

DTI - Enterprise Investment Program (EIP)

Since the announcement of the EIP some 2 months ago, we realise that there is a great need to have some understanding of the program. So to help you, here are a few key points.

Who can benefit and by how much?

- EIP is the successor to the SMEDP. Just like before, it offers support to new and expanding projects in the manufacturing and tourism sectors. The tourism program now also includes private museums and historical sites with buildings commercially operated and dedicated to tourists.
- The support is still based on the cost of plant, own property and vehicles, and on the value of leased property. It is calculated on a regressive sliding scale, from 30% to 15%, depending on size.

The essential requirements to qualify

- Apply and obtain approval before even ordering any assets. This is a qualifying requirement. The only exception is Land, which may be acquired before obtaining approval. DTI promises a turnaround time for applications of not more than 8 weeks.
- Applicants have to demonstrate their need for DTI assistance.
- The applicant's BB-BEE rating will in most cases is a key qualifying factor. Note that in the case of a medium to large project, a BB-BEE rating lower than Level 4 will be of no value.

Important for structuring of projects

- The grant on leased property is now severely limited. This also applies to properties leased from connected parties.
- Projects with assets below R5 million are defined as small and receive a 30% grant over a three year period. Payment for the third year is subject to a severe job creation ratio. So, let's rather call it a 20% grant with an additional 10% for a lucky few.
- Projects in excess of R5 million to a maximum of R200 million are defined as medium to large and will receive a grant of between 30% and 15%, over two years.
- Sole proprietors and partnerships are no longer eligible for the support.
- It is no longer essential to ring fence each project in a separate legal entity. Divisions are now accepted. Also, trusts are now accepted in the tourism scheme.
- A change of financial year end will not be accommodated. So, a project changing its year end will lose its grants.

For more information email cap@chartered.co.za

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