**INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA**

**DATE: 1JULY 2021**

**COMPANY SPECIFIC PERCENTAGE USED IN THE CALCULATION OF THE VOLUME ASSEMBLY LOCALISATION ALLOWANCE (VALA)**

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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.**

# CALCULATION OF COMPANY SPECIFIC PERCENTAGES FOR VOLUME ASSEMBLY LOCALISATION ALLOWANCE PURPOSES

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**ACRONYMS**

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

**CSP** - Company specific percentage

**VAA** - Volume Assembly Allowance

**G.V.M.** - Gross vehicle mass

**ITAC** - International Trade Administration Commission **OEM** - Motor vehicle manufacturer

**RRLP** - Recommended retail list price (retail price)

**SARS**  -South African Revenue Service

**SKD** - Semi-Knocked Down

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

**VAA** - Volume Assembly Allowance

**VALA** - Volume Assembly Localisation Allowance

**CALCULATION OF COMPANY SPECIFIC PERCENTAGES (CSP’s) FOR VOLUME ASSEMBLY LOCALISATION ALLOWANCE (VALA) PURPOSES**

## This document must be read in conjunction with the APDP2 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.***

# BACKGROUND

* 1. Only light motor vehicle manufacturers (OEMS) registered with the ITAC and SARS, manufacturing specified motor vehicles in South Africa, will qualify for VALA benefits.

In terms of note 1 to rebate item 317.04

"Specified motor vehicles" means -

* + 1. road tractors or semi-trailers of subheading 8701.20 of a vehicle mass not exceeding 1 600 kg;
    2. motor vehicles for the transport of ten or more persons, including the driver, of heading 87.02, of a vehicle mass not exceeding 2 000 kg, (excluding those of subheading 8702.10.10);
    3. motor cars (including station wagons) of heading 87.03;
    4. motor vehicles for the transport of goods of heading 87.04 of a vehicle mass not exceeding 2 000 kg or a G.V.M. not exceeding 3 500 kg or of a mass not exceeding 1 600 kg or of a G.V.M. not exceeding 3 500 kg per chassis fitted with a cab (excluding motor vehicles of subheading 8704.10, shuttle cars and low construction flame-proof vehicles for use in underground mines and off-the-road logging trucks); and
    5. chassis fitted with engines of heading 87.06, of a mass not exceeding 1 600 kg or of a G.V.M. not exceeding 3 500 kg (excluding those for motor vehicles of subheading 8704.10, shuttle cars and low construction flame-proof vehicles, for use in underground mines and off-the-road logging trucks).
  1. Find attached Annexure B1.1 and Annexure B.1.2 being an application to register as a new light motor vehicle manufacturer in terms of Note 1 to Chapter 98 of the Customs and Excise Act, 1964, and an annual update form for an existing light motor vehicle manufacturer. Documents must reach ITAC a quarter prior to the effective date of registration.
  2. The CSP will be determined by ITAC, which percentage/s will be applied by SARS to determine the VALA for each registered OEM only where a registered light motor vehicle manufacturer achieves a minimum production level of 10 000 units over the most recent four quarters.
  3. The VALA calculation is based on the RRLP (domestic market) or the FOB price (export market) less the CSP less all imported components and raw materials in the supply chain. The result is the local value addition (LVA) to which the VALA percentage in 1.4 below is applied.
  4. With effect from **01 July 2021,** the VALA percentage will be determined as follows for all annual production over 10 000 units measured over the most recent four quarters total:
     1. 40% for 2021
     2. 39% for 2022
     3. 38% for 2023
     4. 37% for 2024
     5. 36% for 2025
     6. 35% for 2026
  5. The starting point to calculate the CSP is the recommended list price (RRLP) as this is also the starting point by SARS when they calculate ad valorem excise duties. The CSP is a calculated percentage expressing the mark-up by the retailer and market related expenditure by the OEM as a percentage to the RRLP.
     1. In the case of vehicles built for the local market, the difference between the recommended retail list price (RRLP) (*exclusive of VAT, ad valorem excise duty and environmental levy)* and the invoice price by the OEM (*exclusive of VAT, ad valorem excise duty and environmental levy)*, plus market related expenditure, expressed as a percentage of the RRLP; and
     2. In the case of vehicles exported, market related expenditure (if any) expressed as a percentage of the OEM’s invoice price (selling or invoice price by the OEM) (*exclusive of VAT, ad valorem excise duty and environmental levy)*.
  6. To expedite matters, the CSP will be based on sales and production values/statistics applicable to the quarter before the production quarter.
  7. The VALA calculated by SARS is not tradable nor will a certificate indicating the value thereof be issued. The VALA will in the first place be used to rebate the duty on imported components (CKD) and the imported component values applicable to original equipment components received from any person in the SACU region. Any surplus VALA will be rolled over to the next quarter and/or may be used to rebate duties on specified motor vehicles imported. Excess VALA converted by the Commissioner will be reduced by 20% and converted to a duty value for use on CBU imports.

# ROLLING AVERAGES AND DEAD QUARTERS

* 1. Quarters

Quarters referred to will be calendar quarters, Q1 will refer to the period 01 January to 31 March, Q2 will refer to the period 01 April to 30 June, etc.

* 1. Minimum production levels

To qualify for VALA benefits an OEM must achieve a minimum production level of 10 000 units measured over the most recent four quarter total.

Example:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **YEAR** | **1** | | | | **2** | | | |
| **QUARTER** | **1** | **2** | **3** | **4** | **1** | **2** | **3** | **4** |
| **PRODUCTION** | 2 000 | 3 000 | 4 000 | 5 000 | 5000 | 10 000 | 15 000 | 20 000 |
| **ROLLING TOTAL** | 2 000 | 5 000 | 9 000 | 14 000 | 17 000 | 24 000 | 35 000 | 50 000 |
|  |  |  |  |  |  |  |  |  |

The following transpires from the above:

* The OEM will not receive a VALA in Q1/1, Q2/1 and Q3/1 as the most recent four quarter total is less than 10 000 units;
* The OEM will qualify for a VALA in Q4/1, Q1/2, Q2/2, Q3/2 and Q4/2 as the most recent four quarters total is more than 10 000 units.
  1. New entrants
     1. New entrants must submit an application to ITAC indicating that, among others, they have the capacity and ability to manufacture a minimum of 2 500 vehicles per quarter.
     2. In the instance where a new entrant anticipates that they will not meet the minimum VALA participation threshold of 2 500 units per quarter, in the first two production quarters, they may request ITAC to deem these as dead quarters. The application must reach ITAC at least 90 days before the start of the production quarter.
     3. For the third quarter following the commencement of production, new entrants must meet a minimum production of 2 500 vehicles to qualify for a VALA. The most recent four quarter total principle becomes applicable in Q2/02 (sixth quarter) since manufacturing commenced.
  2. Dead quarters
     1. OEMs introducing new models to replace existing models may apply for two “dead quarters” to lessen the effect of a possible drop in production volumes. The application must reach ITAC at least 90 days before the start of the dead quarters. In the case where more than one model is produced, the OEM must indicate how the overall production volume will be affected.

Example:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **YEAR** | **1** | | | | **2** | | | |
| **QUARTER** | **1** | **2** | **3** | **4** | **1** | **2** | **3** | **4** |
| **PRODUCTION** | 3 000 | 2 500 | 2 500 | 3 000 | 1 000 | 1 000 | 4 000 | 5 000 |
| **ROLLING TOTAL** | 3 000 | 5 500 | 8 000 | 11 000 | 11 000 | 11 000 | 12 000 | 14 500 |
|  |  |  |  |  |  |  |  |  |

The following transpires from the above:

* Q1/02 and Q2/02 were selected to be dead quarters;
* The quarterly rolling average for Q1/02 and Q2/02 is set to be the same as that of Q4/01;
* Production volumes achieved in Q2/01, Q3/01, Q4/01 and Q3/02 are used to calculate the most recent four quarter total for Q3/02;
* Production volumes achieved in Q3/01, Q4/01, Q3/02 and Q4/02 are used to calculate the most recent four quarter total applicable to Q4/02.
  1. Exceptional circumstances
     1. If an OEM should experience difficulties in achieving set production volumes due to, for instance, a global economic slowdown, prolonged strike action, etc., it may approach the Minister of the dtic requesting temporary reprieve.

# CATEGORIES

* 1. An OEM must calculate a unique CSP for each category of vehicle indicated in 1.1, one for the local market and one for export purposes. If, for example, an OEM manufactures motor cars of tariff heading 87.03 and light delivery vehicles of tariff heading 87.04 for the local and export market, 4x unique CSPs will have to be calculated. ITAC may request the OEM to calculate more specific CSPs.
  2. ITAC may determine, in the case of any model for which relevant price and cost structures are not available, the company's specific percentage/s in consultation with the OEM.
  3. Schedules must be prepared by the OEM in such a manner that the financial information can be reconciled with that contained in the monthly and year-to-date management accounts, as well as the annual audited financial statements of the OEM.
  4. The prices referred to will be those, in the case of vehicles for the domestic market, as per the price bulletin from OEMs to dealers *(*exclusive of VAT, *ad valorem* excise duty and environmental levy) indicating the recommended retail selling price (Retail list price) *(*exclusive of VAT, *ad valorem* excise duty and environmental levy) and dealer billing price *(*exclusive of VAT, *ad valorem* excise duty and environmental levy). The retail selling price refers to the selling price by the dealer whilst the dealer price (Main dealer billing) refers to the selling price of the OEM. Both prices will have to be displayed on the schedules indicating the various mark-up percentage categories.

In the case of vehicles to be exported there will be no recommended retail selling price, only an export price *(*exclusive of VAT, *ad valorem* excise duty and environmental levy, if any), and the mark-up category will be 0%.

* 1. The same schedules based on the price bulletin information, subject to adjustments for options in certain instances may be used by SARS to assist in calculating *ad valorem* excise duties and OEMs should provide the ITAC with same on a regular basis.

# INFORMATION REQUIRED FOR THE CALCULATION OF THE COMPANY SPECIFIC PERCENTAGE/S

* 1. Vehicles manufactured for the local market:

The company's specific percentage/s shall, *inter alia*, include the variance/s between the average RRLP (exclusive of VAT, *ad valorem* excise duty and environmental levy), and the average invoice price/s (excluding VAT, *ad valorem* excise duty and environmental levy) of the OEM. The information shall, for purposes of Note 6.2 of rebate item 317.04, be based on sales in the domestic market and to buyers not related to the vehicle manufacturer. Both the RRLP and invoice price/s shall include all options added to the motor vehicle. These include items such as metallic paint, radio's, compact disk players, air conditioners, *et cetera*.

* + 1. The RRLP is the selling price by the retailer as per the price bulletin by the OEM. The RRLP is also used by SARS as a starting point for the calculation of the ad valorem excise duty;
    2. The invoice price is the selling price by the OEM to the dealer;
    3. The variance is the difference between the RRLP and invoice price, or the mark- up allowed by the OEM; and
  1. Vehicles manufactured for the export market:

It is accepted that an RRLP will not be applicable; the FOB invoice price will suffice and the variance will be R0.

* 1. Other cost items

To the variance/s indicated above, certain cost items will have to be added for each defined category of vehicle. The ITAC may apportion these cost items to each defined category if it cannot be directly linked to units sold. The cost items to be added to the variance/s are *inter alia*:

* All discounts and rebates allowed, or commissions, or monies paid, which can be linked to sales volume, or prices of specified motor vehicles sold, including but not limited to, fleet discounts, price protection rebates, interest assistance, demonstration rebates and any payments to dealers or other customers, which are linked to turnover or sales volume. This also refers to sales of previous quarters;
* Cost for service and maintenance contracts;
* Any other cost or expenditure item resulting in a distortion of any sales price which may or may not be linked to units sold in any quarter;
* Packaging or packing materials for specified motor vehicles, inclusive of those for vehicles as provided for in Note 5(b) to Chapter 98; and
* Costs that have no bearing on production.

All these cost items refer to actual cost incurred as per management accounts as well as provisions for future expenditure, where appropriate [for example service contracts, interest assistance, free insurance, *et cetera*], and do not **only** specifically refer to the units sold in that quarter prior to the production quarter. Should these cost items be adjusted with retrospective affect to previous quarters, the company specific percentages will be adjusted retrospectively.

* Please note that warranty expenditure or provisions may not exceed 2% of the main dealer billing price (invoice price).
* Where sales to related parties have taken place, as defined in Section 66(2) (a) of the Customs and Excise Act, 1964, or to rental companies, government tenders and diplomatic services the transactions shall be excluded, unless otherwise decided by the ITAC. This could result in adjusted variance/s and ultimately an adjusted company's specific percentage/s.
* Internal sales of the OEM must be excluded when calculating the CSP.

Registered vehicle manufacturers should, in the event of any uncertainty or doubts regarding interpretation, consult the ITAC regarding cost elements that are to be included when calculating the CSP.

* + 1. Warranty Expenditure
       - Warranty expenditure or provisions may not exceed 2% of the main dealer billing price (invoice price).
       - If warranty expenditure or provisions are included in the vehicle main dealer billing price (invoice price), the warranty costs need not be added to the cost items if the warranty cost is less than 2% of the main dealer billing price. The cap of 2% on the main dealer billing price is deemed to be a production cost.
       - Should the warranty expenditure or provisions exceed 2% of the main dealer billing price, those costs will be deemed to have no bearing on production and need to be added to the cost items i.e. any excess over 2% must be treated as a “cost” item on Annexure B2.1, item 5.6.
       - Any value below 2% will not form part of the “cost items” on Annexure B2.1, item 5.6 and needs to be disclosed as nil.
       - Warranty costs are model specific and averaging across models is not allowed unless ITAC have agreed the classification for the CSP.

# CALCULATING THE CSP

* 1. Vehicles destined for the local market:

The CSP will be the variance plus cost items expressed as a percentage of the RRLP, excluding emissions tax, VAT and ad valorem excise duty, but including the value of all options added to the motor vehicles.

* 1. Vehicles exported:

The CSP will be expected to be 0%, but if applicable, cost items expressed as a percentage of the fob invoice price.

* 1. It is expected of the OEM to reconcile all information and maintain such working papers required to calculate the CSP with the books of account, monthly management accounts and audited annual financial statements. The information listed above must be compiled for each category.

# REPORTING THE CSP

* 1. The attached Annexure B2, [reporting on the company's specific percentage/s], and Annexure B3, [declaration by the chief executive], must be completed and submitted to ITAC within 45 days after the end of the quarter to which it relates, i.e. the quarter prior to the production quarter.
  2. All applications for CSPs 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 exporters 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.
  3. Find attached Annexure B5 being an assurance report that must be submitted, at the account of the OEM, with every application for CSPs. Auditors are requested not to customise or change the format of the report unless the changes were cleared with ITAC. Auditors will however be allowed, if they so wish, to include other procedures performed under the heading “Our Responsibility”.

# ANNEXURE B1.1

**APPLICATION TO REGISTER AS A LIGHT MOTOR VEHICLE MANUFACTURER IN TERMS OF NOTE 1 TO CHAPTER 98 OF THE CUSTOMS AND EXCISE ACT, 1964**

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 LIGHT MOTOR VEHICLE MANUFACTURER**

1. Name of manufacturer/company: .................................................................................

2. Registration number with Companies and Intellectual Property Commission (CIPC):................................................................................................................................

3. Postal address: .............................................................................................................

4. Physical Address where manufacturing will take place: ...............................................

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

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

6. Financial year to which this application refers, 20.....................

7. Financial year of the company ......... /........ / 20........................

8. Contact details:

8.1 Name of Chief Executive Officer: ..................................................................................

8.2 Name of person that can be contacted in the case of queries:

(a) ...........................................................................................................................

(b) Telephone no.: ...................................................................................................

(c) Fax no.: ..............................................................................................................

(d) E-mail address: ..................................................................................................

9. 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) |

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

|  |  |  |
| --- | --- | --- |
| 11. Planned/current capital investment: | Year | Value |
|  | (1)……............... | R........................ |
|  | (2)……............... | R……………….. |
|  | (3)……............... | R……………….. |

1. State the M² of the facilities that will be used for the manufacture of the vehicles listed in 10 below:
   1. Land : M2
   2. Buildings : M2
   3. Body shop : M2
   4. Paint shop : M2
   5. Trim plant : M2
   6. Other : M2
2. Description of the vehicle model(s) to be manufactured:

Tariff classification Model Volume (P/A)

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

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

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

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

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

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

(A copy of customs classification of vehicles to be manufactured to be attached to application form and the digital photos of vehicles manufactured or to be manufactured to be e-mailed to ITAC)

1. Principal Licensor of vehicles to be manufactured: ………………………………………

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

1. Are you a license holder of the principal supplier and/or a subsidiary?:

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

1. Name the directors of the company/close corporation mentioned in 1 above:

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

1. Main shareholder of the manufacturer mentioned in 1 above:

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

1. Assembly process:
   1. Will it be a full CKD operation (i.e. The floor panels, body sides and roof panels will be attached to each other inside SACU, the engine and transmission assemblies, axles, radiators, suspension components, steering mechanisms, braking and electrical equipment, or instrumentation are fitted to the floor pans or chassis frames inside SACU and the bodies/cabs are fitted to such floor pans or chassis frames inside SACU): If not, please give detailed explanation.

………………………………………………………………………………………………………

………………………………………………………………………………………………………

………………………………………………………………………………………

* 1. Will the engine and gearbox be fitted to the vehicle inside the SACU?

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

* 1. Are the body panels painted in the SACU?

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

* 1. Will final vehicle conform to SKD operations (i.e. the original equipment components for specified motor vehicles 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)?

………………………………………………………………………………………………………

………………………………………………………………………………………………………

………………………………………………………………………………………

1. Estimated quantity and year manufactured:

(a) ………………(year) quantity.........................................................

(b) ……… ……...(year) quantity ……………………. …………………

(c) ………………(year) quantity ………………………………………..

1. Production capacity of plant:

(a) ……………..(year) quantity.........................................................

(b) ……………..(year) quantity ……………………. …………………

(c) ……………..(year) quantity ………………………………………..

19. How many shifts are worked per day? ……………………………..................................

20. Employment for the last 3 year:

|  |  |  |  |
| --- | --- | --- | --- |
|  | Year 1 | Year 2 | Year 3  (Current Year) |
| **Applicant’s Total Employment:** |  |  |  |
| Female: |  |  |  |
| Youth (18- 35 years): |  |  |  |
| **Total Direct Factory Workers:** |  |  |  |
| Female: |  |  |  |
| Youth (18- 35 years): |  |  |  |

20.1. Estimated total employment for the next two years: year 2 ................................................

year 3 …..……………………………...

Number of the following in the **SOUTHERN AFRICAN CUSTOMS UNION (SACU)**:

19.1 Dealers: ...........…………...............................................................................................

* 1. Service points: .............…………...................................................................................
  2. Do you plan to export and, if so, name countries to be exported to and products:

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

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

* 1. Will all original equipment components imported by your company be cleared under Chapter 98?

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

* 1. Are all components used in the manufacturing process new and unused?

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

* 1. Brief description of your planned localisation of components: …………………………

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

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

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 for monitoring and evaluation purposes under the APDP Phase II.

# NAME DESIGNATION

**SIGNATURE DATE**

**ANNEXURE B1.2**

**APPLICATION TO REGISTER AS A MEDIUM OR HEAVY MOTOR VEHICLE MANUFACTURER IN TERMS OF NOTE 1 TO CHAPTER 98 OF THE CUSTOMS AND EXCISE ACT, 1964**

Applications should be addressed to:

The Senior Manager: Tariff Investigations II

International Trade Administration Commission of South Africa Private Bag X753

**PRETORIA** 0001

FAX NO: 012 394 4738/4661

1. Name of manufacturer:.........................................................................................................

2. PostalAddress:......................................................................................................................

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

3. Physical address where manufacturing will take place:

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

4. Telephone No.: ....................................................................................................................

Fax No .:...............................................................................................................................

Email Address:......................................................................................................................

Contact Person: ……………………………………………………………………………………

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

6. 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. Description and type of vehicle(s) to be manufactured:

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

# (A Copy of customs classification and digital photos of products to be manufactured/currently manufactured of products to be manufactured to be attached to the application form)

1. Do the manufacturing premises where the vehicles listed in 7 above will be/are manufactured fall in an industrial development zone (IDZ)? yes/ no. if yes, name IDZ/SEZ area…………………………………………………………………………………………………

|  |  |  |
| --- | --- | --- |
| 1. Planned/current capital investment: | Year | Value |
|  | (1)…………. …… | R.......................... |
|  | (2)………………. | R………………… |
|  | (3)………………. | R………………… |

1. State the m² of the facilities that will be used for the manufacture of the vehicles listed in below:
   1. **Land:**

(a) Existing at book value/replacement value R.............................

(b) New premises purchased at …………..….. (Date) R…………...............

* 1. **Buildings:**

1. Existing at book value/replacement value R.............................
2. New buildings to be completed at …...……. (Date) R…………………..
   1. **Body shop:**
3. Existing at book value/replacement value R..........................
4. New body shop to be completed at ……..…..…(Date) R…………………..
   1. **Paint Shop:**
5. Existing at book value/replacement value R.............................
6. New paint shop to be completed at...…………(Date) R……………………
   1. **Trim Plant:**
7. Existing at book value/replacement value R..............................
8. New trim plant to be completed at...…………(Date) R…………………….
   1. **OTHER:**
      1. Existing at book value/replacement value ………….. R…...........................
      2. New ………… to be completed at…….(Date)…………R……………………
9. **Employment for the last 3 year:**

|  |  |  |  |
| --- | --- | --- | --- |
|  | Year 1 | Year 2 | Year 3  (Current Year) |
| **Applicant’s Total Employment:** |  |  |  |
| Female: |  |  |  |
| Youth (18- 35 years): |  |  |  |
| **Total Direct Factory Workers:** |  |  |  |
| Female: |  |  |  |
| Youth (18- 35 years): |  |  |  |

1. Estimated total employment for the next two years: Year 2 ................................................

Year 3 …..……………………………...

1. How many shifts are worked per day: ………………………………………………………….
2. Principal licensor of vehicles to be manufactured:

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

1. Are you a license holder of the principle supplier and/or a subsidiary?

:..........................……………………………………………………………………………………

1. Name the directors of the company/close corporation of the manufacturing concern mentioned in 1 above:

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

1. Main shareholder of the company manufacturing the products applied for:

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

1. Assembly process:

|  |  |  |
| --- | --- | --- |
| Will the following process be undertaken inside the SACU: | **Yes** | **No** |
| Engine fitted to the floor pan or chassis |  |  |
| Transmission assembly/gearbox fitted to the floor pan or chassis |  |  |
| Axles fitted to the floor pan or chassis |  |  |
| Radiator fitted to the floor pan or chassis |  |  |
| Suspension components fitted to the floor pan or chassis |  |  |
| Steering mechanism fitted to the floor pan or chassis |  |  |
| Braking equipment fitted to the floor pan or chassis |  |  |
| Electrical equipment fitted to the floor pan or chassis |  |  |
| Instrumentation fitted to the floor pan or chassis |  |  |
| Body or cab fitted to the floor pan or chassis |  |  |
| Cab imported fully trimmed |  |  |

1. Estimated quantity and value manufactured:

(a) ………. ………..(Year) Quantity............................Value: R……………………….

(b) ………………… (Year) Quantity............................Value: R……………………….

(c) ………. …………(Year) Quantity............................Value: R……………………….

1. Production capacity of plant:

(a) ………. ………..(Year) Quantity............................Value: R……………………….

(b) ………………… (Year) Quantity............................Value: R……………………….

(c) ………. …………(Year) Quantity............................Value: R……………………….

1. Indicate the number of the following in Southern African Customs Union:
   1. Dealers:

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

* 1. Service Points:

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

* 1. Do you plan to export and, if so, name countries to be exported to and products:

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

.

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

1. Will all original equipment imported by your company be cleared under Chapter 98?

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

1. Are all components used in the manufacturing process new and unused?

:……………………………………………………………………………………………………

1. Brief description of your planned localization of components

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

# CHIEF EXECUTIVE OFFICER/MANAGING DIRECTOR/MEMBER OF CC

**...................…………………………….DATE**

**ANNEXURE B1.3**

**ANNUAL UPDATE FORM FOR SPECIFIED LIGHT MOTOR VEHICLE MANUFACTURERS REGISTERED IN TERMS OF NOTE 1 TO CHAPTER 98 OF THE CUSTOMS AND EXCISE ACT, 1964**

1. Name of manufacturer/company: .......................................................................

1. Physical Address where manufacturing is taking place: ....................................

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

1. Contact details:

3.1 Name of Chief Executive Officer: ............................................................................

3.2 Name of person that can be contacted in the case of queries:

(a) .................................................................................................................

(b) Telephone no.: ........................................................................................

(c) Fax no.: ...................................................................................................

(d) E-mail address: ........................................................................................

1. Description of the existing and new vehicle model(s) currently manufactured:

Tariff subheading Model Volume (p/a)

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

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

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

[Digital photos and specifications of the vehicles manufactured or to be manufactured must accompany the application form]

1. Principal Licensor of vehicles to be manufactured: ………………………………………

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

1. Are you a licensee of the principal supplier and/or a subsidiary?: ………………..........

Estimated quantity manufactured:

(a) ……….(year) quantity...............................

(b) ……… (year) quantity …………………….

(c) ……….(year) quantity ……………………..

1. Production capacity of plant:

(a) ……….(year) quantity...............................

(b) ……… (year) quantity …………………….

(c) ……….(year) quantity ……………………..

1. How many shifts are worked per day? ................................
2. Final manufacturers must submit the BBB-EE certificate not later than 31 December each year.
3. **Employment for the last 3 year:**

|  |  |  |  |
| --- | --- | --- | --- |
|  | Year 1 | Year 2 | Year 3  (Current Year) |
| **Applicant’s Total Employment:** |  |  |  |
| Female: |  |  |  |
| Youth (18- 35 years): |  |  |  |
| **Total Direct Factory Workers:** |  |  |  |
| Female: |  |  |  |
| Youth (18- 35 years): |  |  |  |

1. Total Sales per model for the last 3 years:

|  |  |  |  |
| --- | --- | --- | --- |
|  | Year 1 | Year 2 | Year 3  (Current Year) |
| **Total Sales** |  |  |  |
| Model 1: |  |  |  |
| Model 2: |  |  |  |
| Model 2: |  |  |  |

# ..................…………………………… CHIEF EXECUTIVE OFFICER

**...... / ...... / 20......**

**DATE**

**ANNEXURE B1.4**

**APPLICATION TO NOMINATE TWO DEAD QUARTERS DUE TO A MODEL CHANGE BY AN EXISTING LIGHT MOTOR VEHICLE MANUFACTURER**

1. Name of manufacturer/company: .......................................................................

2. Registration number with Companies and Intellectual Property Commission (CIPC):

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

3. Postal address: .............................................................................................................

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

1. Physical Address where manufacturing is taking place: .......................................

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

1. Financial year to which this application refers to, 20...................

6. Financial year of the company ...... / ...... / 20.............

1. Contact details:

7.1 Name of Chief Executive Officer: ................................................................................

7.2 Name of person that can be contacted in the case of queries:

(a) ..........................................................................................................................

(b) Telephone no.: .................................................................................................

(c) Fax no.: ............................................................................................................

(d) E-mail address: ................................................................................................

1. Dead quarters applied for ................ and. (please specify)
2. Description of new models to be introduced:

Models Tariff subheading Volume 9.1 ............................. ............................ .............

9.2 ............................. ............................ .............

9.3 ............................. ............................ .............

9.4 ............................. ............................ .............

1. Description of existing models to be phased out:

Tariff subheading Model Volume 10.1 ............................. ............................ .............

10.2 ............................. ............................ .............

1. Description of models after phasing in:

Tariff subheading Model Volume 11.1 ............................. ............................ .............

11.2 ............................. ............................ .............

11.3 ............................. ............................ .............

11.4 ............................. ............................ .............

11.5 ............................. ............................ .............

11.6 ............................. ............................ .............

1. Original applications should be addressed to:

The Senior Manager: Tariff Investigations II

International Trade Administration Commission of South Africa

Private bag x753,

**Pretoria,**

0001

Orhand 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

# ..................…………………………… CHIEF EXECUTIVE OFFICER

**...... / ...... / 20......**

**Date**

**ANNEXURE B2**

**(THE DOCUMENT MUST BE SUBMITTED ON THE OFFICIAL LETTERHEAD OF THE CONCERN)**

The Senior Manager: Tariff Investigations II

International Trade Administration Commission of South Africa Private Bag X753

**PRETORIA** 0001

Dear Sir/Madam

# INFORMATION REQUIRED IN TERMS OF 6 TO THE INFORMATION DOCUMENT ON THE DETERMINATION OF THE COMPANY SPECIFIC PERCENTAGE: APPLICATION FOR A COMPANY SPECIFIC PERCENTAGE/S BASED ON THE INFORMATION OF THE ACCOUNTING PERIOD .../…/….. TO …/../…., TO BE APPLIED BY THE COMMISSIONER FOR THE SOUTH AFRICAN REVENUE SERVICES TO THE "PRODUCTION QUARTER", i.e. ACCOUNTING PERIOD …/../….TO …/…/…..

We hereby apply for your recommendation that the following company specific percentage/s be applied by the Commissioner for the South African Revenue Services to the production quarter

i.e. .... / .... / 20.... to .... / .... / 20 .... . The calculations are based on the financial information for the quarter prior to the production quarter, i.e. .... / .... /20.... to .... / .... / 20. A list of each

vehicle type specification included in each mark-up percentage category, is attached. Find attached Annexures indicating the calculation of the company specific percentages applied for and production and sales statistics.

We hereby declare that the above information is in conformity with the internal records of the company and complies with the provisions of Notes 18 and 19 of the APDP Regulations, as well as the guidelines of the International Trade Administration Commission of South Africa.

We unconditionally agree that the International Trade Administration Commission of South Africa may adjust the above percentages retrospectively should any calculation prove to be erroneous or incorrect.

Yours faithfully

# FINANCIAL CONTROLLER/ FINANCIAL DIRECTOR

**ACCOUNTANT**

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

**ANNEXURE B2.1**

**WORKSHEET: Calculation of Company Specific Percentages**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **1.** | **Model- L=Local, E=Export** |  |  |  |  |  |  |
|  |  | **R** | **R** | **R** | **R** | **R** | **R** |
| **2.** | **Recommended retail list price/ export price** |  |  |  |  |  |  |
| **3.** | **Less: Invoice price** |  |  |  |  |  |  |
| **4.** | **VARIANCE** |  |  |  |  |  |  |
| **5.** | **Cost items** |  |  |  |  |  |  |
|  | **5.1 Dealer/fleet discounts/rebates** |  |  |  |  |  |  |
|  | **5.2 Motorplan/maintenance contracts** |  |  |  |  |  |  |
|  | **5.3 Interest refunds** |  |  |  |  |  |  |
|  | **5.4 Sales campaigns** |  |  |  |  |  |  |
|  | **5.5 Apportionment of expenditure** |  |  |  |  |  |  |
|  | **5.6 Warranties >2%** |  |  |  |  |  |  |
|  | **5.7Other** |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| **6.** | **VARIANCE plus COST ITEMS** |  |  |  |  |  |  |
| **7.** | **CSP (6 expressed as a percentage of 2)** |  |  |  |  |  |  |
| **8.** | **NUMBER OF UNITS** |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| **9.** | **PRODUCTION VOLUMES ACHIEVED** |  |  |  |  |  |  |

**ANNEXURE B2.2**

**WORKSHEET: Production and sales statistics (Rolling quarters starting from Q1/21)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |
| **QUARTERS** | **2/21** | **3/21** | **4/21** | **1/22** | **2/22** | **3/22** | **4/22** | **1/23** |
|  |  |  |  |  |  |  |  |  |
| **Units produced** |  |  |  |  |  |  |  |  |
| **Model:** |  |  |  |  |  |  |  |  |
| **Model:** |  |  |  |  |  |  |  |  |
| **Model:** |  |  |  |  |  |  |  |  |
| **Model:** |  |  |  |  |  |  |  |  |
| **Model:** |  |  |  |  |  |  |  |  |
| **Model:** |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| **Units exported:** |  |  |  |  |  |  |  |  |
| **Model:** |  |  |  |  |  |  |  |  |
| **Model:** |  |  |  |  |  |  |  |  |
| **Model:** |  |  |  |  |  |  |  |  |
| **Model:** |  |  |  |  |  |  |  |  |
| **Model:** |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| **Units sold local:** |  |  |  |  |  |  |  |  |
| **Model:** |  |  |  |  |  |  |  |  |
| **Model:** |  |  |  |  |  |  |  |  |
| **Model:** |  |  |  |  |  |  |  |  |
| **Model:** |  |  |  |  |  |  |  |  |
| **Model:** |  |  |  |  |  |  |  |  |
| **Model:** |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |

**ANNEXURE B3**

*(The declaration must be submitted on the official letterhead of the concern)*

# INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

**DECLARATION BY CHIEF EXECUTIVE, DIRECTOR OR SENIOR MANAGER NOMINATED IN WRITING BY THE CHIEF EXECUTIVE IN RESPECT OF AN APPLICATION FOR THE APPROVAL OF COMPANY SPECIFIC PERCENTAGE/S IN TERMS 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 make oath and declare in my capacity as -

of

(hereinafter referred to as the Applicant)

that -

1. The facts herein contained are within my own personal knowledge;
2. I have satisfied myself that the preparation of the application has been done in conformity with the ITAC regulations and guidelines and applicable SARS legislation in respect of the above mentioned programme, of which I have fully acquainted myself and to which I unconditionally agree;
3. That the company's specific percentage/s hereby applied for in respect of financial information extracted from the firm's books of account during the period ../…/….. to

…/…/……is a true and correct reflection of actual transactions. The specific percentage/s, if acceptable, will be applied to vehicles produced in the "production quarter" i.e. the period …/…/….. to …/…/….. A clear link exits between the financial information required to calculate the company's specific percentage/s and statistics and the management accounts/reports. The following company specific percentage/s have been calculated:

# MOTOR VEHICLE CATEGORIES CSP

- %

- %

- %

1. the vehicles i.r.o. which the application of the company specific percentage/s is based, have been assembled or built on the premises of the applicant from components imported or sourced locally i.t.o. Rebate Item 317.04 and that vehicles imported as completely or semi built-up units, do not form part thereof;
2. I accept that the decision by the ITAC, as to the determination of the specific percentage, will be final and conclusive and ITAC may at any time conduct or order that a full scale investigation be undertaken to verify any relevant information;
3. I understand that the ITAC relies on and can call on me as far as the correctness of this declaration is concerned;
4. 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 and that the Applicant will be required to refund any benefits received to the Commissioner for SARS, to which measures I unconditionally agree;
5. The Applicant or any one of its associates or related party is not the subject of an investigation/verification by either the South African Police Services, the Office for Serious Economic Offences, the Department of Trade and Industry or the Commissioner for SARS.

# NAME: DESIGNATION: \_

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

# WITNESS NO.1: DATE:

**WITNESS NO.2: DATE:**

**ANNEXURE B4**

**ILLUSTRATIVE AUDIT PROCEDURES IN RESPECT OF THE AUDIT OF AN APPLICATION FOR THE COMPANY'S SPECIFIC PERCENTAGES**

*Annexure B4 sets out suggested audit procedures which may be appropriate when the auditor carries out the audit of the calculation of company specific percentages for volume assembly allowance purposes, and Annexure B5 contains the agreed wording for an assurance report on the audit of the calculation of company specific percentages for volume allowance purposes.*

Examine the applicant's accounting, sales and other systems and procedures to determine if such systems and procedures will facilitate the accurate calculation of the company's specific percentage/s. The audit evidence obtained regarding the effectiveness of the design and operation of these control procedures would determine the nature, timing and extent of substantive procedures required to reduce the audit risk to an acceptable level.

The suggested procedures are not exhaustive nor do they determine the extent of testing required. Tests of detail could be performed on an audit sampling basis. However, where sampling is applied, sample sizes should be large enough to obtain audit evidence sufficient to be able to draw conclusions to support the content of the auditor’s report.

# Suggested audit procedures to be conducted on a test basis:

* 1. Ensure that vehicles imported in built-up or semi-built-up form are not deemed to be locally assembled or built.
  2. Ensure that the correct retail list prices are brought to account by agreeing values to the recommended retail list price (being the price bulletin recommending prices to the public).
  3. Ensure that dealer and recommended retail prices include the value of options and exclude ad valorem duty and VAT.
  4. To ensure completeness of the information contained in the application for the company's specific percentage/s, if possible on a quarterly basis, but at least on an annual basis, reconcile the sales value and market support per management accounts and/or the financial records with the values on the applications for the company's specific percentage.
  5. Enquire from senior management and scrutinise the management accounts/reports as well as the financial records, if possible on a quarterly basis, but at least on an annual basis, to ensure that relevant cost items are added to the variance between the average recommended retail list price and the average invoice price. Such relevant cost items may result in a distortion of the sales price, which may include *inter alia* discounts and rebates allowed, commissions, fleet discounts, interest assistance, monies paid which can be linked to sales volume, and cost for service and maintenance contracts (refer to the guidelines for more detailed examples).
  6. Verify that warranty expenditure does not exceed 2% of the main dealer billing price, and if so, that the excess above 2% is added to other debits.
  7. Verify the procedures followed to calculate the preliminary price/s of any models/derivatives produced of which no sales have taken place.
  8. Verify the mathematical accuracy of the company’s specific percentage/s supporting schedules and documents.
  9. Ensure that related party transactions and internal fleet vehicle transactions were excluded when calculating the company specific percentages.
  10. Review the company's specific percentage/s analytically per mark-up category for the quarters and obtain explanations for large variances between various quarters.
  11. Ensure that cognisance is taken of specific rulings by the ITAC and the South African Revenue Services in respect of a registered motor vehicle manufacturer.

# ANNEXURE B5

**Company Specific Percentage (CSP) 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 REPORT1 ON THE COMPANY SPECIFIC PERCENTAGE/S APPLICATION

We have undertaken a reasonable assurance engagement of the accompanying Application for Company Specific Percentage/s (CSP) for Vehicle Assembly Localization Allowance (VALA) Purposes (the Application), for the quarter ended <insert date>, of <insert company/close corporation name> (the Company/Close Corporation). We have initialled 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 D of the Automotive Production and Development Programme (APDP) Regulations (the Regulations) and the *Company Specific Percentage used in the Calculation of the Volume Assembly Allowance (Info Doc B/<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 behaviour

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 includes2:

* 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.
* Performing analytical procedures to identify unusual patterns in percentages claimed and cost variances. Enquiring of senior management and scrutinising the management accounts/reports as well as the financial records3 to obtain evidence that relevant cost items are added to the variance between the average recommended retail list price and the average invoice price.
* 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.
* 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> for the quarter ended <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

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’.

2. To be adapted as necessary. It is not intended that the procedures described are as detailed as in a work programme.

3 If possible performed on a quarterly basis, but at least on an annual basis.