Special Economic Zone Act will attract foreign investments

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By Chris Mashigo

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New investor incentives and benefits from the Special Economic Zone (SEZ) Act 2014 in South Africa will attract further domestic and foreign direct investment to South African industrial and special economic zones.

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The SEZ Act has introduced new tax benefits, a reduction of red tape and labour productivity-enhancing mechanisms to investors. The tax benefits will help industrial development zones (IDZs) to become more globally competitive and attractive for foreign investors.

This includes 15% corporate tax, a building tax allowance, employment tax incentives, a customs controlled area, duty free and with VAT exception, and accelerated 12i tax allowances. Government is serious about cutting red tape and eradicating bureaucracy, which often accompany approvals and applications of investment deals in developing countries. Prolonged administrative processes have been a major barrier for trade and cross-border investments and often steered investment away from South Africa.

OSS model

A new one-stop-shop (OSS) service delivery model under the SEZ Act is currently being implemented. The new OSS delivery model has already introduced faster access to permits, licenses, and informational requirements. It has eliminated administrative processes and approvals, and provides ample after-care to existing investors.

Tax benefits and removal of red tape will only complement the existing value propositions of the Coega IDZ, which has attracted investments from transnational firms in automotive, logistics, chemicals, manufacturing and renewable energy sectors of Euro-zone, Central Asia, the Far East and North American countries to South Africa at Coega over the past years.

However, an important future challenge is value-adding logistics - this should become a focus and priority for SEZ and IDZ leaders, and leaders of business and government.

As logistics evolves from the classical transport function to a more strategic, cross-functional and global discipline, the importance of logistics only increases. Increasing the efficiency of logistics has the potential to decrease the cost of a finished product which is the holy grail of all manufacturing enterprises.

Africa's most competitive industries, such as the mining and automotive sectors, are all highly freight-dependent. In South Africa, transport costs are the largest component of logistical costs as the body of academic knowledge and research suggests.

Connectivity to markets

Good connectivity to markets is important to existing and potential investors in all of the industrial sectors targeted by the Coega Development Corporation (CDC) but especially the automotive and the agro-processing sectors. It is recognised globally that logistics infrastructure, of which top structures are an integral part, will always be an enabling pillar to world-class manufacturing industry.

We are confident that the new tax benefits, government's focus on the reduction of red tape and a future focus on the importance of value-adding logistics for global investors will continue to help us sustain the rhythm and success of building sustainable partnerships between South Africa and the world for investment in Africa.

Before the Act, CDC was the first IDZ in South Africa to have secured double digit investments between 2013 and 2014. The CDC is now gearing up for another year of attracting foreign direct investment and supporting global investors in their geo-strategic industrial estate of 11,500ha along the Indian Ocean on the southern tip of Africa.

We have sanguine outlooks for the next financial year and plan to continue and up the pace. The Special Economic Zone (SEZ) Act 2014 will help us greatly with this mission. In the 2012/2013 financial year, the CDC's investment portfolio was R140bn and in the next financial year (2013/2014) it increased to R151bn. At present, projects in the negotiation pipeline have a value of R8.1bn and those in the feasibility phase are valued at R116.3bn.

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