

**INTERNATIONAL TRADE ADMINISTRATION COMMISSION
OF SOUTH AFRICA**

DATE: 1st JANUARY 2016

**DETAILED INFORMATION ON PRODUCTION REBATE
CREDIT CERTIFICATES (PRCCs)**

DETAILED INFORMATION ON PRODUCTION REBATE CREDIT CERTIFICATES

| TABLE OF CONTENTS | Page |
|--|------|
| 1. Production incentive | 5 |
| 2. Qualifying entities | 5 |
| 3. Eligible products | 5 |
| 4. Production incentive (PI) | 7 |
| 4.1 Calculation of the PI | 7 |
| 4.2 Registered motor vehicle manufacturers and components not manufactured by itself | 7 |
| 4.3 Tax invoice price | 8 |
| 4.4 Standard material | 9 |
| 4.5 PI factor | 10 |
| 5. Application for PRCCs | 11 |
| 6. Issue and use of PRCCs | 13 |
| 6.1 Products imported against PRCC | 13 |
| 6.2 Specification on PRCC of products that were exported | 13 |
| 6.3 Handling of original PRCC and notification | 13 |
| 6.4 Transfer of PRCCs | 13 |
| 6.5 Only one claim per PRCC | 14 |
| 6.6 Validity of PRCCs | 14 |
| 6.7 Dating of PRCCs | 14 |
| 6.8 Acceptance of PRCCs with defects | 1 |
| 7. Claim procedure | 14 |
| 7.1 Original documents to be submitted | 14 |
| 7.2 Copies of documents to be submitted | 15 |
| 7.3 Motor vehicle manufacturers and component not manufactured by itself | 15 |
| 7.4 Sampling, covering forms | 15 |
| 7.5 Annexure A2 | 15 |
| 7.6 Form A2 | 15 |
| 7.6.1 Completion of Annexure A2 | 15 |
| 7.6.2 Subtotals on A2 | 16 |
| 7.6.3 Reconciliation sheet | 16 |
| 7.6.4 Separate applications | 16 |
| 7.7 Worksheet | 16 |
| 7.8 Form A2SL and A2SE | 16 |

| | | |
|---------------|---|----|
| 7.8.1 | Inclusion of summary by tariff subheading per claim | 16 |
| 7.8.2 | Explanation of summary by tariff subheading | 16 |
| 8. | Proof of payment of invoices | 16 |
| 9. | Assurance report by auditors | 17 |
| 10. | Withdrawal of PRCCs and penalties | 18 |
| Annexure A1.1 | Guidelines for an application by a component manufacturer to register the manufacturer and product for eligibility under the APDP | 19 |
| Annexure A1.2 | Application to register an automotive component as an eligible product by a manufacturer in terms of the APDP | 21 |
| Annexure A1.3 | Example of an eligible production certificate (EPC) | 24 |
| Annexure A2 | Application for a Production Rebate Credit Certificate | 26 |
| Annexure A2SL | Summary of total claim per tariff subheading | 27 |
| Annexure A2SE | Summary of total claim per tariff subheading | 28 |
| Annexure A2W | Example of worksheet | 29 |
| Annexure A3 | Letter of authorization: Issue/transfer of Production Rebate Credit Certificate | 30 |
| Annexure A4 | Example of notification | 31 |
| Annexure A5 | Assurance report | 32 |
| Annexure A6 | Declaration by Chief Executive or Director nominated in writing by the Chief Executive in respect of an application for an Production Rebate Credit Certificate in terms of the Automotive Production and Development Programme | 35 |
| Annexure A7 | Automotive Production and Development Programme - Standard Material and Component Declaration | 37 |

ACRONYMS

| | | |
|----------------|---|---|
| APDP | - | Automotive Production and Development Programme |
| CKD | - | Completely knocked down |
| EPC | - | Eligible production certificate |
| FOB | - | Free on board |
| IRBA | - | Independent Regulatory Board of Auditors |
| ITAC | - | International Trade Administration Commission |
| MIDP | - | Motor Industry Development Programme |
| OEM | - | Motor vehicle manufacturer |
| PI | - | Production incentive |
| PGM | - | Platinum group metals |
| PRCC | - | Production rebate credit certificate |
| RCA | - | Rebate Claim Application |
| SA | - | South Africa |
| SACU | - | Southern African Common Customs Union |
| SARS | - | South African Revenue Service |
| SAICA | - | South African Institute of Chartered Accountants |
| SMD | - | Standard material declaration |
| the dti | - | The Department of Trade and Industry |
| VA | - | Value added (production value added/standard value added) |
| VAT | - | Value-added tax |

DETAILED INFORMATION ON PRODUCTION REBATE CREDIT CERTIFICATES

This document must be read in conjunction with the APDP 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 and 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 chain.

2. QUALIFYING ENTITIES

The following entities based in SA that are registered with SARS as tax payers may apply for PRCCs:

- 2.1 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 Regulations in SA according to the prescribed extent of assembly - [Completely Knocked Down assembly (CKD)].

Registered light motor vehicles manufacturers not qualifying for a volume assembly allowance will still qualify for a PI.

- 2.2 Automotive component and tooling manufacturers, for which an eligible production certificate (EPC) was issued in terms of Note 9.2.1 to the APDP Regulations. (See Annexure A1.1 and A1.2 for EPC application procedures).

- 2.3 Registered light motor vehicle manufacturers recovering the cost of:

2.3.1 Platinum group metals which were free issued to a final manufacturer of a catalytic converter and other cost relating to the manufacture thereof; and

2.3.2 Value added activities applicable to products bought from a component manufacturer and exported.

- 2.4 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.

3. ELIGIBLE PRODUCTS

(Note 9 of the APDP Regulations)

- 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 gearbox, manufactured in a licensed, special vehicle manufacturing warehouse. (See Note 9.1.1 of the APDP Regulations).

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. (See Note 9.1.2 of the APDP Regulations).

3.3 Automotive components and tooling.

3.4 In order to qualify for a PRCC:

3.4.1 The products listed in 3.1, 3.2 and 3.3 must be wholly manufactured in South Africa - refer Note 9.3.1 of the APDP Regulations;

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

- a) Platinum rhodium and palladium received from a refinery in the SACU.
- b) 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.
- c) Imported stainless steel may be used in the canning process, but the value thereof will be non-standard material.
- d) 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 PRCC, unless otherwise determined by the Commission.

Where the application for catalytic converters to earn a PRCC 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 PRCC applications will apply.

3.4.2 The products listed in 3.3 must be covered by an EPC certificate; refer Note 9.2.1 of the APDP Regulations.

3.4.3 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 as contemplated in note 3.3, at the time of sale, be represented by the sum of –

- the cost of labour in the SACU;
- the value of materials originating in the SACU;
- the factory overhead expenses (excluding profit) incurred in South Africa in respect of components; 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.

3.4.4 Manufacturers of components must achieve a local and/or international OEM supply chain turnover 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. (See Note 9.2.2 of the APDP Regulations)

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

- Part of a local or international OEM supply chain;
- Replacements parts manufactured by a manufacturer adhering to the conditions set in 3.4.2, 3.4.3 and 3.4.4. (See Note 9.2.3 of the APDP Regulations)

3.5 The guidelines and application forms relating to eligible production certificates are set out in Annexure A1.1 and A1.2.

4. 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 2 and 3 above. For purposes of the APDP, 25% of certain material, also referred to as standard material, will qualify for the PI.

4.1 Calculation of the PI

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 xx%
- PI value (Rounded off to nearest Rand) 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.

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 PRCCs for:

- a) *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;
- b) *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.

- 4.3.2 In the case of local sales, commissions and, discounts.
- 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 3.4, 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 PRCCs. 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:

- (a) Aluminium;
- (b) Brass;
- (c) Leather;
- (d) Platinum group metal;
- (e) Stainless steel; and
- (f) Steel.

- 4.4.2 With regards to vulnerable products, 40% of the standard material listed in note 4.4.1 applicable to the products listed below will be deemed to be local:

- (a) Alloy wheels;
- (b) Aluminium products (Engine and transmission components, heat exchangers and tubes therefore, suspension components and heat shields);
- (c) Cast iron components (Engine/axle/brake/transmission and related types of components);
- (d) Flexible couplings;
- (e) Leather interiors;
- (f) Machined brass components; and
- (g) Steel jacks.

The qualifying percentage applicable to standard materials of vulnerable products and catalytic converters will be reduced by 5 percentage points per annum from 1 January 2015 to 25% from 1 January 2017 onwards as indicated in Table 1.

Table 1: Phase down of standard material percentages for vulnerable products and catalytic converters

| PRCC claims received during the period: | Qualifying percentage applicable to standard material included in vulnerable products and catalytic converters |
|---|--|
| 1 January 2013 to 31 December 2013 | 40 |
| 1 January 2014 to 31 December 2014 | 40 |

| | |
|------------------------------------|----|
| 1 January 2015 to 31 December 2015 | 35 |
| 1 January 2016 to 31 December 2016 | 30 |
| 1 January 2017 to 31 December 2017 | 25 |
| 1 January 2018 to 31 December 2018 | 25 |
| 1 January 2019 to 31 December 2019 | 25 |
| 1 January 2020 onwards | 25 |

Vulnerable goods will lose their status of vulnerability once they form part of another product, for example, if leather interiors are used in the domestic production of a specified light motor vehicle by a local OEM, only 25% of qualifying material will be deemed to be automotive specific whilst the PI factor applicable to the vehicle will apply.

- 4.4.3.1 Where vulnerable products are combined into a higher level assembly, the final product (for which a vulnerable product PRCC is applied for) will retain its vulnerable status, provided that the vulnerable products makes up the majority of the cost of the final product e.g. engine assembly. The onus is on the applicant to provide sufficient information to enable a ruling.
- 4.4.3.2 Vulnerable products retain their vulnerability status even if the standard material used were imported. The imported material must be declared as non-standard material on the SMD. It must be noted that the product attract vulnerability status not the material.

4.5 PI factor

- 4.5.1 The PI factor for the 2013 calendar year for non- vulnerable products will be 55% per annum from 1 January 2013 and will be reduced by 1 percentage point per annum to 50% from 1 January 2018.
- 4.5.2 The PI factor for the products listed in note 4.4.2 and catalytic converters will be 80% from 1 January 2013 and will be reduced by 5 percentage points per annum from 1 January 2015 to 50% on 1 January 2020.

The PI factor for the catalytic converters will be fixed at 2017 levels of 65% per annum.

Table 2: Phase down of the PI factor applicable to non-vulnerable products, vulnerable products and catalytic converters

| PRCC claims received during the period: | PI percentage applicable to non-vulnerable and vulnerable products | | |
|---|--|------------|---------------------|
| | Non-vulnerable | Vulnerable | Catalytic Converter |
| 1 January 2013 to 31 December 2013 | 55 | 80 | 80 |
| 1 January 2014 to 31 December 2014 | 54 | 80 | 80 |

| | | | |
|------------------------------------|----|----|----|
| 1 January 2015 to 31 December 2015 | 53 | 75 | 75 |
| 1 January 2016 to 31 December 2016 | 52 | 70 | 70 |
| 1 January 2017 to 31 December 2017 | 51 | 65 | 65 |
| 1 January 2018 to 31 December 2018 | 50 | 60 | 65 |
| 1 January 2019 to 31 December 2019 | 50 | 55 | 65 |
| 1 January 2020 onwards | 50 | 50 | 65 |

5. APPLICATION FOR PRODUCTION REBATE CREDIT CERTIFICATES (PRCCs)

- 5.1 Applications for PRCCs may be lodged with ITAC at any time, provided that payment of the tax invoice price 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 par 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.
- 5.2 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.
- 5.3 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 be barred from participating under the APDP in future.
- 5.4 The right to claim PRCCs lies with the applicant who is the registered manufacturer of such a product, except for the following:
- 5.4.1 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 PRCC for the manufactured vehicle which incorporates the applicable components;
- 5.4.2 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);
- 5.4.3 A registered motor vehicle manufacturer recovering the cost of value adding activities applicable to products purchased and exported, see note 4.2.1 b);

- 5.4.4 A registered motor vehicle manufacturer recovering the cost of value adding activities applicable to PGM sold to a component manufacturer.
- 5.5 Applications must reach ITAC not later than 12 months from the date of the tax invoice for the eligible product. Incomplete applications will not be received or processed nor will a Rebate Claim Application (RCA) number be allocated.
- 5.6 Applications found to be incomplete or amendments requested by the applicant or with discrepancies that need to be rectified before further processing, should be rectified within a period of 30 days from 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.
- 5.7 Applications or parts thereof that were submitted and later withdrawn/cancelled will be treated as new applications, should they be re-submitted for processing.
- 5.8 PRCCs will not be transferred to a beneficiary after two years from the expiry date of the PRCC.
- 5.9 Applications for PRCCs may be verified by ITAC.
- 5.10 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 PRCC.
- 5.11 ITAC may also request insight into all books of account specified in the Companies Act or Close Corporations Act, plus all production records.
- 5.12 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.
- 5.13 The 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 PRCCs.
- 5.14 Although the PRCC as such may be transferred, the rights to apply for such certificate may never be transferred.
- 5.15 It is a specific condition for participating in the programme that no application for PRCCs 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 dti, or SARS into previous claims or any related matters until such time as the investigation/verification is completed and the case finalised.
- 5.16 In terms of the Promotion of Access to Information Act, 2003, applicants may be requested to submit a non-confidential version of the application.

- 5.17 Manufactures in an IDZ importing under rebate item 498 can still supply components to light motor vehicle manufacturers provided that they adhere to the APDP rules and regulations.
- 5.18 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.
- 5.19 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.

6. ISSUE AND USE OF PRCCs

- 6.1 The following automotive products may be imported against PRCCs:
 - (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 317.03);
 - (b) New and unused automotive components for all of the vehicles identified in (a) above and automotive components imported against PRCCs 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.
- 6.2 Certificates will be issued for the qualifying amount of the value added and will indicate whether it is based on production of:
 - (a) Specified light motor vehicles;
 - (b) Specified motor vehicles without an engine and/or gearbox; or
 - (c) Automotive components and automotive tooling.

If a PRCC that has been issued for the production of automotive components is to be used to reduce the duty on imported specified motor vehicles, SARS will reduce the value as shown on the certificate by 20%.

- 6.3 The original PRCC 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 reduction in the dutiable value of imported motor vehicles or automotive components.
- 6.4 PRCCs can be issued or transferred or sold, but may not be transferred more than once after a PRCC 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 PRCC claim, the PRCC will be issued to the person to whom the certificate is authorised to be transferred. The PRCC can then be transferred to another party or parties once more should a second Annexure A3 be 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.

- 6.5 One claim only per tax invoice is allowed.
- 6.6 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.
- 6.7 PRCCs 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 PRCCs have been taken into the SARS database.
- 6.8 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.

7. CLAIM PROCEDURE

- 7.1 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 PRCC, separate applications must be submitted for non vulnerable and vulnerable components, 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 A3: Letter of authorisation: Issue/transfer of production rebate credit;
 - Annexure A5: Assurance report by auditors;
 - Annexure A6: Declaration by Chief Executive or Director nominated in writing by the Chief Executive.

7.2 **Copies** of the following documents must be submitted with those required in paragraph 7.1 above with each claim:

- SMD;
- EPC;
- A copy of the journal voucher applicable to vehicle capitalised or components utilised for own use;
- Tax invoice, credit notes and debit notes.

7.3 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 copies of the invoices, PCA number, EPC numbers and Annexure A2 submitted by the final manufacturer with its application for APDP 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.

7.4 ITAC may decide to apply sampling in the case of supporting sales documents that normally form part of a PRCC claim, in which case applicants will be notified not to include the copies as requested in 7.2 as part of the claim, but to supply the copies afterwards on request.

7.5 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.

7.6 Form A2:

7.6.1 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.
- 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: Invoice value (From Worksheet), if applicable.
- Column 8: Standard material = 75% or 60% 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).

- 7.6.2 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.
- 7.6.3 A reconciliation sheet must be included providing information and explanations on any adjustment to previous applications for PRCCs, 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.
- 7.6.4 Separate applications must be submitted in respect of non vulnerable industries, vulnerable industries, registered light motor vehicles and registered light motor vehicles without an engine.

7.7 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.

7.8 Form A2SL and A2SE:

- 7.8.1 Annexure A2SL (for sales within SACU) and Annexure 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 A2SL and Annexure A2SE is a summary for statistical purposes of all products claimed by tariff subheading.
- 7.8.2 A summary of the total of all the sales listed in all of Annexure A2 by tariff subheading must be included per PRCC 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 total of all sales of 10 invoices relating to lead acid batteries of tariff subheading 8507.10 included in a PRCC claim should be summarised in one line in the four columns indicated in Annexure A2S.

8. **Proof of payment**

8.1 Repatriation of export sales value

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.

8.1.1 Exporters may only apply for a PRCC 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

8.1.2 Applicants making use of a "Customer Foreign Currency Account" (CFC) must ensure that:

- The application for a PRCC 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.

8.2 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 PRCC once 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.

9. Assurance report by auditor

- 9.1 All applications for PRCCs 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.
- 9.2 Find attached Annexure A5 being an assurance report that must be completed per application for PRCC 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”.

- 9.3 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 PRCC benefits as the absence on an assurance report will make the application incomplete.
- 9.4 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.

10. **Withdrawal of PRCCs and penalties**

- 10.1 Should the verification by ITAC, or the verification referred to in note 10 above, reveal anomalies, or if SARS reports incorrect PRCCs that necessitate the adjustment of PRCC values already issued, the following procedures will be followed:
 - 10.1.1 If the PRCC has not been used it will be reduced by the over-declared value and a new PRCC indicating the recalculated balance will be issued.
 - 10.1.2 If the PRCC has been used or partially used, or if the balance remaining on the PRCC is less than the applicable correction, SARS will be informed to recover the benefits over-utilised.
 - 10.1.3 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.
- 10.2 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.
- 10.3 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.
- 10.4 If a claim was submitted before payment was received, the PRCC will be cancelled and may result in deregistration of the applicant from the APDP. This may also result in ITAC not allowing the auditing firm to certify any claim for purposes of claiming under the APDP.

GUIDELINES TO REGISTER A COMPONENT MANUFACTURER AND THE PRODUCT FOR ELIGIBILITY UNDER THE APDP

(See Annexure B1.1 to Info Doc B/2013 for guidelines if a motor vehicle manufacturer wishes to register)

1. Objectives

- 1.1 *The APDP is a new programme which is aimed at creating an environment that will enable the domestic industry to significantly grow production volumes as well as local value addition leading to the creation of additional employment opportunities across the value chain, in line with “Vision 2020 that refers to doubling of local vehicle production and broadening and deepening of component manufacture by the year 2020”.*

2. Requirements

- 2.1 The applicant 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.
- 2.3 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.
- 2.4 Tariff classification.
- 2.5 The applicant must ensure that all pages of the application are initialled by the relevant authorised signatories (refer to paragraph 2.3 above).
- 2.6 The applicant must submit an original completed application form to ITAC prior to production of the component.
- 2.7 The applicant must submit photographs and technical drawings of the product/s.
- 2.8 The applicant must submit literature of the products.
- 2.9 Copies of a contract or a purchase order to supply a product to a manufacturer within the OEM supply chain.

3. Eligibility criteria

- 3.1 Component manufacturers who 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.
- 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.

- 3.3 The automotive components shall qualify if they meet the following criteria:
- (a) They were wholly manufactured in the SACU;
 - (b) 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 in the SACU;
 - The value of materials originating in the SACU; and
 - The factory overhead expenses incurred in the SACU (excluding profit).
 - (c) 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;

4. 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 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: _____

3. Contact Person: _____

4. Telephone No: _____ Telefax No: _____

5. E-mail: _____ Customs code: _____

6. Physical address at which components will be manufactured:

7. Manufacturing process undertaken by the manufacturer in the SACU: (Yes or No)

If yes, which of the listed products below is applicable _____ ?
Provide details on the composition of the product.

- Alloy wheels;
- Aluminium products(Engine and transmission components, heat exchangers and tubes therefore, suspension components and heat shields);
- Cast iron components(Engine/axle/brake/transmission and related types of components);
- Catalytic converters;
- Flexible couplings;
- Leather interiors;
- Machined brass components; and
- Steel jacks.

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

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 unused automotive components or service parts;
- (b) Product(s) is/are manufactured in the SACU (If the last phase of manufacture has not been undertaken in the SACU 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 classification 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 Sub - heading |
|-------------|-------------------|----------------------|
| | | |
| | | |
| | | |
| | | |
| | | |

- (f) Names and addresses of client(s) to whom the automotive components 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:

- (i) 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.
- (j) The Component manufacturer achieves 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.
- (k) The automotive components meet the following criteria:
 - They were wholly manufactured in the SACU;
 - 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 in the SACU;
 - The value of materials originating in the SACU; and
 - The factory overhead expenses incurred in the SACU (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;)
- (l) Copies of the following documents are attached to this application:
 - A certificate of incorporation from the registrar of companies
 - A recent tax clearance certificate
 - 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.

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 DTI for monitoring and evaluation of the APDP.

NAME

DESIGNATION

SIGNATURE

DATE

ANNEXURE A1.3

(Postal address)

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

Attention:

Dear Sir/Madam

AUTOMOTIVE INDUSTRY: AUTOMOTIVE PRODUCTION AND DEVELOPMENT PROGRAMME: ELIGIBLE PRODUCTION CERTIFICATE NO: EPC 0001/2013

1. Permission is hereby granted to **IPAP2 (Pty) Ltd** in respect of Note 9.2 of the APDP Regulations to manufacture the component(s) (mentioned below) at (physical address) **14th Avenue, BLNS Street, SACU,0001** :

| <u>COMPONENTS</u> | <u>TARIFF SUBHEADING/S</u> | <u>VULNERABILITY STATUS</u> |
|--------------------------|-----------------------------------|------------------------------------|
| - | - | - Yes (Alloy wheels) |
| - | - | - |

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 317.03, ITAC APDP Regulations and the Automotive Production Development Programme guidelines.
4. This certificate is subject to review or cancellation at any time.
5. Despite the proof of payment requirements, there have been cases where PRCC claims were for an eligible value added far in excess of the cost of production. This could distort the whole balance of the APDP 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 Credit. 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 A2

INTERNATIONAL TRADE ADMINISTRATION COMMISSION

AUTOMOTIVE PRODUCTION AND DEVELOPMENT PROGRAMME – APPLICATION FOR A PRODUCTION REBATE CREDIT CERTIFICATE

NAME OF MANUFACTURER:

ADDRESS:

CERTIFICATE TO BE ISSUED IN THE NAME OF: **TYPE OF PRODUCT:** (see note 1 below)

APPLICABLE TO LAST PAGE

1. Separate Annexures must be submitted in respect of non vulnerable , vulnerable industries, catalytic converters, registered light motor vehicles with or without engine.

Tel:

Fax:

E-mail:

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

NAME OF APPLICANT:

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

NAME OF APPLICANT:

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, etc. R.....
4. True export value R.....
5. Selling price as reflected in Column 6 of Annexure A2 R.....

ANNEXURE A3

**COMMISSION FOR INTERNATIONAL TRADE ADMINISTRATION
AUTOMOTIVE PRODUCTION AND DEVELOPMENT PROGRAMME**

**LETTER OF AUTHORIZATION:
ISSUE/TRANSFER OF PRODUCTION REBATE CREDIT 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 credit certificate No (RCA No) for an amount of R to the name of
.....

OR

- (b) issue a production rebate credit 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: Pateka Busika/Maxwell Madida/Andre du Toit

To:

Subject: PRCC ISSUED

Enquiries: Pateka Busika/Maxwell Madida/Andre du Toit

Tel.: 012 – 394 3595/3714/3699

Fax: 012 – 394 4595/4714/4699

...../20...

PRODUCTION REBATE CREDIT 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.**

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.

CHIEF COMMISSIONER: INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

ANNEXURE A5

Production Rebate Credit Certificate (PRCC) 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 APPLICATION FOR A PRODUCTION REBATE CREDIT CERTIFICATE

We have undertaken a reasonable assurance engagement of the accompanying Application for a Production Rebate Credit Certificate (PRCC) (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 the Automotive Production and Development Programme (APDP) Regulations (the Regulations) and the *Detailed Information on Production Rebate Credit Certificates (PRCCs)* (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 behaviour.

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'.

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.
- 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.

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

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 CREDIT CERTIFICATE 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 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 SACU at the following physical address(es):

_____ and that no product manufactured outside the SACU 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**APDP STANDARD MATERIAL AND COMPONENT DECLARATION**

1. Under the APDP the final manufacturer of specified motor vehicles and automotive components will qualify for a production incentive (PI) based on local production value added.
 - 1.1.1 Aluminium;
 - 1.1.2 Brass;
 - 1.1.3 Leather
 - 1.1.4 Platinum group metals
 - 1.1.5 Stainless steel; and
 - 1.1.6 Steel
- 1.1 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):
 - 1.1.1 Aluminium;
 - 1.1.2 Brass;
 - 1.1.3 Leather
 - 1.1.4 Platinum group metals
 - 1.1.5 Stainless steel; and
 - 1.1.6 Steel
- 1.2 With regards to vulnerable products, 40% of the standard material listed in note 1.1 applicable to the products listed below will be deemed to be local:
 - 1.2.1 Alloy wheels;
 - 1.2.2 Aluminium products (Engine and transmission components, heat exchangers and tubes therefore, suspension components and heat shields);
 - 1.2.3 Cast iron components (Engine/axle/brake/transmission and related types of components);
 - 1.2.4 Flexible couplings;
 - 1.2.5 Leather interiors;
 - 1.2.6 Machined brass components; and
 - 1.2.7 Steel jacks

With regards to catalytic convertors, 40% of the standard material value will be deemed to be local value added

The qualifying percentage applicable to standard materials of vulnerable products and catalytic converters will be reduced by 5 percentage points per annum from 1 January 2015 to 25% from 1 January 2017.

Please note that the deemed 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 DA190s, 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.

2. 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 (APDP STANDARD MATERIALS AND COMPONENTS DECLARATION) and Annexure A7.2 (APDP STANDARD MATERIALS AND

COMPONENTS DECLARATION: CONTINUATION SHEET). Annexure A7.3 provides an explanation on the information required.

The following should be noted:

- 2.1 To simplify the calculation process statistics and values applicable to the previous quarter will be used.
- 2.2 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.

- 2.3 It is not necessary for a supplier of only non-standard material to issue a SMD, the user of such material must calculate 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 calculate the value thereof by basing it on its weighted average purchase value of the previous quarter.
- 2.4 If no SMD was received the weighted average purchase price of the previous quarter must be deemed the non-standard material value.
- 2.5 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.
- 2.6 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.
- 2.7 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 foreign currency usage per unit will apply.
- 2.8 Values must be entered in Rand and should not be expressed as a percentage or as a foreign currency.
- 2.9 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.

- 2.10 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.
- 2.11 The correctness of SMDs received from suppliers may be accepted as correct.
- 2.12 Standard and non-standard material value on any loss associated with the production process must be taken in account when computing the SMD.

[Example: If 100 m² bovine hide (purchase value R10 per m²) needs to be put in the production process 10 m² of leather suitable for the automotive industry, the standard and non-standard material value per m² of leather will be R100 in total. It should be noted that the values m² may be more if chemicals, paint pigments, etc. were used in the manufacturing/processing process.]

- 2.13 In currently not necessary for first tier suppliers, as in the case with the FORM C1, to have their systems to calculate standard and non-standard material values audited on an annual basis.
- 2.14 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.
- 2.15 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.
- 3. 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.
- 4. 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.
- 5. Quarterly lag principle

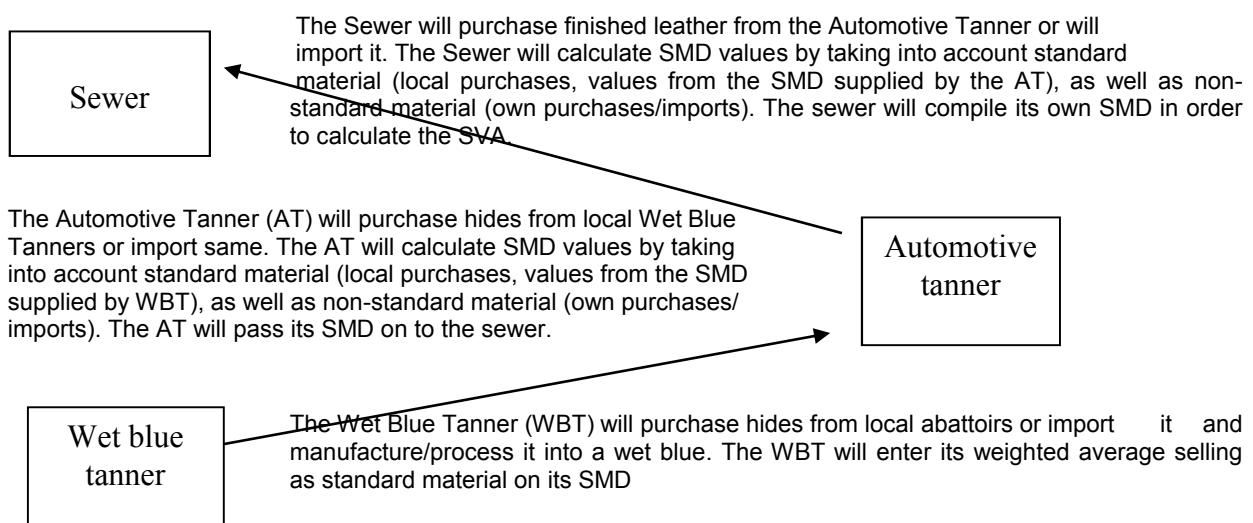
When the final manufacturer applies for a PRCC the application must be accompanied by a SMD indicating how the SVA was calculated. To simplify matters and to prevent the daily calculation of the SVA and SMD the final manufacturer will calculate it once a quarter using its own financial information of 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, 01/01/2014 to 31/03/2014 and will base its calculations on its own financial information of the quarter 01/10/2013 to 31/12/2013. 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 01/01/2014 to 31/03/2014.
- 5.2 The Automotive Tanner issuing the SMD (to the Sewer) with the effective date 01/10/2013 to 31/12/2013 will base its calculation on its own financial information applicable to the quarter 01/07/2013 to 30/09/2013. 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 01/10/2013 to 31/12/2013.
- 5.3 The Wet Blue Tanner issuing the SMD with the effective date 01/07/2013 to 30/09/2013 will base its calculation on its financial information applicable to the quarter 01/04/2013 to 30/06/2013. 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



7. 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.
8. 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.

| APDP 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 | 24 |
| 2 | | | | | | | | | | | | |
| 3 | | | | | | | | | | | | |
| 4 | | | | | | | | | | | | |
| 5 | | | | | | | | | | | | |
| 6 | | | | | | | | | | | | |
| 7 | | | | | | | | | | | | |
| 8 | | | | | | | | | | | | |
| 9 | | | | | | | | | | | | |
| 10 | | | | | | | | | | | | |
| DECLARATION: | | | | | | | | | | | | |
| I 25 in my capacity as 26 of 27 hereby declare that the values calculated and declared herein is true and correct and complies with the guidelines compiled by ITAC. | | | | | | | | | | | | |
| <hr/> 28 <hr/> SIGNATURE | | | | <hr/> 29 <hr/> DATE | | | | | | | | |

APDP STANDARD MATERIALS AND COMPONENTS DECLARATION – CONTINUATION SHEET

Certificate number: 8Effective from: 9 to: 9

STANDARD MATERIALS

| | PART NUMBER | DESCRIPTION | UNIT OF MEASURE | ALUMINIUM | BRASS | LEATHER | PGM | | STAINLESS STEEL | STEEL | TOTAL | NON-STANDARD MATERIALS/COMPONENTS |
|----|-------------|-------------|-----------------|-----------|-------|---------|-----|----|-----------------|-------|-------|-----------------------------------|
| 11 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 |
| 12 | | | | | | | | | | | | |
| 13 | | | | | | | | | | | | |
| 14 | | | | | | | | | | | | |
| 15 | | | | | | | | | | | | |
| 16 | | | | | | | | | | | | |
| 17 | | | | | | | | | | | | |
| 18 | | | | | | | | | | | | |
| 19 | | | | | | | | | | | | |
| 20 | | | | | | | | | | | | |
| 21 | | | | | | | | | | | | |
| 22 | | | | | | | | | | | | |
| 23 | | | | | | | | | | | | |
| 24 | | | | | | | | | | | | |
| 25 | | | | | | | | | | | | |
| 26 | | | | | | | | | | | | |
| 27 | | | | | | | | | | | | |
| 28 | | | | | | | | | | | | |
| 29 | | | | | | | | | | | | |
| 30 | | | | | | | | | | | | |

28
SIGNATURE29
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;
- 4-7** Particulars and signature of authorised official as well as contact information;
- 8** 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;.
- 16-23** Weighted average customs value and total of standard materials, local as well as imported;
- 24** Weighted average customs value of non-standard materials/components;
- 25-26** Particulars and signature of authorised official.

ANNEXURE A7.4**EXAMPLE: CALCULATION OF STANDARD VALUES APPLICABLE TO THE MANUFACTURE OF A TOW BALL**

1. 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.
2. Example 1: 100% local material
- 2.1 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.

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.

- 2.2 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.

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.

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 |
| 01/01/2013 | 100 | 1 000 | 0 | 0 | 1 000 |
| 10/02/2013 | 150 | 1 700 | 0 | 0 | 1 700 |
| 20/03/2013 | 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.

3. Example 2: Local and imported material

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.

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 |
| 01/04/2013 | 100 | 1 000 | 0 | 0 | 1 000 |
| 20/06/2013 | 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.

4. The tow ball manufacturer applying for a PRCC will calculate the SVA per unit as follows, if it is assumed that the selling price of the tow ball is R20 per unit:

4.1 Component 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 |

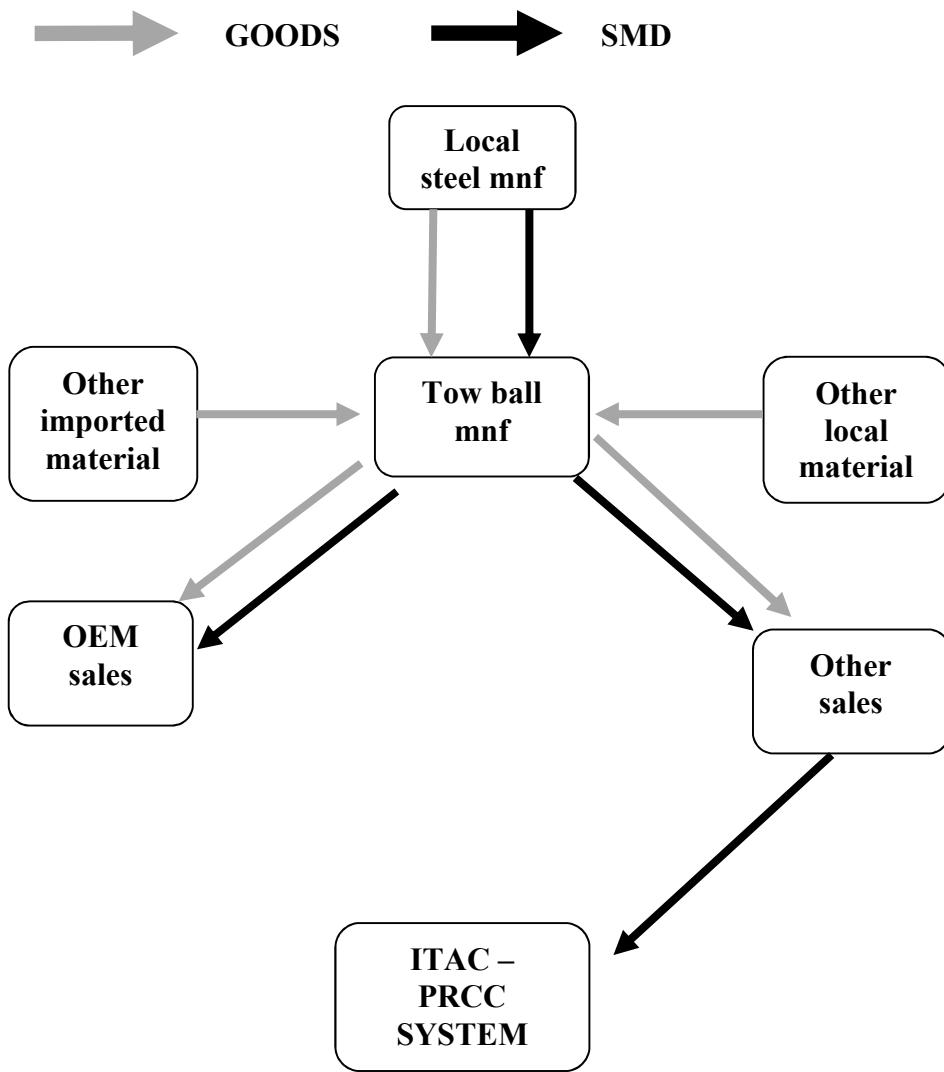
| | |
|------------------------------|-----|
| PRCC value (PI factor = 55%) | R 6 |
|------------------------------|-----|

4.2 Component 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 |

| | |
|------------------------------|-------|
| PRCC value (PI factor = 55%) | R5.25 |
|------------------------------|-------|

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



ANNEXURE A7.4.1

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

| TOTAL NUMBER OF LINES: <u>1</u> | | | | STANDARD MATERIALS | | | | | | | NON-STANDARD MATERIALS/COMPONENTS | |
|---------------------------------|-------------|-------------|-----------------|--------------------|-------|---------|-----|------------|-----------------|-------|-----------------------------------|------|
| | PART NUMBER | DESCRIPTION | UNIT OF MEASURE | ALUMINIUM | BRASS | LEATHER | PGM | FLAT GLASS | 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 | FLAT GLASS | 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 |
| 31/03/2013 (own production) | 1 000 | 200 000 | 0 | 0 | 200 000 |
| 10/02/2013 (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 |
| 01/04/2013 | 500 | 90280 | 0 | 18055 | 108 335 |
| 10/05/2013 | 400 | 0 | 0 | 120 000 | 120 000 |
| 20/06/2013 | 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:

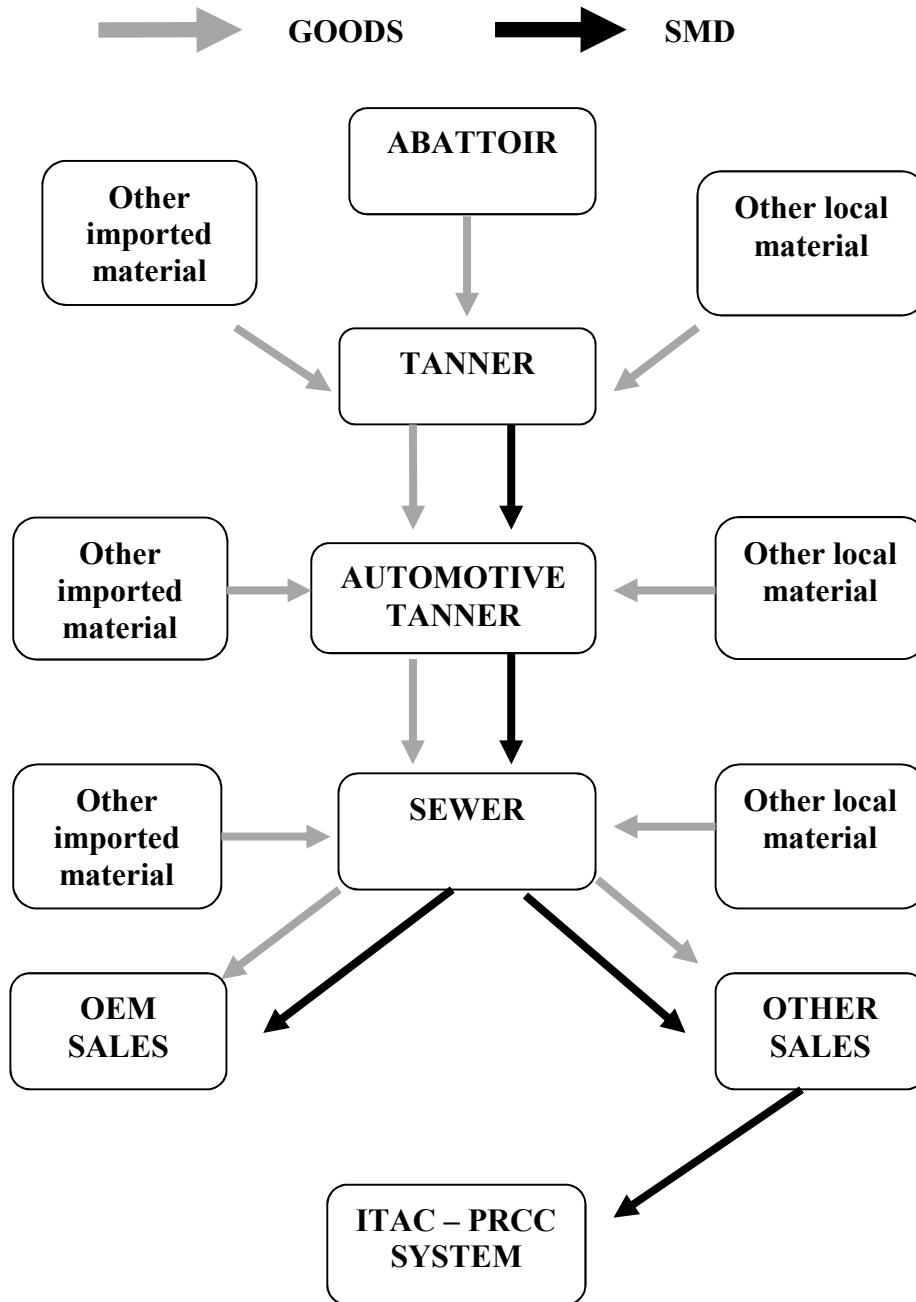
| LEATHER SEAT COVER | | VALUES in - R | | | |
|--|-----------------|----------------------|------------------------------|------------------------------------|--------|
| | Units (seat) | Standard material | Non- standard material | Imported component/ material | Total |
| Input 4.25 m² | 1 | 156.40 | 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 PRCC 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 60%) | R 93.84 |
| Less: Non-standard materials | <u>R502.24</u> |
| VA | R303.92 |
| PRCC value (PI factor = 80%) | R243.14 |

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



ANNEXURE A7.5.1

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

| TOTAL NUMBER OF LINES: <u>1</u> | | | | STANDARD MATERIALS | | | | | | | | NON-STANDARD MATERIALS/COMPONENTS |
|---------------------------------|-------------|-------------|-----------------|--------------------|-------|---------|-----|------------|-----------------|-------|--------|-----------------------------------|
| | PART NUMBER | DESCRIPTION | UNIT OF MEASURE | ALUMINIUM | BRASS | LEATHER | PGM | FLAT GLASS | STAINLESS STEEL | STEEL | TOTAL | |
| 1 | 7.1 | Wet blue | Hide | | | 180.56 | | | | | 180.56 | 36.11 |
| 2 | | | | | | | | | | | | |
| | | | | | | | | | | | | |

ANNEXURE A7.5.2

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

| TOTAL NUMBER OF LINES: <u>1</u> | | | | STANDARD MATERIALS | | | | | | | | NON-STANDARD MATERIALS/COMPONENTS |
|---------------------------------|-------------|--------------|-----------------|--------------------|-------|---------|-----|------------|-----------------|-------|-------|-----------------------------------|
| | PART NUMBER | DESCRIPTION | UNIT OF MEASURE | ALUMINIUM | BRASS | LEATHER | PGM | FLAT GLASS | STAINLESS STEEL | STEEL | TOTAL | |
| 1 | 7.1.1 | Leather part | m ² | | | 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: <u>1</u> | | | | STANDARD MATERIALS | | | | | | | | NON-STANDARD MATERIALS/COMPONENTS |
|---------------------------------|-------------|------------------|-----------------|--------------------|-------|---------|-----|------------|-----------------|-------|--------|-----------------------------------|
| | PART NUMBER | DESCRIPTION | UNIT OF MEASURE | ALUMINIUM | BRASS | LEATHER | PGM | FLAT GLASS | 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.

2. 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 PRCC 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 |
| 01/01/2013 | 100 | 167 000 | 0 | 0 | 167 000 |
| 10/02/2013 | 200 | 330 000 | 0 | 0 | 330 000 |
| 21/03/2013 | 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 |
| 01/01/2013 | 50 | 0 | 1 000 | 0 | 1 000 |
| 10/02/2013 | 100 | 0 | 2 000 | 0 | 2 000 |
| 21/03/2013 | 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 perform the following VA calculation:

| SUBSTRATE | | VALUES in - R | | | |
|---|--------------|--------------------------|------------------------------|-------------------------------------|--------------|
| DATE | Units | Standard material | Non-standard material | Imported component/ material | Total |
| 01/01/2013 | 400 | 0 | 0 | 5 000 | 5 000 |
| 10/02/2013 | 200 | 0 | 0 | 3 000 | 3 000 |
| 21/03/2013 | 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 (Substrates) | Standard material | Non-standard material | Imported component/material | Total |
| 01/04/2013 (Substrates) | 1 000 | 0 | 0 | 40 000 | 40 000 |
| 10/05/2013 (Chemicals) | | 0 | 10 000 | 0 | 10 000 |
| 21/05/2013 (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 PRCC 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:

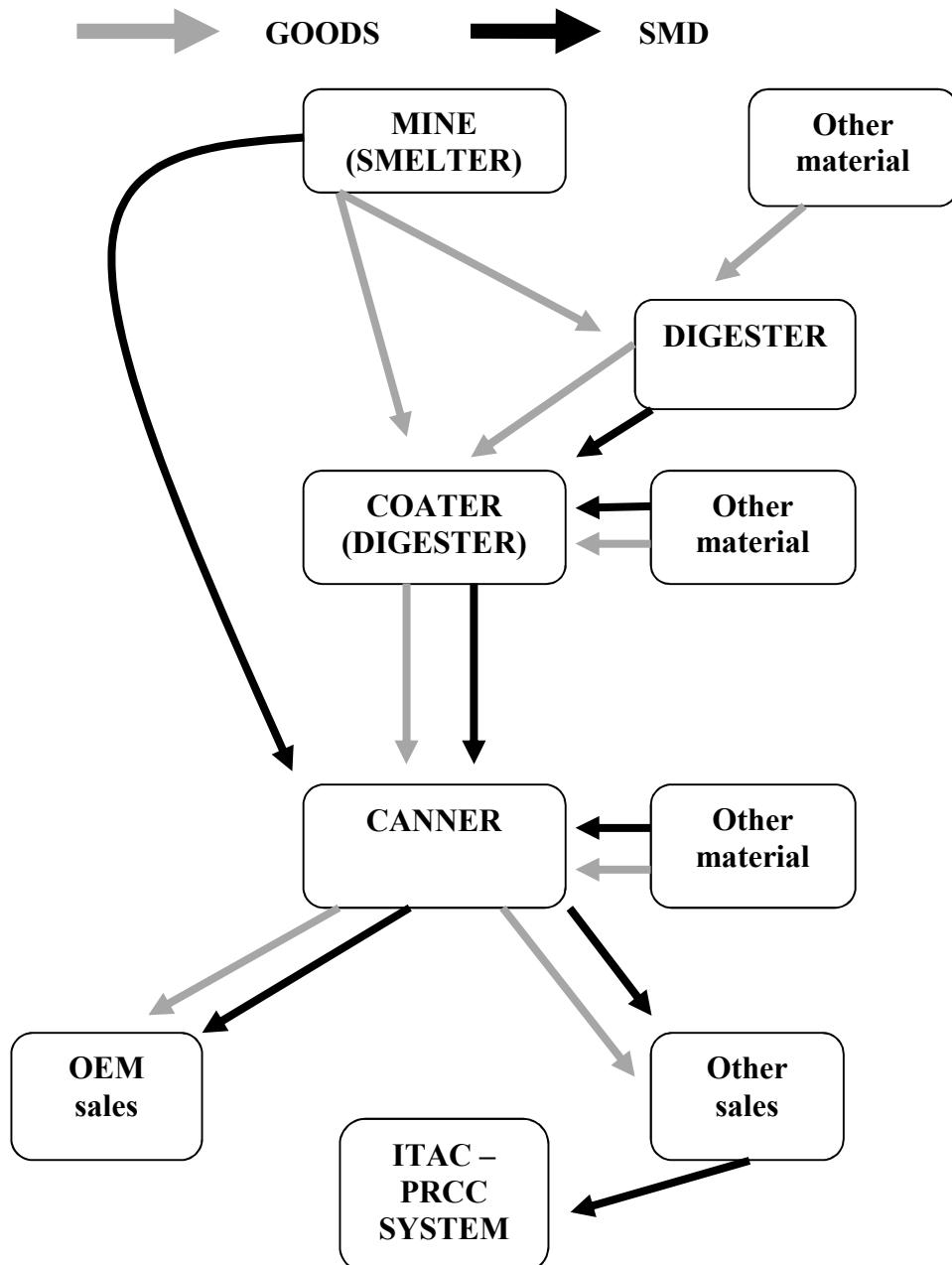
| CANNER | | VALUES in - R | | | |
|---|-------|-------------------|-----------------------|-----------------------------|---------|
| DATE | Units | Standard material | Non-standard material | Imported component/material | Total |
| 01/04/2013 (Coated substrates) | 500 | 0 | 5 000 | 27 500 | 32 500 |
| 20/04/2013 (PGM) | | 65 344 | 0 | 21 781 | 87 125 |
| 20/05/2013 (S/steel) | | 10 000 | 0 | 0 | 10 000 |
| 21/05/2013 (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 an PRCC calculate the SVA per unit as follows:

| | |
|--|----------------|
| Selling price | R1 000.00 |
| Less: Standard materials (R150.69 x 60%) | R 90.41 |
| Less: Non-standard materials | R 20.00 |
| Less: Imported component/material | <u>R 98.56</u> |
| SVA | R 791.03 |
| PRCC value (PI factor = 80%) | R 632.82 |

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



ANNEXURE A7.6.1

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

| TOTAL NUMBER OF LINES: <u>1</u> | | | | STANDARD MATERIALS | | | | | | | NON-STANDARD MATERIALS/COMPONENTS | |
|---------------------------------|-------------|-----------------|---------|--------------------|-------|---------|----------|------------|-----------------|-------|-----------------------------------|--|
| PART NUMBER | DESCRIPTION | UNIT OF MEASURE | | ALUMINIUM | BRASS | LEATHER | PGM | FLAT GLASS | 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: <u>1</u> | | | | STANDARD MATERIALS | | | | | | | NON-STANDARD MATERIALS/COMPONENTS | |
|---------------------------------|-------------|-----------------|---------|--------------------|-------|---------|---------|------------|-----------------|-------|-----------------------------------|--------|
| PART NUMBER | DESCRIPTION | UNIT OF MEASURE | | ALUMINIUM | BRASS | LEATHER | PGM | FLAT GLASS | 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: <u>1</u> | | | | STANDARD MATERIALS | | | | | | | NON-STANDARD MATERIALS/COMPONENTS | |
|---------------------------------|-------------|-----------------|--------|--------------------|-------|---------|-----|------------|-----------------|-------|-----------------------------------|-------|
| PART NUMBER | DESCRIPTION | UNIT OF MEASURE | | ALUMINIUM | BRASS | LEATHER | PGM | FLAT GLASS | 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: <u>1</u> | | | | STANDARD MATERIALS | | | | | | | NON-STANDARD MATERIALS/COMPONENTS | |
|---------------------------------|-------------|-----------------|------|--------------------|-------|---------|-----|------------|-----------------|-------|-----------------------------------|--|
| PART NUMBER | DESCRIPTION | UNIT OF MEASURE | | ALUMINIUM | BRASS | LEATHER | PGM | FLAT GLASS | 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: <u>1</u> | | | | STANDARD MATERIALS | | | | | | | NON-STANDARD MATERIALS/COMPONENTS | |
|---------------------------------|-------------|-----------------|----------|--------------------|-------|---------|-----|------------|-----------------|-------|-----------------------------------|--|
| PART NUMBER | DESCRIPTION | UNIT OF MEASURE | | ALUMINIUM | BRASS | LEATHER | PGM | FLAT GLASS | 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: <u>1</u> | | | | STANDARD MATERIALS | | | | | | | NON-STANDARD MATERIALS/COMPONENTS | |
|---------------------------------|-------------|-----------------|------|--------------------|-------|---------|--------|------------|-----------------|-------|-----------------------------------|--------|
| PART NUMBER | DESCRIPTION | UNIT OF MEASURE | | ALUMINIUM | BRASS | LEATHER | PGM | FLAT GLASS | STAINLESS STEEL | STEEL | TOTAL | |
| 1 | 1.1 | CatCon | Unit | | | | 130.69 | | 20.00 | | 150.69 | 118.56 |
| 2 | | | | | | | | | | | | |
| 3 | | | | | | | | | | | | |
| | | | | | | | | | | | | |