

In respect of multisource pharmaceutical products and clinical trial R&D projects, the following activities are not eligible for the incentive:

- Phase IV clinical trials, other than clinical trials conducted for the purpose of developing new indications, new methods of administration or new combinations of pharmaceutical products.
- Post-marketing research.
- Cost-effectiveness research.
- Product familiarisation programmes.
- Research carried out for statistical purposes (meta-analysis).
- Epidemiology research.
- Research activities undertaken in preparation for the registration of a clinical trial.

### How do I apply for the R&D tax incentive?

To access the R&D tax incentive, a company must register a company profile online at <https://taxincentive.dst.gov.za>. The company can then submit an R&D tax incentive project application using the online system, which will automatically send an acknowledgement of receipt email to the applicant, indicating the date of receipt and the reference number assigned to the project application.

The date of receipt of the application is important to calculate the date from which eligible expenditure may be claimed once the application has been approved. From 1 January 2024, a six-month grace period for claiming eligible expenditure prior to the date of application will be in place. The grace period cannot extend further back than the date on which the relevant amendment to the Income Tax Act came into force (1 January 2024). Thus, if an application is submitted to the DSI on or before 30 June 2024, eligible expenditure can only be claimed back from 1 January 2024, while if an application is submitted on 10 October 2024, eligible expenditure can be claimed back from 10 April 2024, once the R&D project has been approved.



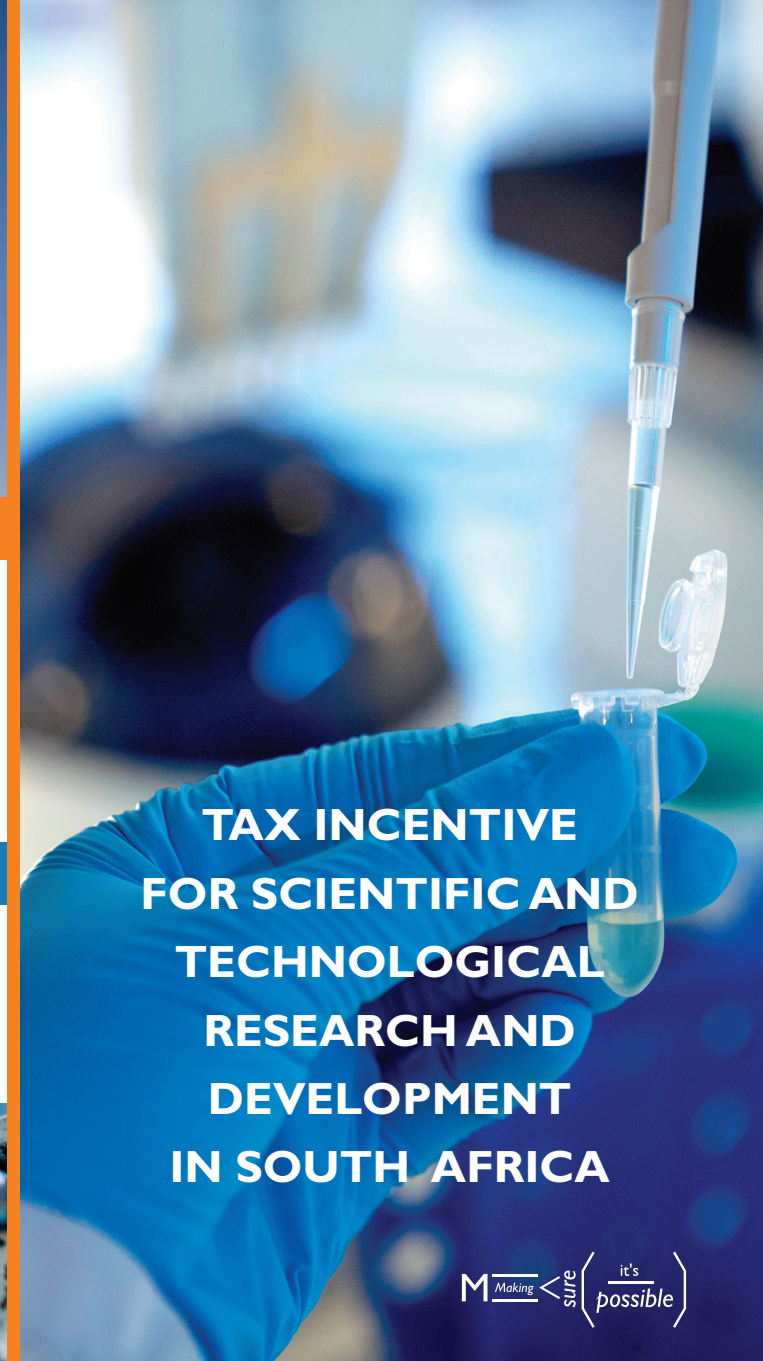
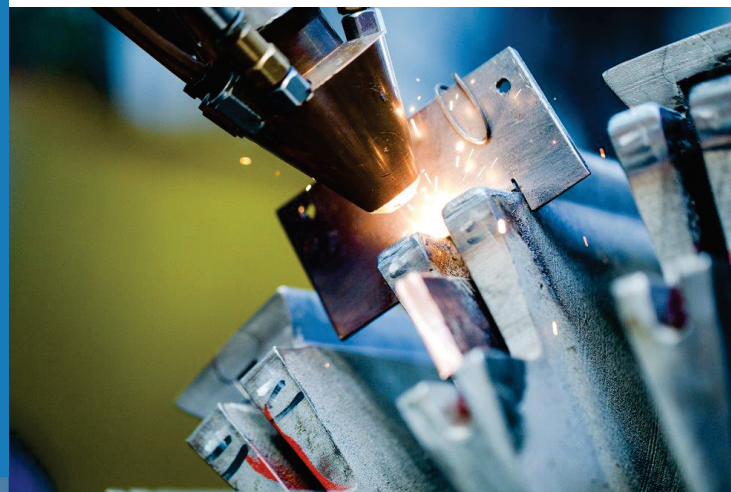
### How is the R&D tax incentive administered?

The Department of Science and Innovation shares the responsibility for the delivery of this incentive with the South African Revenue Service (SARS) and the National Treasury. The Department is responsible for the administration of the applications, SARS audits the expenditure, and the National Treasury oversees the tax policy.

### Where can I get more information?

You can find more about the R&D tax incentive programme at [www.dst.gov.za/rdtax](http://www.dst.gov.za/rdtax).

**Enquiries:** [rndapplications@dst.gov.za](mailto:rndapplications@dst.gov.za)



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## What is the R&D tax incentive?

South Africa offers a tax incentive to encourage private sector investment in scientific and technological research and development (R&D) in South Africa in terms of section 11D of the Income Tax Act, 1962 (Act No. 58 of 1962). The incentive is part of policy package intended to promote R&D and innovation in the country.

All companies, regardless of their size or sector, can benefit from this incentive, which allows companies undertaking qualifying scientific and technological R&D in the country to deduct 150% of R&D expenditure when determining taxable income. The 150% deduction reduces taxable income and tax liability payable on earned profits. The expenditure qualifying for the 150% deduction must be directly and solely for R&D activities undertaken in South Africa.

## What is the purpose of the incentive?

- To encourage businesses to conduct scientific and technological R&D in South Africa.
- To develop scientific knowledge and achieve technological advancement aimed at creating new or significantly improved materials, devices, products or processes.
- To increase the positive spillover to the rest of society through knowledge transfer and skills development.

## How do companies benefit?

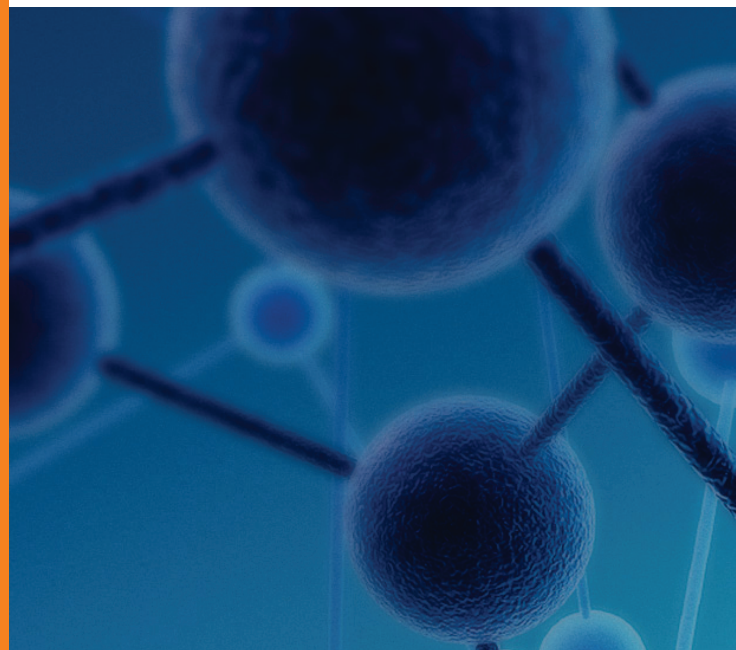
- The effective date of the 150% deduction for approved R&D projects is backdated by six months and calculated from the date of application.
- For a company with a corporate tax rate of 27%, the incentive translates into a saving of 14 cents per rand spent on R&D. With a reduced after-tax cost of R&D, a company is more likely to be able

to finance new R&D, scale up current R&D, or begin R&D activities sooner than would have been possible otherwise.

- R&D can help strengthen a company's innovation capabilities (e.g. to develop new and improved products, technologies and services) and improve its competitiveness in key technology sectors globally.

## How does South Africa benefit?

The government expects the incentive to encourage new companies to perform R&D in the country and improve South Africa's innovation performance.



## Eligibility criteria

In terms of section 11D(1), systematic investigative or systematic experimental activities should be aimed at resolving **scientific or technological uncertainty**. The resolution of uncertainty should not be readily deducible by a person skilled in the relevant scientific or technological field.

Specifically, the R&D activities should be aimed at one or more of the following:

- Discovering **new** scientific or technological knowledge.
- Creating or developing **new** or **significantly improved** products, processes or services.
- Creating or developing a multisource pharmaceutical product.
- Conducting a clinical trial.

## What are the exclusions and limitations?

For the purpose of section 11D of the Income Tax Act, R&D does not include the following:

- Routine testing, analysis, collection of information or quality control in the normal course of business.
- Developing management or administrative business processes.
- Market research, market testing or sales promotion.
- Research in social science, humanities or the arts.
- Oil and gas or mineral exploration or prospecting (although R&D carried out to develop technology for use in exploration or prospecting is eligible).
- Creating or developing financial instruments or financial products.
- Creating or enhancing trademarks or goodwill.
- Activities related to patents and designs (obtaining, restoring, etc).
- Acquiring (i.e. not developing or creating) an invention or patent, design, copyright, or knowledge essential to the use of such property.
- Research undertaken solely in preparation for the registration of products required by the Department of Agriculture.