material, coating service, and canning service), and if it is the exporter of the final product, the manufacturing cost thereof plus 5%. The OEM, as the deemed final manufacturer, must apply for an EPC;
2. *Other products including catalytic converters*, if the OEM buys products from a final manufacturer and exports it, the OEM is allowed to add 5% to the purchase price of such products. The final manufacturer is entitled to claim PI benefits for the products sold to the OEM.

4.2.2 OEMs buying PGM from a SACU refinery and supply/sell it to a coater/canner, may claim 5% of the cost thereof. The final component manufacturer is entitled to claim the actual value and PI for the product, which will include the PGM (standard material value) and additional mark-up by the OEM (non-standard material).

It should be noted that:

* The percentage referred to above is only a guidance, OEMs are allowed to add more or less to compensate for value adding activities, however, the PI claimable by the OEM must be based on the lesser of the purchase price/service charge plus 5% or the FOB value;
* The cost of PGM (being a standard material) is determined by the refinery.

4.3 Tax invoice price

The full amount of the tax invoice price (exclusive of VAT, *ad valorem* excise duty and environmental levy) may not in all instances qualify for the PI calculation. The following non production costs, *inter alia*, must be excluded:

4.3.1 In the case of eligible products exported:

* Freight, insurance, distribution and destination expenditure from the port of export to the place of final delivery;
* Freight, insurance, distribution and destination expenditure outside the SACU even if the cost is paid by another entity within SACU;
* Commissions and discounts;
* Commission, salaries, etc, paid in the SACU and transferred abroad at a later stage;
* Cost of warehousing.
* Warranty expenditure at the point of sale

4.3.2 In the case of local sales, commissions and discounts, rebates, warranty costs and other costs not related to the manufacture of the product

4.3.3 In the case of new vehicles capitalised by an OEM as part of its “company fleet”, for which no invoices were issued, the capitalised amount will be deemed to be the sales price thereof.

4.3.4 In the case of component manufacturers manufacturing components adhering to the qualifying criteria as set out in 3.7, utilising such components for its own use, the value as per its internal documentation.

ITAC reserves the right to allow only a portion of the sales price for purposes of claiming PRCs. In determining the amount that will qualify, ITAC will take account of the local selling price of equivalent, comparable or substitute products and/or world market prices of equivalent or comparable or substitute products.

4.4 Standard material

4.4.1 Standard material is the sum of the following local materials originating in the SACU, of which 25% of the value will be deemed to be local value added:

1. Aluminium;
2. Brass;
3. Leather;
4. Platinum group metal;
5. Stainless steel; and
6. Steel.
7. **PI FACTOR**
   1. The PI factor for PRC claims applicable to specified motors vehicles for the period 01 July 2021 to 31 December 2035 will be 50 per cent and will remain constant for the duration of the APDP2.
   2. The PI factor for PRC claims applicable to automotive components and automotive tooling for the period 1 July 2021 to 31 December 2035 will be 62.5 per cent and will remain constant for the duration of the APDP2.
8. **APPLICATION FOR PRODUCTION REBATE CERTIFICATES (PRCs)**

6.1 Applications for PRCs may be lodged with ITAC at any time, provided that payment of the tax invoice had been received. However, in order to reduce the administrative workload, the submission of applications may be limited, should the need arise. Separate applications must be submitted in respect of the various categories, listed in section 3 above. An example of an application form that must be used for this purpose is attached as Annexure A2. Please note that should Annexure A2 consist of more than one page, each page must have a cumulative subtotal column at the bottom up to the last page where the total must be displayed, the last page must also indicate contact details of the person who may be contacted in the case of queries. The document must be legible and the font size used to enter information should not be less than 10.

6.2 A manufacturer participating in this programme can either be a company or close corporation. A division of a company will also qualify to participate in the programme if it produces audited annual financial statements and trades as a separate business entity with its own South African management and is situated in a separate or single location. In the event of the existence of such division, full responsibility and liability for any applications must be borne by the managing director/chief executive of the company of which such division forms part.

6.3 Applicants should take extreme care to ensure that duplicate claims are not submitted, as an applicant that has submitted a duplicate claim for any reason whatsoever, may have the PRC certificate withdrawn

6.4 The right to claim PRCs lies with the applicant who is the registered manufacturer of such a product, except for the following:

6.4.1 A component manufacturer that supplies components for fitment on line to a registered local light motor vehicle manufacturer for the assembly of an eligible specified light motor vehicle, in which case the value added on the applicable components will roll up to the standard material declaration of the registered light motor vehicle manufacturer, who may claim the PRC for the manufactured vehicle which incorporates the applicable components;

6.4.2 A registered motor vehicle manufacturer recovering its cost applicable to the manufacture of a catalytic converters exported by itself, see note 4.2.1 a);

6.4.3 A registered motor vehicle manufacturer recovering the cost of value adding activities applicable to products purchased and exported, see note 4.2.1 b);

6.4.4 A registered motor vehicle manufacturer recovering the cost of value adding activities applicable to PGM sold to a component manufacturer.

6.5 Applications must reach ITAC not later than 12 months from the date of the tax invoice for the eligible product. Due to the nature of the automotive tooling projects, automotive tooling manufacturers may submit PRC claims in stages provided it is done within the required timelines. Incomplete applications will not be processed nor will a Production Claim Application (PCA) number be allocated.Incomplete refers to the missing of any of the supporting documents listed in 8.1 and 8.2, where applicable.

Applications should be posted to the following address:

The Senior Manager: Tariff Investigations II,

International Trade Administration Commission of South Africa,

Private Bag X753,

**PRETORIA,** 0001

Or hand delivered to:

The Senior Manager: Tariff Investigations II,

International Trade Administration Commission of South Africa,

The DTI Campus (Block E – 1st Floor),

77 Meintjies Street, Sunnyside,

**PRETORIA,** 0002

Applications must be received and stamped by ITAC during working hours (Monday-Friday, 07H45-16H15).

6.6 Applications that require amendments as requested by the applicant or with discrepancies that need to be rectified before further processing, should be rectified within a period of 30 daysfrom the date of the written request to do so, otherwise such applications or part(s) thereof will be treated as new applications with all the supporting documents to be submitted, including an auditor assurance report.

6.7. The date of receipt of all outstanding and/or additional documentation will be considered to be the duly completed date of the application. The number of days to process a PCA application will commence on the duly completed date of the application.

6.8 Applications or parts thereof that were submitted and later withdrawn/cancelled or found to be incomplete will be treated as new applications, should they be re-submitted for processing.

6.9 PRCs will not be transferred to a beneficiary after two years from the expiry date of the PRC.

6.10 Applications for PRCs may be verified by ITAC.

6.11 Originals of all the supporting documents must be kept available, sorted and easily accessible for verification by ITAC for a period of at least five years from the date of the PRC.

6.12 ITAC may also request insight into all books of account specified in the Companies Act or Close Corporations Act, plus all production records.

6.13 Should an applicant not make all relevant documentation available on request within a period of 30 days, ITAC shall treat such sales as not qualifying, and if a PRCC had already been issued, shall arrange that all benefits relating to such sale plus penalties be reclaimed by SARS from the end user of the certificate.

6.14The Managing Director/Chief Executive of a company or a nominated Director or the Responsible Director/person with management responsibility in the case of a Close Corporation will be held jointly or severally (if applicable) liable with the applicant for all aspects pertaining to applications for PRCs.

6.15 Although the PRC as such may be transferred, the rights to apply for such certificate may never be transferred.

6.16 It is a specific condition for participating in the programme that no application for PRCs will, unless otherwise decided by ITAC, be considered in respect of a participant or related parties as defined in Section 66 (2) of the Customs and Excise Act, if such applicant or related party is subject to an investigation by either the South African Police, ITAC, **the dtic*,*** or SARS into previous claims or any related matters until such time as the investigation/verification is completed and the case finalised.

6.17 In terms of the Promotion of Access to Information Act, 2003, applicants may be requested to submit a non-confidential version of the application.

6.18 Manufactures in an Industrial Development Zones (IDZ) importing under rebate item 498 can still supply components to light motor vehicle manufacturers provided that they adhere to the APDP Phase 2 rules and regulations.

6.19 Should ITAC make any bona fide error in the calculation of or the issuing of a certificate, ITAC shall have the right to cancel such a certificate and issue a new certificate with retrospective effect in order to rectify the error.

6.20 The applicant shall at all times carry the burden of proving on a balance of probabilities, the quantum of his application, the existence and authenticity of the sales documentation, or any other documentation which he may rely upon, and his compliance with the provisions of this programme.

1. **ISSUE AND USE OF PRCs**

7.1 The following automotive products may be imported against PRCs:

(a) New and unused specified right hand drive motorcars (including station wagons), minibuses and specified light goods vehicles (as defined in Note 5.1 to rebate item 317.04);

(b) New and unused automotive components for all of the vehicles identified in (a) above and automotive components imported against PRCs as listed in rebate item 460.17, for the replacement and service market or used as original equipment components in the manufacture of specified motor vehicles.

7.2 A PRC will be issued at duty value for the qualifying amount, in terms of the PI, applicable to the eligible product.

7.3 The original PRC will be handed to SARS and a notice that the certificate has been issued and sent to SARS will be e-mailed/faxed to the applicant as per the example in Annexure A4. The number and the value of the certificate must be included with the motor vehicle manufacturers' quarterly accounts or submitted to SARS when applying for a rebate/refund of duty or for a rebate of the dutiable value of imported motor vehicles or automotive components.

* 1. PRCs can be issued or transferred or sold, but may not be transferred more than once after a PRC has been issued for the first time. This means that if a Letter of Authorisation (refer to Annexure A3 for an example of the Letter of Authorisation) is included as part of the original PRC claim, the PRC will be issued to the person to whom the certificate is authorised to be transferred. The PRC can then be transferred to another party or parties once a second Annexure A3 is received. The second Annexure A3 must be signed by a responsible employee of both the transferor and transferee and forwarded to ITAC, together with the number of the original certificate. The original of the certificate will then be cancelled by SARS and a new certificate, clearly marked "Final Issue - Not Transferable" will be issued and forwarded to SARS (i.e. the original). A notice of the transferred certificate will be e-mailed/faxed to the seller and the buyer of the certificate. Annexure A3 must be signed by the official that has signed Annexure A6.
  2. Independent importers buying and using PRC’s are required to comply with the relevant BBB-EE level applicable to component manufacturers.
  3. One claim only per tax invoice is allowed. In the case where price adjustments occur, applicant must ensure that adjustments are illustrated in the same application. Applicants will not be allowed to reflect adjustments or variance in prices in a later application.
  4. The validity date of certificates will commence from the first day of the customs quarter in which the claim was submitted to ITAC. However, ITAC reserves the right to review the period of validity should the need arise.

7.7. PRCs become available for use immediately upon issue by ITAC and will be valid for a period of twelve months from the date of issue by ITAC. Beneficiaries will be notified upon notification to ITAC by SARS that the PRCs have been taken into the SARS database.

7.8. It should be made clear that the beneficiary of a certificate takes such certificate "warts and all" (with all its latent and patent defects). In other words it should be no defense for such beneficiary to allege that it was unaware of errors in the certificate or was not responsible for such errors.

1. **CLAIM PROCEDURE**

8.1 The **originals** of the following documents (of which examples are attached) relating to the compilation of claims should be submitted:

- Annexure A2: Application form for a PRC, separate applications must be submitted for, registered light motor vehicles with or without an engine;

- Annexure A2SL: Summary of total claim per tariff subheading of goods sold in SACU (exclusive of VAT, *ad valorem* excise duty and environmental levy);

- Annexure A2SE: Summary of total claim per tariff subheading of goods exported (exclusive of VAT, *ad valorem* excise duty and environmental levy, if any);

- Annexure A2W: A worksheet to show how the claimed sales value was calculated, if the tax invoice value includes other non-manufacturing costs, such as freight and insurance costs etc;

- Annexure A5: Assurance report by auditors; and

- Annexure A6: Declaration by Chief Executive or Director nominated in writing by the Chief Executive.

Please note that only the signatory nominated through the Resolution by the Board Members is entitled to sign the Annexures.

8.2 **Copies** of the following documents must be submitted with those required in subsection 8.1 above with each claim:

- SMD;

* EPC;
* A valid B-BBEE certificate of compliance or sworn affidavit as approved by the dtic;
* Annexure A3, ITAC reserves the right to request an original A3 should it be deemed necessary;
* A copy of the journal voucher applicable to vehicle capitalised or components utilised for own use;

- Tax invoice, credit notes and debit notes (credit or debit notes should relate to the tax invoice which is part of the application); and

- Proof of payments and remittance advices for the sampled tax invoices.

- The applicant should submit a letter of an appointment should it wish to be represented by an third party/consultant in submission of PRC applications (where applicable)

8.3 An application by a registered motor vehicle manufacturer to recover the cost of value added activities as indicated in 4.2.1 b) and 4.2.2 above, must be accompanied by the PCA number, EPC numbers and Annexure A2 submitted by the final manufacturer with its application for APDP Phase 2 benefits. Registered motor vehicle manufacturers submitting claims in terms of notes 4.2.1 b) and 4.2.2 must also submit the export documentation applicable to the export.

8.4 ITAC may decide to apply sampling in the case of supporting sales documents that normally form part of a PRC claim, in which case applicants will be notified not to include the copies as requested in 8.2 as part of the claim, but to supply the copies afterwards on request.

8.5 Claimants must supply the required basic information on Annexures A2, A2SL and A2SE (computer forms will also be allowed) to ITAC each time they submit a claim under this scheme.

8.6Form A2:

8.6.1 Completion of Annexure A2

- Column 1: Tax invoice (exclusive of VAT, *ad valorem* excise duty and environmental levy), credit/debit note number or journal number.

* Column 2: Tax invoice, credit/debit note or journal date. An invoice raised by the client on behalf of the final manufacturer (self-billing) is acceptable, provided it meets all the SARS tax requirements and ITAC is satisfied of the verifiability of the invoice.

- Column 3: Description of the manufactured product, must correspond with the information on the EPC

- Column 4: Tariff subheading.

- Column 5: EPC number.

- Column 6: SMD number.

- Column 7: Selling Price (From Worksheet), if applicable.

- Column 8: Standard material = 75% of SMD total.

- Column 9: Non-standard material = 100%, if a SMD was not obtained the purchase price of such goods must be deemed to be non-standard material.

- Column 10: Difference (Column 6 minus Columns 7 and 8).

* Column 11: Units.
* Column 12: Eligible Value Added (Columns 10 x 11).

8.6.2 If a sale takes place in a foreign currency, the sales price must be converted to ZAR by making use of the Jacobsen’s rate of exchange applicable at the date of the tax invoice.

8.6.3 If Annexure A2 consists of more than one page, subtotals must be supplied at the end of each page and a grand total on the last page.

8.6.4 A reconciliation sheet must be included providing information and explanations on any adjustment to previous applications for PRCs, if the adjustments are substantial ITAC must be contacted beforehand to enquire whether the applicable incorrect applications should not be adjusted. The total value of the adjustments should be entered on Annexure A2 with reference to the reconciliation sheet.

8.6.5 Separate applications must be submitted in respect of registered light motor vehicles and registered light motor vehicles without an engine.

8.7 Worksheet:

A worksheet must be attached if there is a difference between the tax invoice price (exclusive of VAT, *ad valorem* excise duty and environmental levy) and the value on Annexure A2 (see note 4.3.1), refer to Annexure A2W for an example of a worksheet.

8.8 Form A2SL and A2SE:

8.8.1 Annexure A2SL(for sales within SACU) andAnnexure A2SE(for export sales) gives a summary of all the automotive components and specified light motor vehicles claimed, with an engine and gearbox fitted and specified light motor vehicles without an engine or gearbox fitted, by tariff subheading and must be submitted with each application. Please note that the Annexure A2SLandAnnexure A2SE is a summary for statistical purposes of all products claimed by tariff subheading.

8.8.2 A summary of the total of all the sales listed in all of Annexure A2 by tariff subheading must be included per PRC claim (not per Annexure A2). The summary should include the total selling price, standard material, non-standard material and performance by tariff subheading, e.g. the totalof all sales of 10 invoices relating to lead acid batteries of tariff subheading 8507.10 included in a PRC claim should be summarised in one line in the four columns indicated in Annexure A2S.

9. **Proof of payment**

9.1 Repatriationofexportsalesvalue

Payment of such proceeds must emanate from the inflow of foreign currency exchange through a registered banking institution. Any form of "bridging finance" is not regarded as full payment for the goods exported or that repatriation of export proceeds has occurred. It is generally assumed that bridging finance is used to maintain liquidity while waiting for an expected inflow of cash. It should be noted that payment of exports must emanate from a registered banking institution abroad.

9.1.1 Exporters may only apply for a PRC once the foreign currency earnings have been repatriated and the auditors are prepared to certify such repatriation*.* To this extent the claimant must be in a position to submit the following documentation on request:

* A bank statement displaying the amount repatriated;

- An advice from the bank indicating the amount repatriated and the conversion, if any, to South African Rand; and

9.1.2 Applicants making use of a “Customer Foreign Currency Account” (CFC) must ensure that:

* The application for a PRC was only submitted after foreign currency repatriated was brought to account on the CFC export account;
* A clear link exists between foreign currency per export invoice and foreign currency repatriated per export account. In order to accomplish aforesaid, remittance advices from the overseas importer must be produced confirming the payment in foreign currency with reference to the invoice numbers being paid. Unless indicated on the CFC export account, confirmation from the commercial bank that repatriation for specific export invoices were received and an indication of the invoice numbers being paid.

9.2 Payment within South Africa

The applicant may only apply if payment was made by, and received by, a registered banking institution. Any form of "bridging finance" is not regarded as full payment for the goods sold or that payment has occurred.

The final manufacturer may only apply for a PRC once full payment has been received and the auditors are prepared to certify such earnings*.* To this extent the claimant must be in a position to submit a bank statement displaying payments received and a remittance advice by the applicable debtor.

10. **Assurance report by auditor**

10.1 All applications for PRCs must be verified by a practicing accountant and auditor, registered in terms of the Auditing Profession Act, 2005 (Act 26 of 2005). Although ITAC is not prescriptive on which auditor may be used, it is recommended that manufacturers retain the services of the auditors responsible for their annual financial accounts as they will have an intimate knowledge of the books of account and financial activities.

10.2 Find attached Annexure A5 being an assurance report that must be completed per application for PRC benefits. Auditors are requested not to customise or change the format of the report unless the changes were cleared with ITAC, they will however be allowed, if they so wish, to include other procedures performed under the heading “Our Responsibility”.

10.3 If an auditor is of the opinion that an assurance report cannot, for some reason or another, be issued in the prescribed format he must advise his client likewise providing reasons why the report cannot be provided. Needless to say, the manufacturer will not be able to claim PRC benefits as the absence on an assurance report will make the application incomplete.

10.4 It will, until further notice not be necessary to have the systems at first tier suppliers, to calculate SMD values, audited. Auditors are requested to accept the SMD received from suppliers as correct.

11. **Withdrawal of PRCs and penalties**

11.1 Should the verification conducted by ITAC, reveal anomalies, or if SARS reports incorrect PRCs that necessitate the adjustment of PRC values already issued, the following procedures will be followed:

10.1.1 If the PRC has not been used it will be reduced by the over-declared value and a new PRC indicating the recalculated balance will be issued.

11.1.2 If the PRC has been used or partially used, or if the balance remaining on the PRC is less than the applicable correction, SARS will be informed to recover the benefits over-utilised.

11.1.3 ITAC may also rule that the original claimant may adjust a future claim. However, this will only be considered on merit and if it is not a regular occurrence.

11.2 ITAC shall have the right to withdraw a certificate issued in terms of the programme forthwith, if it has reason to believe that any irregularities have been committed with regard to obtaining or use of the certificate and to forthwith deregister the relevant participant pending the outcome of any civil, legal or criminal proceedings against it. In such an event, or if an applicant had been deregistered or the unused portion of a certificate being withdrawn in terms of this paragraph, any benefit obtained as a result of such certificate shall become repayable on demand to SARS.

11.3 In the event that the issue of a certificate is suspended or declared null and void or cancelled, or an issued certificate is suspended or withdrawn as a result of ITAC invoking any of the provisions of the programme, neither ITAC nor for SARS shall be liable for any loss or damages, of whatever nature, which the applicant/holder of the certificate might suffer as result of such withdrawal or suspension.

11.4 If a claim was submitted before payment was received, the PRC will be cancelled and may result in deregistration of the applicant from the APDP Phase 2. This may also result in ITAC not allowing the auditing firm to certify any claim for purposes of claiming under the APDP Phase 2.

**ANNEXURE A1.1**

GUIDELINES TO REGISTER A COMPONENT/ TOOLING MANUFACTURER AND THE PRODUCT FOR ELIGIBILITY UNDER THE APDP Phase 2

**(See Annexure B1.1 to Info Doc B/2021 for guidelines if a motor vehicle manufacturer wishes to register)**

1. **Objectives**

The objective of the programme is to support the vision of the South African Automotive Masterplan of creating a “globally competitive and transformed automotive industry that actively contributes to the sustainable development of South Africa’s productive economy, creating prosperity for industry stakeholders and broader society”. This vision will guide the development of the South African automotive industry to 2035, with all the policy elements of Phase 2 of the APDP targeting its realization.

1. **Requirements**

2.1 Theapplicant must be a registered entity in South Africa in terms of the Companies Act.

2.2 The applicant must be a tax payer in good standing and must provide a valid tax clearance certificate or tax compliance status pin.

* 1. The applicant must provide a copy of the resolution of the company or close corporation that the signatory is entitled to sign the application on behalf of the company or close corporation.
  2. The applicant should submit a letter of an appointment should it wish to be represented by a third party/consultant in submission of EPC applications (where applicable).
  3. The applicant must submit valid B-BBEE certificate of compliance or sworn affidavit approved by the dtic as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR** | **COMPONENTS MANUFACTURERS** | **ORIGINAL EQUIPMENT MANUFACTURERS (OEMs)** | **NEW ENTRANTS** |
| 2021 | No requirement to comply | Level 6 (six) | At least at level 8 (eight) |
| 2022 | Level 6 (six) | Level 4 (four) | Level 6 (six) |
| 2023 | Level 4 (four) | Level 4 (four) | Level 4 (four) |

* 1. Final manufacturers must submit the BBB-EE certificate not later than 31 December each year.
  2. ITAC reserve the right to withdraw any EPC issued to the final manufacturer that do not meet the required level.
  3. The applicant must submit a tariff subheading of the product applied for.
  4. The applicant must ensure that all pages of the application are initialled by the relevant authorised signatories (refer to paragraph 2.3 above).
  5. The applicant must submit an original completed application form to ITAC prior to invoicing of the component and tooling.
  6. The applicant must submit photographs and technical drawings of all product/s applied for.
  7. The applicant must submit literature/function of the products applied for.
  8. Component manufacturers must submit copies of a contract, supplier agreement/ a purchase order/s to supply a product to a manufacturer within the OEM supply chain.
  9. Tooling manufacturers must submit copies of a contract/quotation **and** purchase order/s for all tooling applied for, for supply to a manufacturer within the OEM supply chain.

1. **Eligibility criteria** 
   1. Automotive components manufacturers must achieve local/international OEM supply chain turnover, excluding tooling of at least 25 per cent of total automotive turnover or R10m in OEM supply chain invoicing per annum, whichever comes first at the time of the EPC application.

3.2 Service parts or replacement parts will benefit from the PI if component manufacturers achieve local/international OEM supply chain turnover of at least 25 per cent of total automotive turnover or R10m in OEM supply chain invoicing per annum, whichever comes first at the time of the EPC application.

3.3 The components and automotive tooling shall qualify if they meet the following criteria:

1. They were wholly manufactured in the SACU;
2. Not less than 25 per cent of the ex-factory selling price (exclusive of VAT, ad valorem excise duty and environmental levy) of the components, at the time of sale, is represented by the sum of -

* The cost of labour incurred in South Africa;

* The value of materials originating in the SACU; and
* The factory overhead expenses incurred in the South Africa (excluding profit).

1. The final process of manufacture was carried out in South Africa provided that operations that consist only of packing or painting will not qualify as manufacturing;
2. **EPC validity period**

4.1 The validity date of EPC will commence from the day in which the application was submitted to ITAC. However, ITAC reserves the right to review the period of validity should the need arise.

1. How to apply

Original applications should be posted to the following address:

The Senior Manager: Tariff Investigations II,

International Trade Administration Commission of South Africa,

Private Bag X753,

**PRETORIA,** 0001

Or hand delivered to:

The Senior Manager: Tariff Investigations II,

International Trade Administration Commission of South Africa,

The DTI Campus (Block E – 1st Floor),

77 Meintjies Street, Sunnyside,

**PRETORIA,** 0002

**ANNEXURE A1.2**

APPLICATION TO REGISTER AN AUTOMOTIVE COMPONENT/AUTOMOTIVE TOOLING AS AN ELIGIBLE PRODUCT BY A MANUFACTURER IN TERMS OF THE APDP REGULATIONS

Applications should be addressed to:

The Senior Manager: Tariff Investigations II,

International Trade Administration Commission of South Africa,

Private Bag X753,

**PRETORIA,**

0001

Or hand delivered to:

The Senior Manager: Tariff Investigations II,

International Trade Administration Commission of South Africa,

The DTI Campus (Block E – 1st Floor),

77 Meintjies Street, Sunnyside,

**PRETORIA,**

0002

**SECTION TO BE COMPLETED BY THE MANUFACTURER**

1. Company/Close Corporation’s name:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
2. Postal Address: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. Contact Person:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
2. Telephone No: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Telefax No: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
3. E-mail: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Customs code: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
4. Physical address at which components will be manufactured:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

DECLARATION BY A PERSON WITH MANAGEMENT RESPONSIBILITY OF THE MANUFACTURING BODY IN RESPECT OF APPLICATION FOR PRODUCTS TO QUALIFY FOR PRODUCTION REBATE CREDITS IN TERMS OF THE PRODUCTION INCENTIVE UNDER THE APDP PHASE 2

I \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (full names in block letters) hereby declare

In my capacity as person with management responsibility \_\_\_\_\_\_\_\_\_\_\_\_\_\_ (state job title) of

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (name of company or close corporation) that the:

(a) Product(s) for which the application has been lodged are new and unused automotive components and tooling;

(b) Product(s) is/are manufactured in the South Africa (If the last phase of manufacture has not been undertaken in the South Africa or if it is not a finished product(s), the product(s) must be irreversibly formed as an automotive component and a full motivation should be attached to the application);

(c) Description and tariff subheading contained in this application correctly describe the product(s) applied for and have been classified by SARS;

(d) The product (s) is/are within an OE supply chain;

(e) The products listed in the table below are/were manufactured by :..............................….................(manufacturer).............................at….............

..............…........................................................………....... (physical location).

|  |  |  |
| --- | --- | --- |
| Description | **Sales price range** | **Tariff Subheading** |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |

(f) Names and addresses of client(s) to whom the automotive components and/or tooling will be supplied: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(g) The vehicle manufacturer and vehicle model/s to which the product/s applied for is /are fitted: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(h) Information is confidential/not confidential (delete which is not applicable). If the information is regarded to be confidential, state the reasons: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. Give a brief description/literature of the manufactured products, its function, copies of technical drawings and photographs. All the required documents as per the information documents should be attached to the application form.
2. Kindly indicate the employment figures in relation to the end product to be manufactured (if applicable):

|  |  |
| --- | --- |
| **Applicant’s Total Employment:** |  |
| Female: |  |
| Youth (18- 35 years): |  |
| **Total Direct Factory Workers:** |  |
| Female: |  |
| Youth (18- 35 years): |  |

1. The component manufacturer(s) achieves local/international OEM supply chain turnover excluding tooling of at least 25 per cent of total automotive turnover or R10m in OEM supply chain invoicing per annum, whichever comes first.
2. The components and/or tooling applied for meets the following criteria:

* They were wholly manufactured in the South Africa;
* Not less than 25 per cent of the ex-factory selling price (exclusive of VAT, ad valorem excise duty and environmental levy) of the components at the time of sale, is represented by the sum of -
* The cost of labour incurred in South Africa ;
* The value of materials originating in the SACU; and
* The factory overhead expenses incurred in South Africa (excluding profit).
* The final process of manufacture was carried out in South Africa (operations that consist only of packing or painting will not qualify as manufacturing);

1. Copies of the following documents are attached to this application:

* A certificate of incorporation from the registrar of companies;
* A valid tax clearance certificate or tax compliance status pin;
* A valid B-BBEE certificate of compliance or sworn affidavit as approved by the dtic;
* Resolution of the company or close corporation that entitles the signatory to sign the application on behalf of the applicant;
* Photographs and or technical drawings of the product/s;
* Copies of a contract or purchase order to supply a product to or into the OEM supply chain.
* Total sales of the company for the last four quarters specifying various customer

I declare that the information furnished is true and correct and that it adheres to all other aspects of the information documents. In addition, I declare that it will be my obligation to make information available as and when required by ITAC or DTIC for monitoring and evaluation purposes for the APDP Phase 2.

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**NAME**  **DESIGNATION**

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**SIGNATURE DATE**

**ANNEXURE A1.3**

(Postal address)

............................................

............................................

.............................................

.............................................

Attention: ..............................

Dear Sir/Madam

**AUTOMOTIVE PRODUCTION AND DEVELOPMENT PROGRAMME PHASE 2: ELIGIBLE PRODUCTION CERTIFICATE NO: EPC 0000/2021**

1. Permission is hereby granted to **XXXX (Pty) Ltd** in respect of Note 9.2 of the APDP 2 Regulations to manufacture the component(s) (mentioned below) at (physical address) **14th Avenue, XXX, SA,0001 :**

**COMPONENTS/TOOLING TARIFF SUBHEADING/S**

- -

- - -

2. The period of validity of this certificate is from …....... / ...…. / 20 …. to …. / …. / 20…..

3. This certificate is issued subject to the conditions as set out in rebate item 317.04, ITAC APDP Phase 2 Regulations as well as relevant information documents.

1. This certificate is subject to review or cancellation at any time.
2. Despite the proof of payment requirements, there have been cases where PRC claims were for an eligible value added far in excess of the cost of production. This could distort the whole balance of the APDP 2 in terms of duty paid and rebated. In order that this distortion does not occur, the ITAC reserves the right to limit the value of eligible production that may qualify for purposes of claiming a Production Rebate Certificate. In determining the value that will qualify, the ITAC will take account of the following, but will not be limited to:

(a) The local selling price of equivalent, comparable or substitute products; and

(b) World market prices of equivalent or comparable or substitute products.

Yours faithfully

**Ms N Somdaka**

**SENIOR MANAGER: TARIFF INVESTIGATIONS II**

**ANNEXURE 1.4**

**GUIDELINES, RULES AND CONDITIONS PERTAINING TO PERMITS ISSUED UNDER REBATE ITEM 317.06/00.00/03.00 and 317.06/00.00/06.00 FOR AUTOMOTIVE COMPONENTS FOR USE IN THE MANUFACURE OF ORIGINAL EQUIPMENT COMPONENTS AS DEFINED IN CHAPTER 98 OF SCHEDULE NO.01 FOR SUPPLY TO A SPECIFIED MOTOR VEHICLE MANUFACTURE REGISTERED UNDER REBATE ITEM 317.04 and 317.07 IMPORTED BY COMPONENTS MANUFACTURES.**

* 1. This document serves to provide reference and procedural guidelines applicable to applications for permits in terms of rebate provision of 317.06/00.00/03.00 and 317.06/00.00/06.00. This document therefore addresses the guidelines, rules and conditions applicable to the aforementioned rebate item and the permit application process to be followed by applicants.

1. **REBATE PROVISION**
   1. Rebate item **317.06/00.00/03.00 and 317.06/00.00/06.00** of Schedule No. 3, Part 2 of the Customs and Excise Act No. 91 of 1964 (Customs and Excise Act) makes provision for rebate of the full duty on the:

“*Importation of automotive components for use in the manufacture of original components as defined in Chapter 98 of Schedule No.1 for supply to a specified motor vehicle manufacturer registered under rebate item 317.04 imported by component manufacturers;* and

*Automotive components for use in the manufacture of original equipment components as defined in Chapter 98 of Schedule No. 1 for supply to a heavy vehicle manufacturer registered under rebate item 317.07, imported by component manufacturers.”*

1. **APPLICATION PROCEDURES**
   1. The applicant shall provide International Trade Commission of South Africa (ITAC) with the required information as per the relevant application form (**Annexure A1.5**). Should the space provided in the application form not be sufficient, applicants may use the format of the application form as a guide for the format in which the required information should be submitted.
   2. For the purposes of this rebate "automotive components" means a new article which can be identified as being suitable for use in the manufacture of motor vehicles manufactured under rebate items 317.03 and 317.07 or original equipment components, including carpet cut to floor pan shape, leather seat covers cut to size, unfinished articles, including blanks and rough castings, having the essential character of automotive components.
   3. Qualifying products under the rebate provision are automotive sub-components for use in the manufacture of original equipment automotive components, for supply for online fitment in the SACU region.
   4. Applicants importing under the rebate provision must submit a valid BBB-EE certificate complying with the provisions stipulated below:

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR** | **COMPONENTS MANUFACTURERS** | **ORIGINAL EQUIPMENT MANUFACTURERS (OEMs)** | **NEW ENTRANTS** |
| 2021 | No requirement to comply | Level 6 (six) | At least at level 8 (eight) |
| 2022 | Level 6 (six) | Level 4 (four) | Level 6 (six) |
| 2023 | Level 4 (four) | Level 4 (four) | Level 4 (four) |

* 1. Final manufacturers must submit the BBB-EE certificate not later than 31 December each year.

* 1. These Guidelines should be read and understood before completing the application form. Completed original applications for permits may be forwarded to:

The Senior Manager: Tariff Investigations II

International Trade Administration Commission of South Africa

Private Bag X 753

Pretoria, 0001

Or hand delivered to:

1st Floor, Block E

DTI Campus

77 Meintjies Street

Sunnyside

Pretoria

0002

* 1. Should an application be found to be deficient, it will not be further processed and the applicant will be informed accordingly. An application will be regarded as deficient if the following is found:

1. The application is not submitted in the correct format;
2. The application does not comply with the guidelines, rules and conditions as set out in this document;
3. The requested information is not submitted;
4. The application contains conflicting or incorrect information.

Applicants who submit deficient applications must re-submit duly completed application forms to replace the deficient application forms, should they wish to proceed.

* 1. Applications must be made well in advance of the shipment of the goods, as rebate permits will not be issued retrospectively. Applicants should allow an issuance period of fourteen (14) days from date ITAC received a properly documented and duly completed application.
  2. Permits for rebate items 317.06/00.00/03.00 and 317.06/00.00/06.00 are valid for the period stipulated on the permit issued and no extensions will be granted.
  3. The permits are issued at the discretion of the ITAC. Should the application be rejected, the applicant will be informed in writing of the decision and the reasons therefore to enable the application to determine their appropriate recourse.

1. **APPLICABLE CONDITIONS**
   1. Once approved, applicant must submit the ITAC approval letter, to SARS Customs office to final registration. Applicants must comply with the provisions of the Customs and Excise Act, the ITA Act and all other South African legislation relating to the requirements for the importation of such goods into the Republic of South Africa, which are relevant to the transaction.
   2. Any request for an amendment of the rebate permit will only be considered when an error was made by ITAC upon the issuance of a permit.

**Note: No amendments will be effected in instances where the applicant was responsible for the submission of incorrect information. In such instances a new application will be required.**

* 1. Should the concerned party misplace a rebate permit; the applicant will be required to submit an application for a re-issue in the form of an affidavit. This must clearly set out the circumstances giving rise to the loss of the original permit and show good cause or reasons why a substitute permit must be issued. ITAC may consider issuing a replacement of the lost original permit provided the above is duly submitted.
  2. ITAC may satisfy itself as to the accuracy of the information supplied to it by the applicant by conducting verifications at such time and place as it deems necessary, including verification visits at the premises of the applicant that provided the information.
  3. ITAC may inform the applicant concerned of the dates of the intended visit, and where such information is provided, the verification will be conducted on those dates.
  4. Following a verification visit, ITAC shall compile a verification report indicating what information was verified and may make same available to the applicant.

1. **NON-COMPLIANCE**

* 1. Where non-compliance is detected, appropriate action will be taken against the relevant party in terms of the ITA Act and/or the Customs and Excise Act. This action may include (without limitation) criminal charges, withdrawal of the permit(s) concerned and it may affect future applications for permits.
  2. Should it be found that the goods imported in terms of the rebate permit are used for any purpose, other than that specifically described in the rebate provision and in the permit, the applicable customs duty and penalties will be imposed by SARS.

**ANNEXURE 1.5**

**INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA**

**APPLICATION TO REGISTER AS A COMPONENT MANUFACTURER IN TERMS OF ITEM**

**317.06/00.00/03.00:SUBCOMPONENTS FOR THE MANUFACTURE OF ORIGINAL EQUIPMENT COMPONENTS**

Applications should be addressed to:

The Senior Manager: Tariff Investigations II

International Trade Administration Commission of South Africa

Private Bag X753

**PRETORIA**

**0001**

1. Name of manufacturer:…………………………………………………………………………….
2. Postal address: …………………………………………………………...................................

……………………………………………………………………………………………………..

1. Physical address where manufacturing of the specific original equipment component takes/will take place:

……………………………………………………………………………………………………….

……………………………………………………………………………………………………….

1. Tel No: …………… E-Mail Address: ………………………………….
2. The applicant must submit valid B-BBEE certificate of compliance or sworn affidavit approved by the dtic as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR** | **COMPONENTS MANUFACTURERS** | **ORIGINAL EQUIPMENT MANUFACTURERS (OEMs)** | **NEW ENTRANTS** |
| 2021 | No requirement to comply | Level 6 (six) | At least at level 8 (eight) |
| 2022 | Level 6 (six) | Level 4 (four) | Level 6 (six) |
| 2023 | Level 4 (four) | Level 4 (four) | Level 4 (four) |

1. Final manufacturers must submit the BBB-EE certificate not later than 31 December each year.
2. Description and tariff subheading of imported (sub) component(s) (i.e. inputs) used in the manufacture of light motor vehicle component(s) supplied as original equipment to light motor vehicle manufacturer(s).
3. Photos of imported subcomponent(s) to be attached

|  |  |  |
| --- | --- | --- |
| **Description** | **Tariff subheading** | **Rate of duty** |
|  |  |  |
|  |  |  |
|  |  |  |

1. Description and tariff subheading of **original component(s) [end product(s)]** using imported (sub) components listed in 5 above. Photos of original equipment component(s) to be submitted together with application:

|  |  |
| --- | --- |
| **Description** | **Tariff Classification** |
|  |  |
|  |  |

8. Names of light motor vehicle manufacturers to which the original equipment components list 7 will be supplied:

……………………………………………………………………………………………………...

……………………………………………………………………………………………………..

……………………………………………………………………………………………………...

1. List of other manufacturing activities of component manufacturer and their relative importance (%) in terms of total manufacturing activities/turnover.
2. Indicate whether the automotive components are to be exported in terms of the dispensation for the motor industry:

……………………………………………………………………………………………………..

……………………………………………………………………………………………………..

11 Cost build-up of the component to be manufactured and supplied as original equipment component(s) according to the following format:

|  |  |  |
| --- | --- | --- |
| **Items** | **R/Unit** | **% Of Selling Price** |
| Cost Of Component(S): |  |  |
| (A) Imported |  |  |
| i) |  |  |
| Duty Payable |  |  |
| (B) Local |  |  |
| i) |  |  |
| ii) |  |  |
| iii) |  |  |
| Direct Labour |  |  |
| **Primary Cost** |  |  |
| Factory Overheads |  |  |
| **Total Manufacturing Cost** |  |  |
| Administration Cost |  |  |
| Royalties/Licence Fees |  |  |
| Marketing and Selling Cost |  |  |
| **Total Cost** |  |  |
| Profit/(Loss) |  |  |
| **Selling Price** |  |  |

**(Where the same O.E. component is supplied to more than one light motor vehicle manufacturer, the cost build-up of the highest volume component should be supplied)**

1. Kindly indicate the employment figures in relation to the end product to be manufactured (if applicable):

|  |  |
| --- | --- |
| **Applicant’s Total Employment:** |  |
| Female: |  |
| Youth (18- 35 years): |  |
| **Total Direct Factory Workers:** |  |
| Female: |  |
| Youth (18- 35 years): |  |

1. Estimated employment for each of next two years: Year 1 ..............

Year 2.…………

1. State whether there are other rebate provisions (schedules 3 and 4 to the customs and excise act) that may be applicable and whether the products have been registered under these rebate provisions:……………………………………………………………………………………………………………………………………………………...

………………………………………………………………………………………………………..

1. I declare that the information furnished is true and correct.

.................................................. .....................................................

**Name Designation**

**.................................................. ..................................................**

**Signature Date**

**Check List**

Please note: Before the rebate item **317.06/00.00/03.00 and 317.06/00.00/06.00** application form is submitted to ITAC, the applicant is required to complete the check list which is shown in table 1 below:

Table 1: Check List

|  |  |
| --- | --- |
| **Documents and information to be submitted** | **Mark with an X** |
| Importers Code |  |
| Valid BBB-EE certificate |  |
| Valid Tax compliance status pin |  |
| Copy of previous permit (if applicable) |  |

**ANNEXURE A2**

**INTERNATIONAL TRADE ADMINISTRATION COMMISSION**

**AUTOMOTIVE PRODUCTION AND DEVELOPMENT PROGRAMME 2 – APPLICATION FOR A PRODUCTION REBATE CERTIFICATE**

**NAME OF MANUFACTURER: ..................................................................**

**ADDRESS: .................................................................................................**

**CERTIFICATE TO BE ISSUED IN THE NAME OF: ................................................**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| PRODUCTS MANUFACTURED | | | 4. TARIFF HEADING/ SUBHEADING APPLICABLE TO EACH PRODUCT | 5 ELIGIBLE PRODUCTION CERTIFICATE (EPC) NUMBER | 6. STANDARD MATERIAL VALUE CERTIFICATE (SMD) NUMBER | 7. SELLING PRICE (from worksheet) | 8. STANDARD MATERIAL 75% OF SMD TOTAL | 9. NON-STANDARD MATERIAL AND COMPONENTS | 10. DIFFERENCE (7-8-9) | 11. UNITS | 12. ELIGIBLE VALUE ADDED (10x11) (ROUND OF TO NEAREST RAND) |
| 1. TAX INVOICE   NUMBER | 1. TAX INVOICE   DATE | 1. PART NUMBER AND DESCRIPTION OF PRODUCT |
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**APPLICABLE TO LAST PAGE**

1. Separate Annexures must be submitted in respect of registered light motor vehicles with or without engine.
2. Name of person who may be contacted in case of any queries: .................................... Tel: .......................................

Fax: .........................................

E-mail: ........................................

**ANNEXURE A2SL**

**SUMMARY OF TOTAL CLAIM PER TARIFF SUBHEADING (LOCAL) – Applicable to goods sold in SACU**

**NAME OF APPLICANT: ..............................................**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **1**  **PRODUCT DESCRIPTION** | **2**  **TARIFF SUB-HEADING** | **3**  **SALES VALUE** | **4**  **STANDARD MATERIAL**  **75%** | **5**  **NON-STANDARD MATERIAL**  **100%** | **6**  **ELIGIBLE VALUE ADDED DIFFERENCE**  **(3 – 4 – 5)** |
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| **TOTAL** |  |  |  |  |  |

**ANNEXURE A2SE**

**SUMMARY OF TOTAL CLAIM PER TARIFF SUBHEADING (EXPORT) – Applicable to goods exported**

**NAME OF APPLICANT: ..............................................**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **1**  **PRODUCT DESCRIPTION** | **2**  **TARIFF SUB-HEADING** | **3**  **SALES VALUE** | **4**  **STANDARD MATERIAL**  **75%** | **5**  **NON-STANDARD MATERIAL**  **100%** | **6**  **ELIGIBLE VALUE ADDED DIFFERENCE**  **(3 – 4 – 5)** |
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| **TOTAL** |  |  |  |  |  |

**ANNEXURE A2W**

**EXAMPLE OF WORK SHEET - CALCULATIONS PER UNIT**

**(THIS IS NOT A PRESCRIBED** **FORMAT)**

1. C.I.F. value per unit in foreign denomination e.g. €, US$ …..………….

2. Converted to Rand (e.g. €, US$./...= R..... to obtain equivalent Rand value) R.....…

3. Less foreign expenses e.g. insurance, freight, wharfage, commission, warranty costs, etc. R.....…

4. FOB value R..……

5. Selling price as reflected in Column 7 of Annexure A2 R.....…

**ANNEXURE A3**

**INTERNATIONAL TRADE ADMINISTRATION COMMISSION**

**AUTOMOTIVE PRODUCTION AND DEVELOPMENT PROGRAMME 2**

**LETTER OF AUTHORIZATION:**

**ISSUE/TRANSFER OF PRODUCTION REBATE CERTIFICATE**

**NB:** Must be completed by both parties, original to be submitted to ITAC

**CERTIFICATE HOLDER/APPLICANT**

I .................................................in my capacity as .....................………….…………………..

of .............................................................................................…………….….……………..…

hereby authorise the International Trade Administration Commission of South Africa to:

(a) transfer the production rebate certificate No …….................. (PCA No ………..…..) for an amount of R …………………….............................to the name of ..................…………………........….........................

OR

(b) issue a production rebate certificate in respect of the attached application for a total qualifying value of R.................................in the name of ............................ ..................……………………………………

Tel No: ………………..Fax No......................................e-mail...........................................

**SIGNED: ............……………………... DATE: ………………….........................**

**TRANSFEREE**

I …………......................................... in my capacity as.....................................................…..

hereby agree that the production rebate credit certificate referred to above, be issued in the name of ...............................................................................……………………………......…..

Postal Address: ..........................................................

Tel No: ……………………Fax No: ................................e-mail...............................................

I accept the transferred production rebate credit certificate "warts and all" (i.e. with all its latent and patent defects).

Customs Import No.: ....…………………......

**SIGNED: ........…………………................ DATE: ...................…………………………….**

**ANNEXURE A4**

EXAMPLE OF E-MAIL OR FAX SENT

**From:** Marhandzakutiva Rikhotso/Princess Matsepane

**To: ...................................……………………………………..**

**Subject: PRC ISSUED**

Enquiries: Maxwell Madida/

Lavhelesani Mulaudzi/Mukeliwe Manyoni

Tel.: 012 – 394 3595/3714/3699

Fax: 012 – 394 4595/4714/4699

................/20…

**PRODUCTION REBATE CERTIFICATE NO. ................**

**R..................................... (AMOUNT IN WORDS) ..................................................................**

………………………………….................... (Name of beneficiary)

Registrant’s Importers Reg No: ..............…………………….................

File No: .................../.… (Name of applicant)

This certificate relates to goods entered for home consumption in terms of the Customs and Excise Act, 1964, from …….......................... to ...............................………

This certificate is based on sales of: **SPECIFIED** **LIGHT MOTOR VEHICLES/AUTOMOTIVE COMPONENTS/ AUTOMOTIVE TOOLING.**

The beneficiary of this certificate shall be held liable for any discrepancy resulting from the under or over declaration of local value added or any other incorrect information supplied, for whatever reason, which resulted in the issue of the incorrect certificate.

**ANNEXURE A5**

**INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA**

**Production Rebate Certificate (PRC) Illustrative Reasonable Assurance Report**

**Assurance provider’s/auditor’s letterhead**

The Board of Directors/Members

*[Company/close corporation name]*

*[Address]*

Our Ref:

*[Date]*

Dear Sirs

**INDEPENDENT ASSURANCE PROVIDER’S REPORT[[1]](#footnote-1) ON APPLICATION FOR A PRODUCTION REBATE CERTIFICATE**

We have undertaken a reasonable assurance engagement of the accompanying Application for a Production Rebate Certificate (PRC) (the Application), with Reference No. <insert reference number> dated <insert date>, of <insert company/close corporation name> (the Company/Close Corporation), amounting to *<*insert amount per A2>. We have initialed the Application for identification purposes.

***The Directors’/Members’ Responsibility for the Application***

The directors/members are responsible for the preparation of the Application in accordance with the requirements of Part C of Phase 2 of the Automotive Production and Development Programme (APDP2) Regulations (the Regulations) and the *Detailed Information on Production Rebate Certificates (PRCs)* (*Info Doc A/<insert latest available version>*) (the Guidelines) issued by the International Trade Administration Commission of South Africa (ITAC). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the Application that is free from material misstatement, whether due to fraud or error.

***Our Independence and Quality Control***

We have complied with the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

In accordance with International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

***Our Responsibility***

Our responsibility is to express an opinion on the Application based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with the International Standard on Assurance Engagements 3000, *Assurance Engagements other than Audits or Reviews of Historical Financial Information* (ISAE 3000), issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement to obtain reasonable assurance about whether the Application is free from material misstatement.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about the amounts and disclosures in the Application. The nature, timing and extent of procedures selected depend on the assurance provider’s judgment, including the assessment of the risks of material misstatement, whether due to fraud or error, in the Application. In making those risk assessments; we considered internal control relevant to the Company’s/Close Corporation’s preparation of the Application.

Our reasonable assurance engagement also includes[[2]](#footnote-2):

* Enquiring of management, and where appropriate, those charged with governance regarding the entity’s compliance with the requirements of the Regulations and the Guidelines.
* Obtaining and documenting an understanding of the entity’s business activities and the processes and systems for preparing the Application.
* Evaluating the design and testing the implementation and operating effectiveness of controls that are relevant, to ensure the proper preparation of the Application.
* Selecting a sample of items included in the Application, and agreeing the information therein to the entity’s underlying accounting and production records, appropriate source documentation, and re-performing calculations, as appropriate.
* Inspecting evidence of payments received in respect of sales made prior to submission of the Application.
* Obtaining appropriate written representations from management.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Opinion***

In our opinion, the Application by <insert company/close corporation name> dated <insert date> is prepared, in all material respects, in accordance with the requirements of the Regulations and the Guidelines.

***Restriction on Distribution and Use of this Report***

Our report is intended only for the addressee and ITAC for the purpose indicated in the introductory paragraph and may not be suitable for another purpose. Consequently, our report and the Application should not be distributed to or used by other parties.

*Auditor’s Signature*

Name of individual registered auditor

Registered Auditor

Date of auditor’s report

Auditor’s address

**ANNEXURE A6**

**INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA**

**DECLARATION BY CHIEF EXECUTIVE OR DIRECTOR NOMINATED IN WRITING BY THE CHIEF EXECUTIVE IN RESPECT OF AN APPLICATION FOR A PRODUCTION REBATE CERTIFICATE IN TERMS OF PHASE 2 OF THE AUTOMOTIVE PRODUCTION AND DEVELOPMENT PROGRAMME**

**NB. The obligation to complete and submit this declaration cannot be transferred to an external authorised representative, auditor or any other third party acting on behalf of the claimant**

I, the undersigned, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(full names)

do hereby declare in my capacity as -

Managing Director/Chief Executive/Director (in respect of a company)/Senior Member/Person with management responsibility in respect of Close Corporation (delete that which is not applicable)

of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(hereinafter referred to as the applicant)

that -

(a) The facts herein contained are within my own personal knowledge;

(b) The applicant complies with the prescribed requirements in order to qualify for participation in the abovementioned programme;

(c) I have satisfied myself that the preparation of the application has been done in conformity with the International Trade Administration Commission of South Africa’s guidelines and requirements in respect of the abovementioned programme, of which I have fully acquainted myself and to which I unconditionally agree;

(d) All the products listed in the application form have been manufactured in the South Africa at the following physical address(es) of the final manufacturer:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and that no product manufactured outside the South Africa has been included in the application;

(e) The sales values shown represent normal commercial prices negotiated at arm's-length and have not been either over- or under-invoiced;

(f) All sales amounts invoiced in respect of the goods applied for, have been received in South Africa;

(g) I accept that the decision by the International Trade Administration Commission of South Africa, as to the determination of the values of production rebate credit certificates, will be final and conclusive and that the said Commission may at any time conduct or order that a full scale investigation be conducted to verify any information furnished in the application form;

(h) I understand that the International Trade Administration Commission of South Africa relies on and can call on me as far as the correctness of this declaration is concerned;

(i) The information furnished in this application is true and correct and I understand that the furnishing of incorrect information as far as this application is concerned, can lead to disqualification from participation and forfeiture of all benefits in terms of the programme whereupon the applicant will be required to refund any benefits received, to which measures I unconditionally agree;

(j) The applicant or any one of its associates or related party is not the subject of an investigation by either the South African Police Services, the Office for Serious Economic Offences, the International Trade Administration Commission of South Africa or the Commissioner for the South African Revenue Service.

(k) This declaration is applicable to the application for a production rebate credit certificate dated ….…………….. amounting to a total eligible value of R ……….

**NAME**: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ **DESIGNATION**: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**SIGNATURE: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ DATE: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**WITNESS NO. 1\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ DATE: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**WITNESS NO. 2\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ DATE: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**ANNEXURE A7**

**APDP2 STANDARD MATERIAL AND COMPONENT DECLARATION**

1. Under the APDP2 the final manufacturer of specified motor vehicles and automotive components will qualify for a production incentive (PI) based on local production value added at the applicable duty rate.
2. All participants submitting an SMD must comply to the relevant BBB-EE provisions as set out in the table below and avail the certificate for verification purposes.

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR** | **COMPONENTS MANUFACTURERS** | **ORIGINAL EQUIPMENT MANUFACTURERS (OEMs)** | **NEW ENTRANTS** |
| 2021 | No requirement to comply | Level 6 (six) | At least at level 8 (eight) |
| 2022 | Level 6 (six) | Level 4 (four) | Level 6 (six) |
| 2023 | Level 4 (four) | Level 4 (four) | Level 4 (four) |

1. Only 25% of the value of the following local standard material will qualify as local value added, the value will be referred to as standard value added (SVA):

3.1. Aluminium;

3.2. Brass;

3.3. Leather

3.4. Platinum group metals

3.5. Stainless steel: and

3.6 Steel

Please note that the applicable percentages will be calculated by the applicant of the PI whilst ITAC will apply the PI factor.

Although the standard material value will roll up the production chain only the entity actually applying for the PI will calculate the SVA. As with Form C2s, all participants are urged to calculate the SVA as accurately as possible in order to ensure a level playing field and the ultimate success of the programme.

1. The value of standard materials and non-standard materials/components will be declared on form SMD (Standard Materials and components Declaration). Find attached Annexure A7.1 (APDP2 STANDARD MATERIALS AND COMPONENTS DECLARATION) and Annexure A7.2 (APDP2 STANDARD MATERIALS AND COMPONENTS DECLARATION: CONTINUATION SHEET). Annexure A7.3 provides an explanation on the information required.

The following should be noted:

* 1. To simplify the calculation process statistics and values applicable to the previous quarter will be used.
  2. The manufacturer of standard material will determine the standard value of such material, which will be the weighted average selling price of the previous quarter.

If the standard material supplier also import “standard” material a weighted average standard material and non-standard material value should be calculated. **Example**: If a local steel mill manufactures steel adhering to certain specifications, and if the local steel mill should also import steel adhering to the same specifications of the local manufactured steel, the applicable SMD must indicate the weighted average standard material and non-standard material value.

* 1. It is not necessary for a supplier of only non-standard material to issue a SMD, the user of such material must calculated the weighted average purchase price of the previous quarter and enter the value as non-standard material on the SMD prepared by itself. **Example**: If a local steel mill import steel adhering to a certain specification, as it is (for example) not capable of manufacturing steel of said specification, it will not be necessary to issue an SMD, the user of the steel will calculated the value thereof by basing it on its weighted average purchase value of the previous quarter.

A supplier of components, regardless of whether or not the component is only manufactured from non-standard materials, must supply a SMD showing the value of standard and non-standard materials utilized in the manufacture of the component.

* 1. Participants are advised to familiarize themselves with Info Doc C (declaration of imported content) as the principles of the calculation are similar.
  2. If no SMD was received the weighted average purchase price of the previous quarter must be deemed the non-standard material value.
  3. Manufacturers using high value imported sub-components/assemblies in their manufacturing process may use the actual purchase price of such sub-components/assemblies (no need for weighted average values) if allowed by administrative/financial systems and if such sub-components/assemblies have a unique identification number
  4. Where a component/material is supplied for the first time, it may be necessary to base the standard and non-standard material values on purchases during the same quarter.
  5. Where no imports occur during a particular quarter or where the prices at which the goods were purchased are not representative of normal transaction values, the previous quarter's weighted average purchase price per unit will apply.
  6. Values must be entered in Rand and should not be expressed as a percentage or as a foreign currency.
  7. Consumables which are not identifiable as integral or visible parts of the end product, as well as petrol, distillate fuels, lubricating grease and prepared lubricating oils for engine, gearbox, steering case and drive-axle should be excluded from standard and non-standard material values.
  8. The calculation of standard and non-standard material values must be done on a formal basis and working papers in this regard must be kept in safe custody for a period of five years from the date of the SMD and be available to officials of the ITAC upon request, for purposes of verification.
  9. The correctness of SMDs received from suppliers may not be accepted as correct.
  10. Standard and non-standard material values on any loss associated with the production process must be shown as non-standard material.
  11. It is currently not necessary for first tier suppliers, as in the case with the FORM C2, to have their systems to calculate standard and non-standard material values audited on an annual basis.
  12. It should be noted that the values on the SMD should be applicable to 1x component only and not a summary of total components as per the invoice.
  13. The SMD will be valid for the period indicate on it making it unnecessary to issue multiple documents for the same product during an effective period.
  14. If a SMD certificate is not obtained, or if the SMD is not duly completed, the relevant user must deem the applicable goods as non-qualifying.
  15. Motor vehicle manufacturers, component manufacturers and component suppliers to the motor vehicle industry must obtain a SMD indicating the value in respect of each type of material/component received during a quarter, i.e. the quarters ending 31 March, 30 June, 30 September and 31 December.

1. Quarterly lag principle

When the final manufacturer applies for a PRC the application must be accompanied by a SMD indicating how the SVA was calculated. To simplify matters and to prevent the daily calculation of the SVA and SMD the final manufacturer will calculate it once a quarter using its own financial information of the previous quarter. The SMD will be applicable to the quarter in which it was calculated. The same principal will apply to the 1st, 2nd, 3rd (etc) tier suppliers and/or manufacturers of the applicable goods.

The same principle used to calculate the SMV must be used to calculate non qualifying material values.

The following example illustrates the quarterly lag principle, using the leather interior industry as an example:

5.1 The final manufacturer (Sewer) will calculate a SMD which will be applicable to stitched leather seats sold during the quarter, for example, 01/01/2021 to 31/03/2021 and will base its calculations on its own financial information of the quarter 01/10/2020 to 31/12/2020. The Sewer will, amongst other, determine from its purchase records the total m² leather parts purchased from an Automotive Tanner and other purchases (yarn, glue, sponge, PVC, etc) made by itself. The SMV, non-standard material value and imported value per m² leather will be derived from the SMD supplied by the Automotive Tanner whilst the Sewer will determine non-standard material value and imported value applicable to its “other” purchases. The Sewer will, by using aforesaid values, determine the SMV, non-standard material value and imported value for a specific automotive leather seat cover and will declare such values on its own SMD. The SMD thus calculated will cover all sales by the Sewer of the applicable automotive leather seat covers during the period 01/01/2021 to 31/03/2021.

5.2 The Automotive Tanner issuing the SMD (to the Sewer) with the effective date 01/10/2020 to 31/12/2020 will base its calculation on its own financial information applicable to the quarter 01/07/2020 to 30/09/2020. The Automotive Tanner will, amongst other, determine from its purchase records the total m² wet blues purchased from a Wet Blue Tanner and other purchases (chemicals, paint pigments, etc) made by itself. The SMV, non-standard material value and imported value per m² wet blue will be derived from the SMD supplied by the Wet Blue Tanner whilst the Automotive Leather Tanner will determine non-standard material value and imported value applicable to its “other” purchases. The Automotive Tanner will, by using aforesaid values, determine the SMV, non-standard material value and imported value applicable to a m² of leather and will declare such values on its own SMD. The SMD thus calculated will cover all sales by the Automotive Leather Tanner of the applicable leather parts during the period 01/10/2020 to 31/12/2020.

5.3 The Wet Blue Tanner issuing the SMD with the effective date 01/07/2020 to 30/09/2020 will base its calculation on its financial information applicable to the quarter 01/04/2020 to 30/06/2020. If the Wet Blue Tanner does no import wet blues it will, amongst other, determine from its sales records the weighted average selling price per m² hides and enter it on its SMD as standard material.

6. To illustrate the flow of SMDs

The Sewer will purchase finished leather from the Automotive Tanner or will

Sewer

import it. The Sewer will calculate SMD values by taking into account standard

material (local purchases, values from the SMD supplied by the AT), as well as non-standard material (own purchases/imports). The sewer will compile its own SMD in order to calculate the SVA.

The Automotive Tanner (AT) will purchase hides from local Wet Blue

Automotive tanner

Tanners or import same. The AT will calculate SMD values by taking

into account standard material (local purchases, values from the SMD

supplied by WBT), as well as non-standard material (own purchases/

imports). The AT will pass its SMD on to the sewer.

Wet blue tanner

The Wet Blue Tanner (WBT) will purchase hides from local abattoirs or import it and manufacture/process it into a wet blue. The WBT will enter its weighted average selling as standard material on its SMD

1. The SMD for a specific quarter must be made available to the users thereof within 14 days of the beginning of the quarter to which it relates.
2. It should be noted that any incorrect information supplied on a SMD certificate or the annexures thereto, can render the whole document null and void and may result in the purchase price of all items being regarded as non-standard material.

9. The certificates in question, together with the underlying documents, books of account plus production records substantiating the certificates, must be kept in safe custody by motor vehicle manufacturers, component manufacturers and suppliers for at least five years and be available to officials of ITAC upon request for purposes of verification.

10. Should ITAC elect to verify the correctness of the SMD certificate the bill of material of the applicable concern will be used as a starting point.

11. **EXAMPLE: CALCULATION OF THE SVA APPLICABLE TO A TOW BALL**

See Annexure A7.4.

12. **EXAMPLE: CALCULATION OF THE SVA APPLICABLE TO A STITCHED LEATHER SEAT**

See Annexure A7.5.

13. **EXAMPLE: CALCULATION OF THE SVA APPLICABLE TO CATALYTIC CONVERTERS**

See Annexure A7.6.

**ANNEXURE A7.1**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **APDP2 STANDARD MATERIALS AND COMPONENTS DECLARATION** | | | | | | | | | | | | | |
| **MANUFACTURE/SUPPLIER INFORMATION** | | | | | **CONTACT INFORMATION** | | | | **SMD INFORMATION** | | | | |
| **Name: 1** | | | | | **Contact person: 4** | | | | **Certificate no: 8** | | | | |
| **Address: 2** | | | | | **Designation: 5** | | | | **Effective from: 9 to: 9** | | | | |
|  | | | | | **Telephone number: 6** | | | | **Replaces certificate no: 10** | | | | |
|  | | | | | **E-mail: 7** | | | | **Effective date from: 11 to: 11** | | | | |
| **Custom code number: 3** | | | | |  | | | | **Total number of lines: 12** | | | | |
| **No** | **PART**  **NUMBER** | **DESCRIPTION** | **UNIT OF**  **MEASURE** | **STANDARD MATERIALS** | | | | | | | | | **NON-STANDARD MATERIALS/ COMPONENTS** |
| **ALUMINIUM** | | **BRASS** | **LEATHER** | **PGM** | | **STAINLESS**  **STEEL** | **STEEL** | **TOTAL** |
| **1** | **13** | **14** | **15** | **16** | | **17** | **18** | **19** | | **20** | **21** | **22** | **23** |
| **2** |  |  |  |  | |  |  |  | |  |  |  |  |
| **3** |  |  |  |  | |  |  |  | |  |  |  |  |
| **4** |  |  |  |  | |  |  |  | |  |  |  |  |
| **5** |  |  |  |  | |  |  |  | |  |  |  |  |
| **6** |  |  |  |  | |  |  |  | |  |  |  |  |
| **8** |  |  |  |  | |  |  |  | |  |  |  |  |
| **9** |  |  |  |  | |  |  |  | |  |  |  |  |
| **10** |  |  |  |  | |  |  |  | |  |  |  |  |
| **DECLARATION:**  **I \_\_\_\_\_\_\_\_\_24 \_\_\_\_\_\_\_\_\_\_\_\_ in my capacity as \_\_\_\_\_\_\_\_\_\_\_\_25\_\_\_\_\_\_\_\_\_\_ of \_\_\_\_\_\_\_\_\_\_\_26\_\_\_\_\_\_\_\_\_\_\_\_\_\_ hereby declare that the values calculated and declared herein is true and correct and complies with the guidelines compiled by ITAC.**  **\_\_\_\_\_\_\_\_\_\_\_\_\_\_27\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_28\_\_\_\_\_\_\_\_\_\_\_**  **SIGNATURE DATE** | | | | | | | | | | | | | |

**ANNEXURE A7.2**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **APDP2 STANDARD MATERIALS AND COMPONENTS DECLARATION – CONTINUATION SHEET** | | | | | | | | | | | | |
| **Certificate number: \_\_\_\_\_8\_\_\_\_\_ Effective from: \_\_\_\_\_\_\_\_\_9\_\_\_\_\_\_\_\_\_\_\_ to: \_\_\_\_\_\_\_\_\_9\_\_\_\_\_\_\_\_** | | | | | | | | | | | | |
|  | | | | **STANDARD MATERIALS** | | | | | | | | **NON-STANDARD MATERIALS/ COMPONENTS** |
|  | **PART**  **NUMBER** | **DESCRIPTION** | **UNIT OF**  **MEASURE** | **ALUMINIUM** | **BRASS** | **LEATHER** | **PGM** | **STAINLESS**  **STEEL** | **STEEL** | **TOTAL** | |
| **11** | **13** | **14** | **15** | **16** | **17** | **18** | **19** | **20** | **21** | **22** | | **23** |
| **12** |  |  |  |  |  |  |  |  |  |  | |  |
| **13** |  |  |  |  |  |  |  |  |  |  | |  |
| **21** |  |  |  |  |  |  |  |  |  |  | |  |
| **22** |  |  |  |  |  |  |  |  |  |  | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| **\_\_\_\_\_\_\_\_\_\_\_\_\_\_27\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_28\_\_\_\_\_\_\_\_**  **SIGNATURE DATE** | | | | | | | | | | | | |

**ANNEXURE A7.3**

**EXPLANATION OF INFORMATION REQUIRED TO COMPLETE A SMD**

1. Name of Company/Close Corporation;
2. Address of Company/Close Corporation;
3. Custom code number, if the Company/Close Corporation is not an importer/ exporter enter n/a;
   1. Contact information of the duly authorized official;
4. Certificate no, the participant issuing the certificate must insert its own unique number;

**9**. Period over which the certificate will be effective;

**10-11** Information applicable to the certificate that is being replaced;

**12.** Total number of lines used;

**13.** Material/component number;

**14.** Description of material/component;

**15.** Unit or measurement, should be the same as that reflected on the tax invoice;.

**16-22** Weighted average purchases value and total of local standard materials;

**23** Weighted average value of non-standard materials and components and imported raw material and imported components;

**24-28** Particulars and signature of duly authorized official.

**ANNEXURE A7.4**

**EXAMPLE: CALCULATION OF STANDARD VALUES APPLICABLE TO THE MANUFACTURE OF A TOW BALL**

Steel is supplied to a Tow Ball manufacturer who manufactures tow balls, 1 x kg steel is used to manufacture a tow ball, the product is deemed a qualifying product by ITAC.

Example 1: 100% local material

* 1. For purposes of the exercise it is assumed that the steel used is a 100% South African product, find attached Annexure A7.4.1 for an example of the SMV issued by the steel manufacturer. Please note that the steel supplier indicates that the unit of measurement is “kilograms” and that the standard value of the steel is R10 per kilogram.
  2. If the tow ball manufacturer only purchases steel from one supplier, and if no other materials are used, the standard value applicable to the final product will be R10.

* 1. If the tow ball manufacturer purchases steel from various local manufacturers the standard material value per kilogram will be based on a weighted average value.
  2. In the example below it is assumed that the tow ball manufacturer purchased steel from Company A (100 kilograms, unit price = R10 per kilogram) Company B (150 kilograms, unit price = R11.33 per kilogram) and Company C (250 kilograms, unit price = R11.20). The unit prices were obtained from the SMDs received from suppliers, see Annexure A7.4.1. For the SMD received from Company A.
  3. The weighted average standard value per kilogram (for say component Z12) is calculated as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **COMPONENT – Z12** | | **VALUES in - R** | | | |
| **DATE** | **Units**  **(kg)** | **Standard**  **material** | **Non-standard material** | **Imported component/ material** | **Total** |
| **01/01/2020** | 100 | 1 000 | 0 | 0 | 1 000 |
| **10/02/2020** | 150 | 1 700 | 0 | 0 | 1 700 |
| **20/03/2020** | 250 | 2 800 | 0 | 0 | 2 800 |
| **TOTAL** | 500 | 5 500 | 0 | 0 | 5 500 |
| **WEIGHTED AVE VALUE PER KG** | | 11.00 | 0 | 0 | 11.00 |
|  |  | (R5 500/500) |  |  |  |

See Annexure A7.4.2 (line 1) for the SMD issued by the tow ball manufacturer.

1. Example 2: Local and imported material
   1. In the example below it is assumed that the tow ball manufacturer purchased local steel from Company A (100 kilograms, unit price = R10 per kilogram) and also imported 400kg steel for R4 500. The unit price for the local steel was obtained from the SMD received from Company A whilst the value and weight on imported steel was secured from customs documentation.
   2. The weighted average standard value per kilogram (for say component Z13) is calculated as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **COMPONENT – Z13** | | **VALUES in - R** | | | |
| **DATE** | **Units**  **(kg)** | **Standard**  **material** | **Non-standard material** | **Imported component/ material** | **Total** |
| **01/04/2020** | 100 | 1 000 | 0 | 0 | 1 000 |
| **20/06/2020** | 400 | 0 | 0 | 4 500 | 4 500 |
| **TOTAL** | 500 | 1 000 | 0 | 4 500 | 5 500 |
| **WEIGHTED AVE VALUE**  **PER KG** | | 2.20 | 0 | 8.80 | 11.00 |
|  | | |  |  |  |

See Annexure A7.4.2 for an example of the SMD issued.

* 1. The tow ball manufacturer applying for a PRC will calculate the SVA per unit as follows, if it is assumed that the selling price of the tow ball is R20 per unit:
  2. Component Z12 **Z12**

Selling price R20.00

Less: Standard material (R11x 75%) R 8.25

Less: Non-standard materials R 0.00

Less: Imported Components/material R 0.00

VA R 11.75

PRC value (PI factor = 62.5%\*20%) R 1.47

* 1. Component Z13 **Z13**

Selling price R20.00

Less: Standard material (R2.2 x 75%) R 1.65

Less: Non-standard materials R 0.00

Less: Imported Components/material R 8.80

VA R 9.55

PRC value (PI factor = 62.5%)@20% duty R1.19

1. Flow of goods and SMD with production of a tow ball:

**GOODS SMD**

**Local steel mnf**

**ITAC – PRCC SYSTEM**

**Other local material**

**Other imported material**

**OEM sales**

**Other sales**

**Tow ball mnf**

**ANNEXURE A7.4.1**

**SMD by Steel Manufacturer (Only the value of the SMD is shown)**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **TOTAL NUMBER OF LINES: \_\_\_1\_\_\_\_** | | | | **STANDARD MATERIALS** | | | | | | | **NON-STANDARD MATERIALS/ COMPONENTS** |
|  | **PART**  **NUMBER** | **DESCRIPTION** | **UNIT OF**  **MEASURE** | **ALUMINIUM** | **BRASS** | **LEATHER** | **PGM** | **STAINLESS**  **STEEL** | **STEEL** | **TOTAL** |
| **1** | **Z11** | **STEEL** | **KG** |  |  |  |  |  | **10.00** | **10.00** | **0.00** |
| **2** |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

**ANNEXURE A7.4.2**

**SMD by Tow Ball Manufacturer (Only the value of the SMD is shown)**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **TOTAL NUMBER OF LINES: \_\_\_\_\_\_\_** | | | | **STANDARD MATERIALS** | | | | | | | **NON-STANDARD MATERIALS/ COMPONENTS** |
|  | **PART**  **NUMBER** | **DESCRIPTION** | **UNIT OF**  **MEASURE** | **ALUMINIUM** | **BRASS** | **LEATHER** | **PGM** | **STAINLESS**  **STEEL** | **STEEL** | **TOTAL** |
| **1** | **Z12** | **TOW BALL** | **UNIT** |  |  |  |  |  | **11.00** | **11.00** | **0** |
| **2** | **Z13** | **TOW BALL** | **UNIT** |  |  |  |  |  | **2.20** | **2.20** | **8.80** |
|  |  |  |  |  |  |  |  |  |  |  |  |

**ANNEXURE A7.5**

**EXAMPLE: CALCULATION OF STANDARD VALUES APPLICABLE TO THE MANUFACTURE OF STITCHED LEATHER SEAT COVERS**

1. A wet blue tanner purchase hides from a local abattoir/trader and import pickled hides from abroad. The hides are manufactured/processed into a wet blue or wet white (wet blue). The wet blue tanner will calculate its weighted average selling price, by making use of its financial information applicable to the previous quarter, and enter the value as “standard material - leather” on its SMD.

Please note that wet blues are deemed to be a standard material.

2. In the example below it was assumed that the wet blue tanner purchased:

* 1 000 hides and manufactured/processed it into wet blues;
* 200 wet blues from a supplier in Australia.

The SVA per wet blue will be calculated on a weighted average basis and may look as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **WET BLUES** | | **VALUES in - R** | | | |
| **DATE** | **Units**  **(hides)** | **Standard**  **material** | **Non-standard material** | **Imported component/ material** | **Total** |
| **31/03/2020 (own production)** | 1 000 | 200 000 | 0 | 0 | 200 000 |
| **10/02/2020 (imported)** | 200 | 0 | 0 | 60 000 | 60 000 |
| **Total input** | 1 200 | 200 000 | 0 | 60 000 | 260 000 |
|  |  |  |  |  |  |
| **WEIGHTED AVE VALUE OF A WET BLUE** | | 180.56 | 0 | 36.11 | 216.67 |
|  | |  |  |  |  |

The wet blue tanner supplies the wet blues to an automotive tanner, see attached Annexure A7.5.1 for an example of the SMD.

3. The automotive tanner can also import wet blues, and together with local wet blues process it into finished leather. The local finished leather together with imported finished leather are processed and trimmed into leather parts and supplied to a sewer.

The automotive tanner will secure the standard values per wet blue from the SMD supplied by the wet blue tanner whilst the value and number applicable to imported finished leather will be obtained from its customs documentation.

In the calculation below it was assumed that the automotive tanner purchased:

* 500 wet blues from the wet blue tanner in 1, standard and non-standard values were obtained from the SMD in Annexure A7.5.1;
* 400 wet blues abroad, values were obtained from customs documentation;
* 100 wet blues from another local wet blue tanner, standard and non-standard values were obtained from the applicable SMD;
* 400 m² of finished leather abroad, values were obtained from customs documentation.
* Local chemicals and paint with a value of R60 000.

The SVA per M² will be calculated on a weighted average basis and may read as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **FINISHED LEATHER** | | **VALUES in - R** | | | |
| **DATE** | **Units**  **(hides)** | **Standard**  **material** | **Non-standard material** | **Imported component/ material** | **Total** |
| **01/04/2020** | 500 | 90280 | 0 | 18055 | 108 335 |
| **10/05/2020** | 400 | 0 | 0 | 120 000 | 120 000 |
| **20/06/2020** | 100 | 20 115 | 0 | 0 | 20 115 |
|  | 1 000 | 110 395 | 0 | 138 055 | 248 450 |
| **Plus: Chemicals** |  | 0 | 60 000 | 0 | 60 000 |
| **Total input** | 1 000 | 110 395 | 60 000 | 138 055 | 308 450 |
|  |  |  |  |  |  |
| **Conversion, wet blue hides to ²m finished leather** | 4 000 | 110 395 | 60 000 | 138 055 | 308 450 |
| **Plus: m² finished imported** | 400 | 0 | 0 | 100 000 | 100 000 |
| **Total input** | 4 400 | 110 395 | 60 000 | 238 055 | 408 450 |
|  |  |  |  |  |  |
| **Total yield** | 3 000 |  |  |  |  |
|  |  |  |  |  |  |
| **Weighted ave value per m² trimmed finished leather** |  | 36.80 | 20.00 | 79.35 | 136.15 |
|  |  |  |  |  |  |

Hides and wet blues are normally purchased in units, kilograms or square meters. In the example it was assumed that one hide equals 4 square meters (m²). See attached Annexure A7.5.2 for an example of the SMD.

4. The sewer can also import trimmed finished leather, and together with local trimmed finished leather produce an automotive leather seat cover.

The sewer will secure the standard values local trimmed finished leather from the SMD supplied by the automotive tanner whilst the value and number applicable to imported trimmed finished leather will be obtained from its customs documentation.

In the calculation below it was assumed that the sewer purchased:

* Trimmed finished leather from the automotive tanner in 1, standard and non-standard values were obtained from the SMD in Annexure A7.5.2;
* Yarns, glues, PVC, sponges, heating pads etc. abroad

The calculation of the VA applicable to a stitched leather seat may look as follows, if 4.25 m² finished leather is needed for one seat:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **LEATHER SEAT COVER** | | **VALUES in - R** | | | |
|  | **Units**  **(seat)** | **Standard**  **material** | **Non-standard material** | **Imported component/ material** | **Total** |
| **Input 4.25 m²** | 1 | 156.40 | 85.00 | 337.24 | 578.64 |
| **Other inputs** | 1 | 0 | 30.00 | 50.00 | 80.00 |
| **Weighted ave value per leather seat** | 1 | 156.40 | 115.00 | 387.24 | 658.64 |
|  |  |  |  |  |  |

Find attached Annexure A7.5.3, being an example of the final SMD prepared by the Sewer.

5. The Sewer applying for a PRC will calculate the SVA per unit as follows, a selling price of R900 per unit was assumed:

Selling price R900.00

Less: Standard material (R156.40 x 75%) R117.30

Less: Non-standard materials R502.24

VA R280.46

PRC value (PI factor = 62.50%)@20% duty R35.06

6. Flow of goods and SMD with the production of an automotive leather seat cover:

**GOODS SMD**

**ABATTOIR**

**Other imported material**

**Other local material**

**Other imported material**

**OTHER**

**SALES**

**Other local material**

**SEWER**

**Other local material**

**Other imported material**

**OEM SALES**

**ITAC – PRCC SYSTEM**

**TANNER**

**AUTOMOTIVE TANNER**

**ANNEXURE A7.5.1**

**SMD by Wet Blue Tanner (Only the value of the SMD is shown)**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **TOTAL NUMBER OF LINES: \_\_\_1\_\_\_\_** | | | | **STANDARD MATERIALS** | | | | | | | **NON-STANDARD MATERIALS/ COMPONENTS** |
|  | **PART**  **NUMBER** | **DESCRIPTION** | **UNIT OF**  **MEASURE** | **ALUMINIUM** | **BRASS** | **LEATHER** | **PGM** | **STAINLESS**  **STEEL** | **STEEL** | **TOTAL** |
| **1** | **7.1** | **Wet blue** | **Hide** |  |  | **180.56** |  |  |  | **180.56** | **36.11** |
| **2** |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

**SMD by Automotive Tanner (Only the value of the SMD is shown)**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **TOTAL NUMBER OF LINES: \_\_\_1\_\_\_\_** | | | | **STANDARD MATERIALS** | | | | | | | **NON-STANDARD MATERIALS/ COMPONENTS** |
|  | **PART**  **NUMBER** | **DESCRIPTION** | **UNIT OF**  **MEASURE** | **ALUMINIUM** | **BRASS** | **LEATHER** | **PGM** | **STAINLESS**  **STEEL** | **STEEL** | **TOTAL** |
| **1** | **7.1.1** | **Leather part** | **m²** |  |  | **36.80** |  |  |  | **36.80** | **99.35** |
| **2** |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

**ANNEXURE A7.5.3**

**SMD by Sewer (Only the value of the SMD is shown)**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **TOTAL NUMBER OF LINES: \_\_\_1\_\_\_\_** | | | | **STANDARD MATERIALS** | | | | | | | **NON-STANDARD MATERIALS/ COMPONENTS** |
|  | **PART**  **NUMBER** | **DESCRIPTION** | **UNIT OF**  **MEASURE** | **ALUMINIUM** | **BRASS** | **LEATHER** | **PGM** | **STAINLESS**  **STEEL** | **STEEL** | **TOTAL** |
| **1** | **1.22.1** | **Kit-leather seat** | **Unit** |  |  | **156.39** |  |  |  | **156.39** | **502.25** |
| **2** |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

**ANNEXURE A7.6**

**EXAMPLE: CALCULATION OF THE VA APPLICABLE TO A CATALYTIC CONVERTER**

1. PGM ore is mined and supplied to Refiners who refine it into a sponge. The sponge is sold to a Coater or Sponsor (OEM). The Sponsor never physically receives the sponge as it is delivered to either a Coater or Digester. The Digester will process the sponge into a concentrate or salt and supply it to a Coater who will apply it to a substrate. Some Coaters also render a digesting service.

See attached Annexure A7.6.1 for an example of the SMD from the Refiner.

1. In the following examples it is assumed that although the sponge is sold to a Sponsor it was delivered to a Digester. The Digester processes the sponge into a concentrate or salt and supplies it to a Coater who in turn supplies the coated substrate to a Canner. The right to apply for a PRC lies with the Canner who is the final manufacturer.

2.1 **Sponsor**: In the example it is assumed that the Sponsor not only purchases sponge from 2x local Refiners but also imports sponge. The SVA per PGM type will be calculated on a weighted average basis and may read as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **SPONGE – SPONSOR** | | **VALUES in - R** | | | |
| **DATE** | **Units**  **(Troy oz.)** | **Standard**  **material** | **Non-standard material** | **Imported component/ material** | **Total** |
| **01/01/2020** | 100 | 167 000 | 0 | 0 | 167 000 |
| **10/02/2020** | 200 | 330 000 | 0 | 0 | 330 000 |
| **21/03/2020** | 100 | 0 |  | 200 000 | 200 000 |
|  | 400 | 497 000 | 0 | 200 000 | 697 000 |
| **Weighted ave value per Troy oz.** | 1 | 1 306.88 | 0 | 435.63 | 1 742.50 |
|  |  |  |  |  |  |

See attached Annexure A7.6.2 for an example of the SMD.

For purposes of this exercise it is assumed that the Sponsor will free issue the concentrate or salt to a Coater whilst the Canner will be charged with the cost of the metal.

2.2 **Digester**: The mine delivers the sponge to a Digester who is not necessarily the owner of it. The Digester, who can also be the coater, processes the sponge into a concentrate or salt and supplies it to a Coater. In the Example below it is assumed that the Digester recovers the cost of digesting from the Coater.

Chemicals used in the processing are deemed to be a non-standard material.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **DIGESTING (of 400 Troy oz. platinum)** | | **VALUES in - R** | | | |
| **DATE** | **Units (Liters)** | **Standard**  **material** | **Non-standard material** | **Imported component/ material** | **Total** |
| **01/01/2020** | 50 | 0 | 1 000 | 0 | 1 000 |
| **10/02/2020** | 100 | 0 | 2 000 | 0 | 2 000 |
| **21/03/2020** | 200 | 0 | 0 | 4 000 | 4 000 |
|  |  | 0 | 3 000 | 4 000 | 7 000 |
| **Weighted ave value per Troy oz.** | 1 | 0 | 7.50 | 10.00 | 17.50 |

See attached Annexure A7.6.3 for an example of the SMD.

2.3 **Substrate**: The Coater will buy substrates from a local concern or will import it himself. The local supplier of the substrate will either “fire” or import it. If he should “fire” it he will import “logs” and may performs the following VA calculation:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **SUBSTRATE** | | **VALUES in - R** | | | |
| **DATE** | **Units** | **Standard**  **material** | **Non-standard material** | **Imported component/ material** | **Total** |
| **01/01/2020** | 400 | 0 | 0 | 5 000 | 5 000 |
| **10/02/2020** | 200 | 0 | 0 | 3 000 | 3 000 |
| **21/03/2020** | 600 | 0 | 0 | 40 000 | 40 000 |
|  | 1 200 | 0 | 0 | 48 000 | 48 000 |
| **Weighted ave value per substrate** | 1 | 0 | 0 | 40.00 | 40.00 |
|  |  |  |  |  |  |

See attached Annexure A6.4 for an example of the SMD.

2.4 The Coater processes concentrate or salt into a slurry/wash coat and applies it to a substrate, after coating the substrate is referred to as an auto catalyst. Chemicals used in the processing are assumed to be a non-standard material.

The Sponsor will inform the Coater about loading specifications. Chemicals used in the processing are deemed to be a non-standard material.

The SVA per coated substrate PGM type will be calculated on a weighted average basis and may look as follows assuming that the cost is applicable to a 1000 substrates:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **COATER** | | **VALUES in - R** | | | |
| **DATE** | **Units**  **(Sub-strates)** | **Standard**  **material** | **Non-standard material** | **Imported component/ material** | **Total** |
| **01/04/2020 (Substrates)** | 1 000 | 0 | 0 | 40 000 | 40 000 |
| **10/05/2020 (Chemicals)** |  | 0 | 10 000 | 0 | 10 000 |
| **21/05/2020 (Chemicals)** |  | 0 | 0 | 15 000 | 15 000 |
|  | 1 000 | 0 | 10 000 | 55 000 | 65 000 |
| **Weighted ave value per substrate** | 1 | 0 | 10 | 55.00 | 65.00 |

See attached Annexure A7.6.5 for an example of the SMD.

2.5 The Stainless Steel Supplier will supply stainless steel to the canner as well as a SMD indicating the local value added. Other materials purchases will be deemed to be non qualifying material.

2.6 The Canner, as the final manufacturer, will calculate the final SMD and submit it with its claim for a PRC to ITAC or the local purchaser (if an OEM). The VA will display the following values, assuming that the cost will be applicable to 500 catalytic converters:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **CANNER** | | **VALUES in - R** | | | |
| **DATE** | **Units** | **Standard**  **material** | **Non-standard material** | **Imported component/ material** | **Total** |
| **01/04/2020 (Coated substrates)** | 500 | 0 | 5 000 | 27 500 | 32 500 |
| **20/04/2020 (PGM)** |  | 65 344 | 0 | 21 781 | 87 125 |
| **20/05/2020 (S/steel)** |  | 10 000 | 0 | 0 | 10 000 |
| **21/05/2020 (Matting, etc)** |  | 0 | 5 000 | 0 | 5 000 |
|  | 500 | 75 344 | 10 000 | 49 281 | 134 625 |
| **Weighted ave value per catalytic converter** | 1 | 150.69 | 20.00 | 98.56 | 269.25 |
|  |  |  |  |  |  |

See attached Annexure A7.6.6 for an example of the SMD.

2.7 The Canner applying for a PRC calculate the SVA per unit as follows:

Selling price R1 000.00

Less: Standard materials (R150.69 x 75%) R 113.02

Less: Non-standard materials R 20.00

Less: Imported component/material R 98.56

SVA R 768.42

PRC value (PI factor = 65%)@20% R 99.89

1. Flow of material and SMD with the production of a catalytic converter

**GOODS SMD**

**MINE (SMELTER)**

**)**

**Other material**

**ITAC – PRCC SYSTEM**

**CANNER**

**Other material**

**Other material**

**DIGESTER**

**OEM sales**

**COATER (DIGESTER)**

**Other sales**

**ANNEXURE A7.6.1**

**SMD by the Refiner (Only the value of the SMD is shown)**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **TOTAL NUMBER OF LINES: \_\_\_1\_\_\_\_** | | | | **STANDARD MATERIALS** | | | | | | | **NON-STANDARD MATERIALS/ COMPONENTS** |
|  | **PART**  **NUMBER** | **DESCRIPTION** | **UNIT OF**  **MEASURE** | **ALUMINIUM** | **BRASS** | **LEATHER** | **PGM** | **STAINLESS**  **STEEL** | **STEEL** | **TOTAL** |
| **1** | **1** | **Platinum** | **Troy oz** |  |  |  | **6 000.00** |  |  | **6 000.00** |  |
| **2** |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

**ANNEXURE A7.6.2**

**SMD by the Substrate Sponsor (Only the value of the SMD is shown)**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **TOTAL NUMBER OF LINES: \_\_\_1\_\_\_\_** | | | | **STANDARD MATERIALS** | | | | | | | **NON-STANDARD MATERIALS/ COMPONENTS** |
|  | **PART**  **NUMBER** | **DESCRIPTION** | **UNIT OF**  **MEASURE** | **ALUMINIUM** | **BRASS** | **LEATHER** | **PGM** | **STAINLESS**  **STEEL** | **STEEL** | **TOTAL** |
| **1** | **1.1** | **Platinum** | **Troy oz** |  |  |  | **1306.88** |  |  |  | **435.63** |
| **2** |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

**ANNEXURE A7.6.3**

**SMD by the Digester (Only the value of the SMD is shown)**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **TOTAL NUMBER OF LINES: \_\_\_1\_\_\_\_** | | | | **STANDARD MATERIALS** | | | | | | | **NON-STANDARD MATERIALS/ COMPONENTS** |
|  | **PART**  **NUMBER** | **DESCRIPTION** | **UNIT OF**  **MEASURE** | **ALUMINIUM** | **BRASS** | **LEATHER** | **PGM** | **STAINLESS**  **STEEL** | **STEEL** | **TOTAL** |
| **1** | **1** | **Chemicals** | **Liters** |  |  |  |  |  |  |  | **17.50** |
| **2** |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

**ANNEXURE A7.6.4**

**SMD by the Substrate Supplier (Only the value of the SMD is shown)**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **TOTAL NUMBER OF LINES: \_\_\_1\_\_\_\_** | | | | **STANDARD MATERIALS** | | | | | | | **NON-STANDARD MATERIALS/ COMPONENTS** |
|  | **PART**  **NUMBER** | **DESCRIPTION** | **UNIT OF**  **MEASURE** | **ALUMINIUM** | **BRASS** | **LEATHER** | **PGM** | **STAINLESS**  **STEEL** | **STEEL** | **TOTAL** |
| **1** | **1.1** | **Substrate** | **Unit** |  |  |  |  |  |  |  | **40.00** |
| **2** |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

**ANNEXURE A7.6.5**

**SMD by the Coater (Only the value of the SMD is shown)**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **TOTAL NUMBER OF LINES: \_\_\_1\_\_\_\_** | | | | **STANDARD MATERIALS** | | | | | | | **NON-STANDARD MATERIALS/ COMPONENTS** |
|  | **PART**  **NUMBER** | **DESCRIPTION** | **UNIT OF**  **MEASURE** | **ALUMINIUM** | **BRASS** | **LEATHER** | **PGM** | **STAINLESS**  **STEEL** | **STEEL** | **TOTAL** |
| **1** | **2.1** | **Coating** | **Catalyst** |  |  |  |  |  |  |  | **65.00** |
| **2** |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

**ANNEXURE A7.6.6**

**SMV by the Canner (Only the value of the SMD is shown)**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **TOTAL NUMBER OF LINES: \_\_\_1\_\_\_\_** | | | | **STANDARD MATERIALS** | | | | | | | **NON-STANDARD MATERIALS/ COMPONENTS** |
|  | **PART**  **NUMBER** | **DESCRIPTION** | **UNIT OF**  **MEASURE** | **ALUMINIUM** | **BRASS** | **LEATHER** | **PGM** | **STAINLESS**  **STEEL** | **STEEL** | **TOTAL** |
| **1** | **1.1** | **CatCon** | **Unit** |  |  |  | **130.69** | **20.00** |  | **150.69** | **118.56** |
| **2** |  |  |  |  |  |  |  |  |  |  |  |
| **3** |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

1. When the registered auditor is the auditor of the entity the heading may read ‘Independent auditor’s report on … ’ instead of ’Independent assurance provider’s report’. [↑](#footnote-ref-1)
2. To be adapted as necessary.It is not intended that the procedures described are as detailed as in a work programme. [↑](#footnote-ref-2)