

DEPARTMENT OF TRADE, INDUSTRY AND COMPETITION

NOTICE 3969 OF 2026

REVIEW OF THE LIST OF MATERIALS QUALIFYING AS STANDARD MATERIALS UNDER THE AUTOMOTIVE PRODUCTION AND DEVELOPMENT PROGRAMME PHASE 2 ("APDP2") AND MEASURES TO SUPPORT BATTERY MANUFACTURING**APPLICANT:**

The Department of Trade, Industry and Competition

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REASONS FOR THE REVIEW:

- Following the publication of the amended Draft APDP2 Regulations for the review of materials qualifying as standard under the Automotive Production and Development Programme Phase 2 (APDP2) in Government Gazette No. 54718, Notice No. 3949 of 2026, the Commission hereby publishes the proposed list of additional materials to be included as standard materials under the APDP2 for the purpose of supporting EV battery production.
- Currently, the list of standard materials set forth in Note 4.4.1 of the Draft APDP2 Info Doc A contains raw materials such as aluminium, steel, and platinum group metals. However, several minerals associated with Battery Electric Vehicle (BEV) production, including all hybrid derivatives, are not currently contained in the list of standard materials.
- The publication serves to invite comment on the proposed amendments to the Draft APDP2 legislative framework.

PUBLICATION PERIOD:

Representations should be made within **four (4) weeks** of the date of Notice. Enquiries: ITAC Ref: 03/2025. to ITAC officials Ms. Keleabetswe Muoe (kmuoe@itac.org.za), Mr. Pardon Hadzhi (Phadzhi@itac.org.za), and Mr. Tshepiso Sejamoholo (tsejamoholo@itac.org.za)

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

DATE: 22 MAY 2026

DRAFT DETAILED INFORMATION ON PRODUCTION REBATE
CERTIFICATES (PRCs)

DRAFT VERSION

DETAILED INFORMATION ON PRODUCTION REBATE CERTIFICATES

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ACRONYMS

APDP 2	-	Automotive Production and Development Programme Phase 2
B-BBEE	-	Broad-Based Black Economic Empowerment
CKD	-	Completely knocked down
EPC	-	Eligible production certificate
EV	-	Electric vehicles
EME	-	Exempted Micro Enterprise
FOB	-	Free on board
IRBA	-	Independent Regulatory Board of Auditors
ITAC	-	International Trade Administration Commission
MVA	-	Manufacturing value addition
OEM	-	Motor vehicle manufacturer
PI	-	Production incentive
PGM	-	Platinum group metals
PRC	-	Production rebate certificate
PCA	-	Production Claim Application
SA	-	South Africa
SACU	-	Southern African Customs Union
SARS	-	South African Revenue Service
SAICA	-	South African Institute of Chartered Accountants
SKD	-	Semi-Knocked Down
SMD	-	Standard material declaration
the dtic	-	The Department of Trade, Industry and Competition
VA	-	Value added (production value added/standard value added)
VAT	-	Value-added tax

DETAILED INFORMATION ON PRODUCTION REBATE CERTIFICATES

This document must be read in conjunction with the Amended APDP Phase 2 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, automotive tooling, automotive 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 value chain.

2. QUALIFYING ENTITIES

- 2.1 The following entities, with manufacturing operations based in South Africa, that are registered with SARS as taxpayers in good standing and are B-BBEE compliant in terms of the B-BBEE Codes of Good Practice ("Codes") issued under the B-BBEE Act 53 of 2003 as Amended by Act No 46 of 2013, as well as compliant in terms of the B-BBEE levels outlined in Note 2.5 below or contribute to a Transformation Fund as stipulated in Notes 2.6 to 2.8, may apply for PRCs:
- 2.2 Registered light motor vehicle manufacturers, manufacturing specified light motor vehicles, as defined in Note 9.1.1 (fitted with engine and gearbox), Note 9.1.2 (not fitted with engine or gearbox), 9.1.3 (fitted with a combination of an engine and electric motor or other means of propulsion), 9.1.4 (fitted with electric motor or other means of propulsion), and Note 9.1.8 to the Amended APDP Phase 2 Regulations in South Africa according to the prescribed extent of assembly defined in Note 5 to Chapter 98 of Schedule No.1 to the Customs and Excise Act, 1964;
- 2.3 Registered light motor vehicles manufacturers not qualifying for a volume assembly localisation allowance will still qualify for a PI:

2.4 Automotive component manufacturers and automotive tooling manufacturers, for which an eligible production certificate (EPC) was issued in terms of Note 9.2.1 to the Amended APDP2 Regulations. (See Annexure A1.1 and A1.2 for EPC application procedures).

Registered light motor vehicle manufacturers recovering the cost of:

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

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

2.5. Qualifying entities must submit a valid B-BBEE certificate of compliance or sworn affidavit for Exempted Micro Enterprise (EME), as defined in the Codes according to the B-BBEE Act No 53 of 2003 as Amended by Act No 46 of 2013, as well as showing compliance with the levels in Table below. Alternatively, automotive component and tooling manufacturers that are unable to meet the B-BBEE requirements as stipulated in the Table below, must provide evidence of contributing to the Transformation Fund and complying with the other requirements as provided for in Notes 2.6 to 2.8 below to qualify for PRCs.

YEAR	COMPONENTS & TOOLING MANUFACTURERS	ORIGINAL EQUIPMENT MANUFACTURERS (OEMs)	NEW ENTRANTS
2021	No requirement to comply	Level 6 (six)	36 months from the start of production date in South Africa, to reach the applicable levels.
2022	No requirement to comply	Level 4 (four)	
2023	No requirement to comply	Level 4 (four)	
2024	No requirement to comply	Level 4 (four)	
2025	Level 6 (six)	Level 4 (four)	
2026	Level 4 (four)	Level 4 (four)	

2.6. Automotive component and tooling manufacturers that are unable to meet the B-BBEE requirements as stipulated in the Table above may be considered after contributing to a Transformation Fund managed by the Automotive Industry Transformation Fund (AITF). Entry to this fund will require the participants (excluding material suppliers) to hold a minimum B-BBEE level 8 by 2024 to be deemed level 6 by 01 January 2025 and a minimum B-BBEE level 6 by 2025 to be deemed level 4 by 01 January 2026.

2.7. Automotive component and tooling manufacturers applying under the Transformation Fund will be required to provide support equal to 2.72% of their annual turnover, contributed over a ten-year period, in the following combination – a 32% cash portion contributed to a Transformation Fund determined by **the dtic** and 68% procurement spend towards qualifying black-owned suppliers. The exact amounts for a specific company will be calculated in three bands based on turnover corresponding to the following categories –

- Category '1' will be for firms with an annual turnover of R2 billion and above;
- Category '2' will be for firms with an annual turnover between R550 million and R2 billion whilst;
- Category '3' will be for those firms with an annual turnover of less than R550 million.

Participation in this fund is voluntary and will not impact the firm's generic scorecard, but rather serves for qualification purposes under the APDP2 benefits. More details regarding the fund can be obtained from AITF.

2.8. The beneficiaries of the Transformation Fund and procurement spend will be black-owned firms that enter or expand their operations in the automotive manufacturing industry value chain in line with the objectives of the South African Automotive Masterplan and vision 2035.

2.9. New manufacturing enterprises in South Africa must be B-BBEE compliant in terms of the Codes and achieve the levels stipulated in Note 2.5 no later than thirty-six (36) months from the start of production date in South Africa.

2.10. All qualifying entities are required to achieve and submit their B-BBEE certificates, sworn affidavit or evidence of contributing to the Transformation Fund to ITAC by no later than 31 December each year showing compliance to the required B-BBEE level for the following year as reflected in Table 2.5 above.

2.11. The manufacturers of qualifying automotive products who are not compliant (i) the levels stated in the Table in Note 2.5 and (ii) contributing to the Transformation Fund as stipulated in Note 2.6, will be excluded from submitting PRC until the required compliant level is adhered to.

2.12. While EPCs may be conditionally issued to qualifying entities who are not yet compliant to the required B-BBEE levels indicated in Notes 2.5 to 2.9, no PRCs will be issued until the compliant levels are adhered to.

- 2.13. ITAC reserve the right to withdraw any EPC and revoke the PRCs issued to the final manufacturers that do not meet the required B-BBEE level as indicated in Note 2.5 to 2.9 above.
- 2.14. Participation under the APDP2 is voluntary. 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. By participating under the programme, a participant binds itself to the submission of any industry data requested by ITAC or the dtic for monitoring purposes. By participating under the programme, a participant is required to meet the relevant B-BBEE requirements or contribute to a Transformation Fund.

3. ELIGIBLE PRODUCTS

The following products qualify as eligible products under the APDP2:

- 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 in South Africa;
- 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 gearbox, manufactured in the licensed, special vehicle manufacturing warehouse in South Africa; Specified motor vehicles fitted with a combination of an engine and electric motor or other means of propulsion manufactured in a licensed, special vehicle manufacturing warehouse in South Africa;
- 3.3 Specified motor vehicles fitted with a combination of an engine and electric motor or other means of propulsion manufactured in a licensed, special vehicle manufacturing warehouse in South Africa;
- 3.4 Specified motor vehicles fitted with electric motor or other means of propulsion manufactured in a licensed, special vehicle manufacturing warehouse in South Africa;
- 3.5 Automotive components;
- 3.6 Automotive tooling;

3.7 Automotive components applicable to medium and heavy commercial vehicles as defined in Note 1 to rebate item 317.07 of Schedule No. 3 to the Customs and Excise Act, 1964; and

3.8 Specified motor vehicles manufactured in a licensed, special manufacturing warehouse in South Africa, destined for assembly outside the borders of the Republic, must be in the minimum level of kits that have untrimmed painted bodies with no parts assembled to the body (excluding those of subheading 8701.2 and 8706) and may exclude lead acid batteries provided there is evidence of local lead acid battery production in the export market.

3.9 In order to qualify for a PRC:

3.9.1 The products listed in Notes 3.1, 3.2, 3.3, 3.4, 3.5, 3.6 and 3.7 must be wholly manufactured in South Africa.

3.9.2 If the qualifying sales value of catalytic converters includes the value of the PGM sourced in the SACU, PRCs 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 must 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 must 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 PRC, unless otherwise determined by the Commission.

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

3.9.3 The products listed in Notes 3.5, 3.6 and 3.7 must be covered by an EPC.

3.9.4 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 and automotive tooling as contemplated in Notes 3.5, 3.6 and 3.7, at the time of sale, be represented by the sum of:

- The cost of labour incurred in South Africa;
- The value of materials originating in the SACU;
- The factory overhead expenses (excluding profit) incurred in South Africa;
- The value of standard material for EV batteriess originating in the SACU and SADC; 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.

3.9.5 Manufacturers of components must achieve a local and/or international OEM supply chain turnover, excluding tooling, 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.

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

- Part of a local or international OEM supply chain; and
- Replacements parts manufactured by a manufacturer adhering to the conditions set in Notes 3.9.2, 3.9.3 and 3.9.

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

3.11. The validity date of eligible production certificate will commence from the first day in which the application was submitted to ITAC. However, ITAC reserves the right to review the period of validity should the need arise.

- 3.12. Should the final manufacturer wish to be represented by a third party/consultant in submission of EPC and PRC applications, the final manufacturer must provide ITAC with a letter of appointment of its representative, detailing the identity of the representative and the scope and duration of the representation signed by:
- a) Its Chief Executive Officer or other person having a similar executive authority where there is no chief executive officer position; or
 - b) A duly appointed and authorized representative of the final manufacturer.
- 3.13. Should the final manufacturer wish to terminate a representation as provided for in Note 3.12 earlier than indicated in the letter of appointment provided to ITAC, such party must provide ITAC with a letter to this effect. The letter must comply with requirement of Note 3.12 as applicable regarding signatures.
- 3.14. Once the final manufacturer has appointed a representative, communications between ITAC and final manufacturer may take place through the appointed representative.
- 3.15. Notwithstanding Note 3.12, ITAC may communicate with the final manufacturer directly.
- 3.16. Applications for eligibility under the APDP2 that require amendments 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 withdrawn and treated as new applications with all the supporting documents to be submitted and a new validity period for the EPC.
- 3.17. The date of receipt of all outstanding and/or additional documentation will be considered to be the duly completed date of the application.

CALCULATING THE 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 Notes 2 and 3 above. For purposes of the APDP2, 25% of certain material, also referred to as standard material, will qualify for the PI. **The SVA for Standard materials for EV batteries will be 50 per cent of the value of the standard material.**

4.1 The PI is calculated as follows:

-	Tax invoice price (exclusive of VAT, <i>ad valorem</i> 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	<u>R xxxx</u>	
-	Less: 50% of qualifying portion for EV battery standard materials		R xxxx
-	Non-standard goods		<u>R xxxx</u>
-	Value added		R xxxx
-	PI factor		%
-	PRC value at the applicable duty rate		R xxxx

Please note that the 25% local value deeming, and 50% for EV battery materials, will be calculated by the applicant for the PI whilst ITAC will apply the PI factor and the applicable duty rate to derive the duty credit certificate value.

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 can issue tax invoices to claim PRCs 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; and
- b) *Other products including catalytic converters*, if the OEM buys products from a final manufacturer and exports it, the OEM can 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 and etc, paid in the SACU and transferred abroad at a later stage;
- Cost of warehousing;
- Packaging or packing materials for specified motor vehicles, inclusive of those for vehicles as provided for in Note 5(b) to Chapter 98; and

- Warranty expenditure at the point of sale.

4.3.2 In the case of local sales, commissions and discounts, rebates, warranty costs and other costs not related to the manufacture of the product.

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 Note 3.7, utilising such components for its own use, the value as per its internal documentation.

4.3.5. ITAC reserves the right to allow only a portion of the sales price for purposes of claiming PRCs. 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 Standard material is the sum of the following materials for EV battery originating in the SACU and SADC, of which 50% of the value will be deemed to be local value added:

- a) Rare earths
- b) Iron
- c) Lithium
- d) Graphite

- e) Copper
- f) Cobalt
- g) Manganese
- h) Nickel
- i) Sodium carbonate ("Soda ash")
- j) Fluorspar
- k) Titanium
- l) Vanadium

5. PI FACTOR

- 5.1 The PI factor for PRC claims applicable to specified motors vehicles for the period 01 July 2021 to 31 December 2035 will be 50 per cent and will remain constant for the duration of the APDP2.
- 5.2 The PI factor for PRC claims applicable to automotive components and automotive tooling for the period 01 July 2021 to 31 December 2035 will be 62.5 per cent and will remain constant for the duration of the APDP2.

6. APPLICATION FOR PRODUCTION REBATE CERTIFICATES (PRCs)

- 6.1 Applications for PRCs may be lodged with ITAC at any time, provided that payment of the tax invoice had been received in full. 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 Note 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.
- 6.2 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.

- 6.3 Applicants should take extreme care to ensure that duplicate claims and invoices are not submitted, as an applicant that has submitted a duplicate claim or invoice for any reason whatsoever, may have the PRC certificate withdrawn.
- 6.4 The right to claim PRCs lies with the applicant who is the registered manufacturer of such a product, except for the following:
- 6.4.1 A component manufacturer that supplies components for fitment online 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 PRC for the manufactured vehicle which incorporates the applicable components;
- 6.4.2 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);
- 6.4.3 A registered motor vehicle manufacturer recovering the cost of value adding activities applicable to products purchased and exported, see Note 4.2.1 b);
- 6.4.4 A registered motor vehicle manufacturer recovering the cost of value adding activities applicable to PGM sold to a component manufacturer.
- 6.5 Applications must reach ITAC not later than 12 months from the date of the tax invoice for the eligible product. Due to the nature of the automotive tooling projects, automotive tooling manufacturers may submit PRC claims in stages provided it is done within the required timelines. Incomplete applications will not be processed, nor will a Production Claim Application (PCA) number be allocated. Incomplete refers to the missing of any of the supporting documents listed in Notes 8.1 and 8.2, where applicable.
- 6.6 All new PRC claims submitted to ITAC must be accompanied by the company's B-BBEE certificates, sworn affidavit or evidence of contributing to the Transformation Fund.

Applications should be submitted to the ITAC Drop box located at the following address:

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

Applications must be delivered to the ITAC drop box during working hours (Monday-Friday, 07H45-16H15).

- 6.7 Applications that require amendments as 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.
- 6.8 The date of receipt of all outstanding and/or additional documentation will be considered to be the duly completed date of the application. The number of days to process a PCA application will commence on the duly completed date of the application.
- 6.9 Applications or parts thereof that were submitted and later withdrawn/cancelled or found to be incomplete will be treated as new applications, should they be re-submitted for processing.
- 6.10 PRCs will not be transferred to a beneficiary after two years from the expiry date of the PRC.
- 6.11 Applications for PRCs may be verified by ITAC.
- 6.12 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 PRC application.
- 6.13 ITAC may also request insight into all books of account specified in the Companies Act or Close Corporations Act, plus all production records.
- 6.14 Should an applicant not make all relevant documentation available on request within a period of 30 days of ITAC's request, ITAC shall treat such sales as not qualifying, and if a PRC 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.

- 6.15 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 PRCs.
- 6.16 Although the PRC as such may be transferred, the rights to apply for such certificate may never be transferred.
- 6.17 It is a specific condition for participating in the programme that no application for PRCs 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 dtic, or SARS into previous claims or any related matters until such time as the investigation/verification is completed and the case finalised.
- 6.18 In terms of the Promotion of Access to Information Act, 2003, applicants may be requested to submit a non-confidential version of the application.
- 6.19 Manufacturers in an Industrial Development Zones (IDZ) importing under rebate item 498 can still supply components to light motor vehicle manufacturers provided that they adhere to the APDP Phase 2 rules and Regulations.
- 6.20 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.
- 6.21 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.

7. ISSUE AND USE OF PRCs

- 7.1 The following automotive products may be imported against PRCs:
- (a) New and unused specified right hand drive motorcars (including station wagons), minibuses and specified light goods vehicles (as defined in Note 1.2 to rebate item 317.04);
 - (b) New and unused automotive components for all of the vehicles identified in (a) above and automotive components imported against PRCs 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.
- 7.2 A PRC will be issued at duty amount for the qualifying value, in terms of the PI, applicable to the eligible product.
- 7.3. PRCs earned in the production of components, tooling and specified motor vehicles can be used to import any of the automotive products listed in 7.1 above without adjustment on the PRC value
- 7.4. The original PRC will be handed to SARS and a Notice that the certificate has been issued and sent to SARS will be e-mailed 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 rebate of the dutiable value of imported motor vehicles or automotive components.
- 7.5. The original PRCs can be first issued to the final manufacturer (applicant) or the beneficiary authorised by the applicant. The original PRC may be transferred to another entity importing automotive products listed under 14.1 of the Amended APDP2 Regulations, but may not be transferred more than once after a PRC has been issued for the first time. If a Letter of Authorisation (refer to Annexure A3 for an example of the Letter of Authorisation) is included as part of the original PRC claim, the PRC will be issued to the entity to whom the certificate is authorised to be issued . The original PRC can then be transferred to another party or parties once a second Annexure A3 is 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. A Notice of the transferred certificate will be e-mailed to the seller and the buyer of the certificate. Annexure A3 must be signed by the official that has signed Annexure A6.

7.6. One claim only per tax invoice is allowed as follows:

7.6.1. In the case where a price adjustment occurs as a result of a debit note, applicants must ensure that adjustments are illustrated in the same application; no adjustments or variance in prices will be allowed at a later stage.

7.6.2. In the case where a price adjustment occurs as a result of a credit note, the applicant will be allowed to adjust the variance in the prices on the later application provided that the applicant submits all supporting documents to ITAC during the claim stage.

7.7. 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.

7.8. PRCs become available for use immediately upon issue by ITAC and will be valid for twelve months for the period stated on the certificate. Beneficiaries will be notified upon notification to ITAC by SARS that the PRCs have been entered into the SARS database.

7.9. 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 defence for such beneficiary to allege that it was unaware of errors in the certificate or was not responsible for such errors.

8. CLAIM PROCEDURE

8.1 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 PRC, separate applications must be submitted for, registered light motor vehicles with or without an engine or semi- knocked down vehicle kits;
- Annexure A2SL: Summary of total claim per tariff subheading of goods sold in SACU (exclusive of VAT, *ad valorem* excise duty and environmental levy);
or
- 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 A5: Assurance report by auditors; and
- Annexure A6: Declaration by Chief Executive or Director nominated in writing by the Chief Executive.

Please note that only the signatory nominated through the Resolution by the Board Members is entitled to sign the Annexures.

8.2. Copies of the following documents must be submitted with those required in Note 8.1 above with each claim:

- SMD;
- EPC;
- A valid B-BBEE certificate of compliance, or sworn affidavit or evidence of contributing to the Transformation Fund;
- Annexure A3, ITAC reserves the right to request an original A3 should it be deemed necessary;

- A copy of the journal voucher applicable to vehicle capitalised or components utilised for own use;
 - Tax invoice, credit notes and debit notes (credit or debit notes should relate to the tax invoice which is part of the application); and
 - Proof of payments (bank statements) and remittance advices for the sampled tax invoices.
 - The applicant should submit a letter of an appointment should it wish to be represented by a third party/consultant in submission of PRC applications (where applicable)
- 8.3 An application by a registered motor vehicle manufacturer to recover the cost of value-added activities as indicated in Notes 4.2.1 b) and 4.2.2 above, must be accompanied by the PCA number, EPC numbers and Annexure A2 submitted by the final manufacturer with its application for APDP2 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.
- 8.4 ITAC may decide to apply sampling in the case of supporting sales documents that normally form part of a PRC claim, in which case applicants will be notified not to include the copies as requested in Note 8.2 as part of the claim, but to supply the copies afterwards on request.
- 8.5 Claimants must supply the required basic information on Annexures A2, A2SL and A2SE to ITAC each time they submit a claim under this scheme.
- 8.6 Form A2:
- 8.6.1 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. An invoice raised by the client on behalf of the final manufacturer (self-billing) is acceptable, provided it meets all the SARS tax requirements and ITAC is satisfied of the verifiability of the invoice.

- 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: Selling Price (From Worksheet), if applicable.
- Column 8.1: Standard material = 75% of SMD total.
- **Column 8.2: EV battery Standard Material = 50% 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 7 minus Columns 8 and 9).
- Column 11: Units.
- Column 12: Eligible Value Added (Columns 10 x 11).

8.6.2 If a sale takes place in a foreign currency, the sales price must be converted to ZAR by making use of the Jacobsen's rate of exchange applicable at the date of the tax invoice.

8.6.3 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.

8.6.4 A reconciliation sheet must be included providing information and explanations on any adjustment to previous applications for PRCs, 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.

8.6.5 Separate applications must be submitted in respect of registered light motor vehicles; registered light motor vehicles without an engine and semi-knocked down vehicles kits for exports.

8.7 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.

8.8 Form A2SL and A2SE:

8.8.1 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.

8.8.2 A summary of the total of all the sales listed in all of Annexure A2 by tariff subheading must be included per PRC claim (not per Annexure A2). The summary should include the total selling price, standard material, **EV battery 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 PRC claim should be summarised in one line in the four columns indicated in Annexure A2S.

9. **Proof of payment**

9.1 **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.

9.1.1 Final manufacturers may only apply for a PRC 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 by the final manufacturer;
- An advice from the bank indicating the amount repatriated and the conversion, if any, to South African Rand; and

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

- The application for a PRC was only submitted after foreign currency repatriated by the final manufacturer 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.

9.2 **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 PRC once full 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.

10. Assurance report by auditor

- 10.1 All applications for PRCs 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 manufacturers 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.
- 10.2 Annexure A5 is an assurance report that must be submitted per application for PRC 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".
- 10.3. 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 PRC benefits as the absence of an assurance report will make the application incomplete.
- 10.4 It will not, until further notice, 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.

11. Withdrawal of PRCs and penalties

- 11.1 Should the verification conducted by ITAC, reveal anomalies, or if SARS reports incorrect PRCs that necessitate the adjustment of PRC values already issued, the following procedures will be followed:
- 11.1.1 If the PRC has not been used, it will be reduced by the over-declared value and a new PRC indicating the re-calculated balance will be issued.
- 11.1.2 If the PRC has been used or partially used, or if the balance remaining on the PRC is less than the applicable correction, SARS will be informed to recover the benefits over-utilised.
- 11.1.3 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.

- 11.2 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.
- 11.3 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.
- 11.4 If a claim was submitted before payment was received, the PRC will be cancelled and may result in deregistration of the applicant from the APDP Phase 2. This may also result in ITAC not allowing the auditing firm to certify any claim for purposes of claiming under the APDP2.

12. Exceptional Circumstances

If a final manufacturer suffered an extensive damage due to National State of disaster as declared by the President and as a result its manufacturing facilities is severely affected and lost production volumes which has a significant loss on earning APDP2 benefits. In this case, a final manufacturer may approach the Accounting Officer of the Department of Trade, Industry and Competition (the dtic) requesting a temporary deviation from the normal requirements for accruing benefits under the APDP2. These benefits include advance issuing of PRCs to be reimbursed by the affected party later when production operations resume; issuing of certificates in the event that the produced eligible products are damaged prior to PRC applications being lodged to ITAC; and the re-issuing of PRCs used on the importation of on vehicles or components already imported into South Africa but damaged due to the flooding and written-off prior to being sold.

The affected final manufacturer must submit evidence of the impact of the exceptional circumstances on the ability of an applicant to manufacture the eligible products and meet the requirements of the APDP2 and the manufacturer must ensure that it is not in a better

financial position with the deviation than what would have applied without the exceptional circumstances referred to.

DRAFT VERSION

ANNEXURE A1.1**GUIDELINES TO REGISTER AUTOMOTIVE COMPONENT/TOOLING PRODUCTS FOR ELIGIBILITY UNDER THE APDP2****1. Objectives**

The objective of the programme is to support the vision of the South African Automotive Masterplan of creating a “globally competitive and transformed automotive industry that actively contributes to the sustainable development of South Africa’s productive economy, creating prosperity for industry stakeholders and broader society”. This vision will guide the development of the South African automotive industry to 2035, with all the policy elements of Phase 2 of the APDP targeting its realization.

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 taxpayer in good standing and must provide a valid tax clearance certificate or tax compliance status pin.
- 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 The applicant should submit a letter of an appointment should it wish to be represented by a third party/consultant in submission of EPC applications (where applicable).
- 2.5 Applicants must submit a valid B-BBEE certificate of compliance or sworn affidavit for Exempted Micro Enterprise (EME), as defined in the B-BBEE Codes of Good Practice (“Codes”) according to the B-BBEE Act No 53 of 2003 as Amended by Act No 46 of 2013, as well as showing compliance with the levels in Table below. Alternatively, applicants that are unable to meet the B-BBEE requirements as stipulated in the Table below, must provide evidence of contributing to the Transformation Fund as provided for in Notes 2.6 to 2.8 to the Info Doc A by no later than 31 December each year.

YEAR	COMPONENTS TOOLING MANUFACTURERS	& ORIGINAL EQUIPMENT MANUFACTURERS (OEMs)	NEW ENTRANTS
2021	No requirement to comply	Level 6 (six)	36 months from the start of production date in SA, to reach the applicable levels.
2022	No requirement to comply	Level 4 (four)	
2023	No requirement to comply	Level 4 (four)	
2024	No requirement to comply	Level 4 (four)	
2025	Level 6 (six)	Level 4 (four)	
2026	Level 4 (four)	Level 4 (four)	

- 2.6. While EPCs may be conditionally issued to participants who are not yet compliant with the required B-BBEE levels, no PRCs will be issued until the compliant levels are adhered to.
- 2.7. New manufacturing enterprises in South Africa must be B-BBEE compliant in terms of the B-BBEE codes (achieve the levels in Note 2.5) no later than thirty-six (36) months from the start of production date in South Africa.
- 2.8. The applicant must submit photographs and technical drawings of all product/s applied for.
- 2.9. The applicant must submit literature/function of the products applied for.
- 2.10. Component manufacturers must submit copies of a contract, supplier agreement/ a purchase order/s to supply a product to a manufacturer within the OEM supply chain.
- 2.11. Tooling manufacturers must submit copies of a contract/quotation **and** purchase order/s for all tooling applied for, for supply to a manufacturer within the OEM supply chain.

3. Eligibility criteria

- 3.1 Automotive components manufacturers must achieve local/international OEM supply chain turnover, excluding tooling of at least 25 per cent of total automotive turnover or R10m in OEM supply chain invoicing per annum, whichever comes first at the time of the EPC application.
- 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 at the time of the EPC application.

3.3 The components and automotive tooling 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 incurred in South Africa;
 - The value of standard materials originating in the SACU and/or EV battery materials originating from SADC region; and
 - The factory overhead expenses incurred in the South Africa (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;
- (d) The applicants must submit a valid B-BBEE certificate of compliance or sworn affidavit complying with the provisions stipulated in Note 2.5 or evidence of contributing to the Transformation Fund as stipulated in Note 2.6 of Info Doc A before 31 December each year.

4. EPC validity period

- 4.1 The validity date of EPC will commence from the day in which the application was submitted to ITAC. However, ITAC reserves the right to review the period of validity should the need arise.

5. How to apply

Original applications should be delivered to Mr. T. Sejamoholo and Ms. Lerato Mnyakeni at tsejamoholo@itac.org.za and lseseane@itac.org.za, respectively.

Or to ITAC's Drop Box located at the following address:

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/AUTOMOTIVE TOOLING AS AN ELIGIBLE PRODUCT BY A MANUFACTURER IN TERMS OF THE APDP 2 REGULATIONS

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:

DRAFT VERSION

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 PHASE 2

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 and unused automotive components and tooling;
- (b) Product(s) is/are manufactured in the South Africa (If the last phase of manufacture has not been undertaken in the South Africa 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 subheading 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 Subheading

- (f) Names and addresses of client(s) to whom the automotive components and/or tooling 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) Kindly indicate the employment figures in relation to the end product to be manufactured (if applicable):

Applicant's Total Employment:	
Female:	
Youth (18- 35 years):	
Total Direct Factory Workers:	
Female:	
Youth (18- 35 years):	

- (k) The component manufacturer(s) achieves local/international OEM supply chain turnover excluding tooling of at least 25 per cent of total automotive turnover or R10m in OEM supply chain invoicing per annum, whichever comes first.

- (l) The components and/or tooling applied for meets the following criteria:

- They were wholly manufactured in the South Africa;
- 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 incurred in South Africa;
- The value of materials originating in the SACU and/or EV battery standard materials originating from SADC; and
- The factory overhead expenses incurred in South Africa (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);

(m) Copies of the following documents are attached to this application:

- A certificate of incorporation from the registrar of companies;
- A valid tax clearance certificate or tax compliance status pin;
- 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; and
- Total sales of the company for the last four quarters specifying various customer.

I declare that the information furnished is true and correct and that it adheres to all other aspects of the information documents. In addition, I declare that it will be my obligation to make information available as and when required by ITAC for monitoring and evaluation purposes for the APDP2.

NAME

DESIGNATION

SIGNATURE

DATE

ANNEXURE A1.3

(Postal address)

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

Attention:

Dear Sir/Madam

AUTOMOTIVE PRODUCTION AND DEVELOPMENT PROGRAMME PHASE 2: ELIGIBLE PRODUCTION CERTIFICATE NO: EPC 0000/2024

1. Permission is hereby granted to **XXXX (Pty) Ltd** in respect of Note 9.2 of the APDP 2 Regulations to manufacture the component(s) (mentioned below) at (physical address) **14th Avenue, XXX, SA,0001:**

<u>COMPONENTS/TOOLING</u>	<u>TARIFF SUBHEADING/S</u>
---------------------------	----------------------------

-	-
-	-

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 317.04, ITAC Amended APDP Phase 2 Regulations as well as relevant information documents.
4. This certificate is subject to review or cancellation at any time.
5. Despite the proof of payment requirements, there have been cases where PRC claims were for an eligible value added far more than the cost of production. This could distort the whole balance of the APDP 2 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 Certificate. 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.

6. This EPC is conditionally issued to the qualifying entity, however it should be noted that from 01 January 2025, no PRCs will be issued unless the required APDP2 B-BBEE levels are adhered to.

Yours faithfully

SENIOR MANAGER: TARIFF INVESTIGATIONS II

ANNEXURE 1.4**GUIDELINES, RULES AND CONDITIONS PERTAINING TO PERMITS ISSUED UNDER REBATE ITEM 317.06/00.00/05.00 and 317.06/00.00/06.00 FOR AUTOMOTIVE COMPONENTS FOR USE IN THE MANUFACTURE OF ORIGINAL EQUIPMENT COMPONENTS AS DEFINED IN CHAPTER 98 OF SCHEDULE NO.01 FOR SUPPLY TO A SPECIFIED MOTOR VEHICLE MANUFACTURE REGISTERED UNDER REBATE ITEM 317.04 and 317.07 IMPORTED BY COMPONENTS MANUFACTURES.**

- 1.1 This document serves to provide reference and procedural guidelines applicable to applications for permits in terms of rebate provision of 317.06/00.00/05.00 and 317.06/00.00/06.00. This document therefore addresses the guidelines, rules and conditions applicable to the aforementioned rebate item and the permit application process to be followed by applicants.

2. REBATE PROVISION

- 2.1 Rebate item **317.06/00.00/05.00 and 317.06/00.00/06.00** of Schedule No. 3, Part 2 of the Customs and Excise Act No. 91 of 1964 (Customs and Excise Act) makes provision for rebate of the full duty on the:

“Importation of automotive components for use in the manufacture of original components as defined in Chapter 98 of Schedule No.1 for supply to a specified motor vehicle manufacturer registered under rebate item 317.04 imported by component manufacturers; and

Automotive components for use in the manufacture of original equipment components as defined in Chapter 98 of Schedule No. 1 for supply to a heavy vehicle manufacturer registered under rebate item 317.07, imported by component manufacturers.”

3. APPLICATION PROCEDURES

- 3.1 The applicant shall provide International Trade Commission of South Africa (ITAC) with the required information as per the relevant application form (**Annexure A1.5**). Should the space provided in the application form not be sufficient, applicants may use the format of the application form as a guide for the format in which the required information should be submitted.

- 3.2 For the purposes of this rebate "automotive components" means a new article which can be identified as being suitable for use in the manufacture of motor vehicles manufactured under rebate items 317.04 and 317.07 or original equipment components, including carpet cut to floor pan shape, leather seat covers cut to size, unfinished articles, including blanks and rough castings, having the essential character of automotive components.
- 3.3 Qualifying products under the rebate provision are automotive sub-components for use in the manufacture of original equipment automotive components, for supply for online fitment in the SACU region.
- 3.4 These Guidelines should be read and understood before completing the application form.

Original applications should be delivered to Mr. T. Sejamoholo and Ms. Lerato Mnyakeni at tsejamoholo@itac.org.za and nthwala@itac.org.za, respectively.

Or to the ITAC Drop Box located at:

The **dtic** Campus
77 Meintjies Street
Sunnyside
Pretoria
0002

- 3.5 Should an application be found to be deficient, it will not be further processed and the applicant will be informed accordingly. An application will be regarded as deficient if the following is found:
- I. The application is not submitted in the correct format;
 - II. The application does not comply with the guidelines, rules and conditions as set out in this document;
 - III. The requested information is not submitted;
 - IV. The application contains conflicting or incorrect information.

Applicants who submit deficient applications must re-submit duly completed application forms to replace the deficient application forms, should they wish to proceed.

CONTINUES ON PAGE 642 OF BOOK 6

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- 3.6 Applications must be made well in advance of the shipment of the goods, as rebate permits will not be issued retrospectively. Applicants should allow an issuance period of fourteen (14) days from date ITAC received a properly documented and duly completed application.
- 3.7 The permits are issued at the discretion of the ITAC. Should the application be rejected, the applicant will be informed in writing of the decision and the reasons therefore to enable the application to determine their appropriate recourse.

4. APPLICABLE CONDITIONS

- 4.1 Once approved, applicant must submit the ITAC approval letter, to SARS Customs office to final registration. Applicants must comply with the provisions of the Customs and Excise Act, the ITA Act and all other South African legislation relating to the requirements for the importation of such goods into the Republic of South Africa, which are relevant to the transaction.
- 4.2 Any request for an amendment of the rebate permit will only be considered when an error was made by ITAC upon the issuance of a permit.
- Note: No amendments will be effected in instances where the applicant was responsible for the submission of incorrect information. In such instances a new application will be required.**
- 4.3 Should the concerned party misplace a rebate permit; the applicant will be required to submit an application for a re-issue in the form of an affidavit. This must clearly set out the circumstances giving rise to the loss of the original permit and show good cause or reasons why a substitute permit must be issued. ITAC may consider issuing a replacement of the lost original permit provided the above is duly submitted.
- 4.4 ITAC may satisfy itself as to the accuracy of the information supplied to it by the applicant by conducting verifications at such time and place as it deems necessary, including verification visits at the premises of the applicant that provided the information.
- 4.5 ITAC may inform the applicant concerned of the dates of the intended visit, and where such information is provided, the verification will be conducted on those dates.
- 4.6 Following a verification visit, ITAC shall compile a verification report indicating what information was verified and may make same available to the applicant.

5. NON-COMPLIANCE

- 5.1 Where non-compliance is detected, appropriate action will be taken against the relevant party in terms of the ITA Act and/or the Customs and Excise Act. This action may include (without limitation) criminal charges, withdrawal of the permit(s) concerned and it may affect future applications for permits.
- 5.2 Should it be found that the goods imported in terms of the rebate permit are used for any purpose, other than that specifically described in the rebate provision and in the permit, the applicable customs duty and penalties will be imposed by SARS.

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ANNEXURE 1.5

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

APPLICATION TO REGISTER AS A COMPONENT MANUFACTURER IN TERMS OF ITEM 317.06/00.00/03.00: SUBCOMPONENTS FOR THE MANUFACTURE OF ORIGINAL EQUIPMENT COMPONENTS

1. Name of manufacturer:.....
2. Postal address:
.....
3. Physical address where manufacturing of the specific original equipment component takes/will take place:
.....
.....
4. Tel No: E-Mail Address:
5. Description and tariff subheading of imported (sub) component(s) (i.e. inputs) used in the manufacture of light motor vehicle component(s) supplied as original equipment to light motor vehicle manufacturer(s).
6. Photos of imported subcomponent(s) to be attached

Description	Tariff subheading	Rate of duty

7. Description and tariff subheading of **original component(s) [end-product(s)]** using imported (sub) components listed in 5 above. Photos of original equipment component(s) to be submitted together with application:

Description	Tariff Classification

8. Names of light motor vehicle manufacturers to which the original equipment components list 7 will be supplied:

.....

9. List of other manufacturing activities of component manufacturer and their relative importance (%) in terms of total manufacturing activities/turnover.

10. Indicate whether the automotive components are to be exported in terms of the dispensation for the motor industry:

.....

11 Cost build-up of the component to be manufactured and supplied as original equipment component(s) according to the following format:

Items	R/Unit	% of Selling Price
Cost of Component(s):		
(A) Imported		
i)		
Duty Payable		
(B) Local		
i)		
ii)		
iii)		
Direct Labour		
Primary Cost		
Factory Overheads		

.....
Name

.....
Designation

.....
Signature

.....
Date

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Check List

Please note: Before the rebate item **317.06/00.00/03.00** and **317.06/00.00/06.00** application form is submitted to ITAC, the applicant is required to complete the check list which is shown in table 1 below:

Table 1: Check List

Documents and information to be submitted	Mark with an X
Importers Code	
Valid Tax compliance status pin	
Copy of previous permit (if applicable)	

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ANNEXURE A1.6**APPLICATION TO REGISTER AS A LIGHT MOTOR VEHICLE MANUFACTURER IN TERMS OF NOTE 1 TO CHAPTER 98 OF THE CUSTOMS AND EXCISE ACT, 1964**

Original applications should be delivered to Mr. T. Sejamoholo and Ms. Lerato Mnyakeni at tsejamoholo@itac.org.za and nthwala@itac.org.za, respectively.

Or to the ITAC Drop Box located at:

The **dtic** Campus
77 Meintjies Street
Sunnyside
Pretoria

SECTION TO BE COMPLETED BY THE LIGHT MOTOR VEHICLE MANUFACTURER

1. Name of manufacturer/company:
2. Registration number with Companies and Intellectual Property Commission (CIPC):.....
3. Postal address:.....
4. Physical Address where manufacturing will take place:
5. The applicant must be a tax payer in good standing and must provide a valid tax clearance certificate or tax compliance status pin.
6. Financial year to which this application refers, 20.....
7. Financial year of the company / / 20.....
8. Contact details:
 - 8.1 Name of Chief Executive Officer:

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

- (a)
- (b) Telephone no.:
- (c) E-mail address:

9.1. The qualifying entities must submit a valid B-BBEE certificate of compliance or sworn affidavit complying with the provisions stipulated in the Table below:

YEAR	COMPONENTS & TOOLING MANUFACTURERS	ORIGINAL EQUIPMENT MANUFACTURERS (OEMs)	NEW ENTRANTS
2021	No requirement to comply	Level 6 (six)	36 months from the start of production date in South Africa, to reach the applicable levels.
2022	No requirement to comply	Level 4 (four)	
2023	No requirement to comply	Level 4 (four)	
2024	No requirement to comply	Level 4 (four)	
2025	Level 6 (six)	Level 4 (four)	
2026	Level 4 (four)	Level 4 (four)	

9.2. New manufacturing enterprises in South Africa must be B-BBEE compliant in terms of the B-BBEE codes (achieve the levels in Note 2.5) following thirty-six (36) months from the start of production date in South Africa.

10. Planned/current capital investment:	Year	Value
	(1).....	R.....
	(2).....	R.....
	(3).....	R.....

11. State the M² of the facilities that will be used for the manufacture of the vehicles listed in 10 below:

- 11.1 Land : -----M²
- 11.2 Buildings : -----M2
- 11.3 Body shop : -----M2
- 11.4 Paint shop : -----M2
- 11.5 Trim plant : -----M2
- 11.6 Other : -----M²

12. Description of the vehicle model(s) to be manufactured:

Tariff classification	Model	Volume (P/A)
.....
.....
.....
.....

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

13. Principal Licensor of vehicles to be manufactured:

.....

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

.....

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

.....

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

.....

17. Assembly process:

17.1 Will it be a full CKD operation (i.e. The floor panels, body sides and roof panels will be attached to each other inside SACU, the engine (including compression-ignition

or spark-ignition internal combustion piston engines, electric motors as motors for propulsion or a combination of the afore going engines and motors or with other means of propulsion) and transmission assemblies, axles, radiators, suspension components, steering mechanisms, braking and electrical equipment, or instrumentation are fitted to the floor pans or chassis frames inside SACU and the bodies/cabs are fitted to such floor pans or chassis frames inside SACU): If not, please give detailed explanation.

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

17.2 Will the engine and gearbox be fitted to the vehicle inside the SACU?

.....

17.3 Are the body panels painted in the SACU?

.....

17.4 Will the final vehicle conform to SKD operations (i.e. the original equipment components for specified motor vehicles destined for assembly outside the borders of the Republic, must be in the form of kits that have untrimmed painted bodies with no parts assembled to the body)?

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

18. Estimated quantity and year manufactured:

- (a)(year) quantity.....
- (b)(year) quantity
- (c)(year) quantity

19. Production capacity of plant:

- (a)(year) quantity.....
- (b)(year) quantity
- (c)(year) quantity

19. How many shifts are worked per day?

20. Employment for the last 3 year:

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

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

year 3

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

21.1. Dealers:

.....

21.2. Service points:

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

.....

.....

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

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

.....

21.6. Brief description of your planned localisation of components:

.....

.....

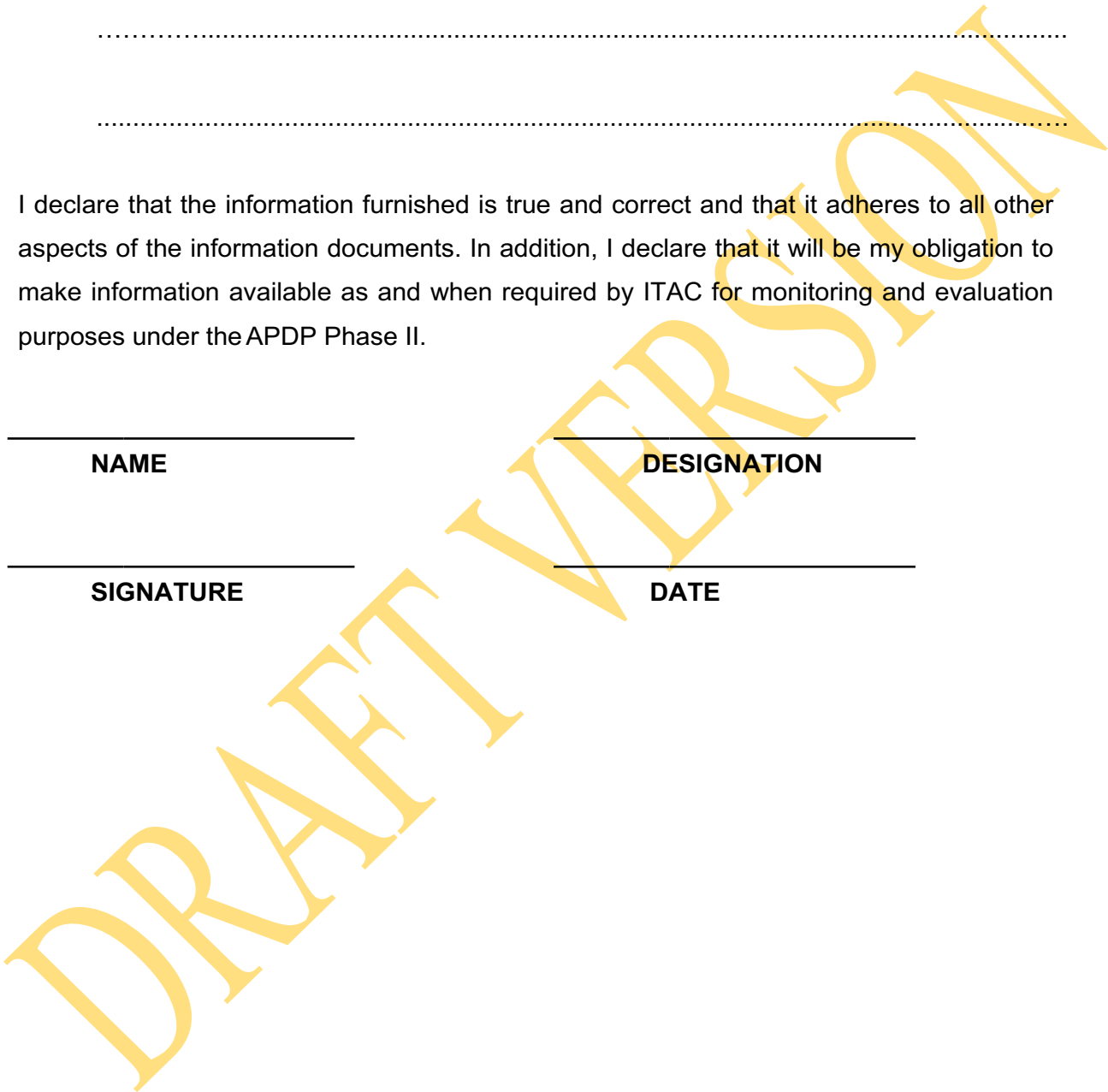
I declare that the information furnished is true and correct and that it adheres to all other aspects of the information documents. In addition, I declare that it will be my obligation to make information available as and when required by ITAC for monitoring and evaluation purposes under the APDP Phase II.

NAME

DESIGNATION

SIGNATURE

DATE



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ANNEXURE A1.7

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

Original applications should be delivered to Mr. T. Sejamoholo and Ms. Lerato Mnyakeni at tsejamoholo@itac.org.za and nthwala@itac.org.za, respectively.

Or to the ITAC Drop Box located at:

The **dtic** Campus
77 Meintjies Street
Sunnyside
Pretoria

1. Name of manufacturer:.....

2. Postal Address:.....
.....

3. Physical address where manufacturing will take place:
.....
.....

4. Telephone No:.....

Email Address:.....

Contact Person:.....

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

6. The qualifying entities must submit a valid B-BBEE certificate of compliance or sworn affidavit complying with the provisions stipulated in the Table below:

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YEAR	COMPONENTS & TOOLING MANUFACTURERS	ORIGINAL EQUIPMENT MANUFACTURERS (OEMs)	NEW ENTRANTS
2021	No requirement to comply	Level 6 (six)	36 months from the start of production date in South Africa, to reach the applicable levels.
2022	No requirement to comply	Level 4 (four)	
2023	No requirement to comply	Level 4 (four)	
2024	No requirement to comply	Level 4 (four)	
2025	Level 6 (six)	Level 4 (four)	
2026	Level 4 (four)	Level 4 (four)	

- a) New manufacturing enterprises in South Africa must be B-BBEE compliant in terms of the B-BBEE codes (achieve the levels in Note 6 above) following thirty-six (36) months from the start of production date in South Africa.

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

.....

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

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

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9. Planned/current capital investment:	Year	Value
	(1).....	R.....
	(2).....	R.....
	(3).....	R.....

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

a. Land:

- (a) Existing at book value/replacement value R.....
- (b) New premises purchased at (Date) R.....

b. Buildings:

- (a) Existing at book value/replacement value R.....
- (b) New buildings to be completed at (Date) R.....

c. Body shop:

- (a) Existing at book value/replacement value R.....
- (b) New body shop to be completed at(Date) R.....

d. Paint Shop:

- (a) Existing at book value/replacement value R.....
- (b) New paint shop to be completed at.....(Date) R.....

e. Trim Plant:

- (a) Existing at book value/replacement value R.....
- (b) New trim plant to be completed at.....(Date) R.....

f. OTHER:

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

(b) New to be completed at.....(Date).....R.....

11. Employment for the last 3 year:

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

12. Estimated total employment for the next two years:

Year 2

Year 3

3. How many shifts are worked per day:

14. Principal licensor of vehicles to be manufactured:

.....

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

.....

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

.....

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

.....

18. Assembly process:

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

19. Estimated quantity and value manufactured:

- (a)(Year) Quantity.....Value: R.....
- (b) (Year) Quantity.....Value: R.....
- (c)(Year) Quantity.....Value: R.....

20. Production capacity of plant:

- (a)(Year) Quantity.....Value: R.....
- (b) (Year) Quantity.....Value: R.....
- (c)(Year) Quantity.....Value: R.....

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

21.1. Dealers:.....

21.2. Service Points:.....

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

.....

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

.....

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

.....

24. Brief description of your planned localization of components

.....

CHIEF EXECUTIVE OFFICER/MANAGING DIRECTOR/MEMBER OF CC

.....**DATE**

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ANNEXURE A1.8

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

1. Name of manufacturer/company:

2. Physical Address where manufacturing is taking place:

3. Contact details:

3.1 Name of Chief Executive Officer:

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

- (a)
- (b) Telephone no.:
- (c) E-mail address:

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

Tariff subheading (p/a)	Model	Volume
.....
.....
.....

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

5. Principal Licensor of vehicles to be manufactured:

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6. Are you a licensee of the principal supplier and/or a subsidiary?:
 Estimated quantity manufactured:

- (a)(year) quantity.....
- (b) (year) quantity
- (c)(year) quantity

7. Production capacity of plant:

- (a)(year) quantity.....
- (b) (year) quantity
- (c)(year) quantity

8. How many shifts are worked per day?

9. Final manufacturers must submit the B-BBEE certificate not later than 31 December each year.

10. Employment for the last 3 years:

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

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

	Year 1	Year 2	Year 3 (Current Year)
Total Sales			
Model 1:			
Model 2:			
Model 2:			

.....
CHIEF EXECUTIVE OFFICER
 DATE..... / / 20.....

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APPLICABLE TO LAST PAGE

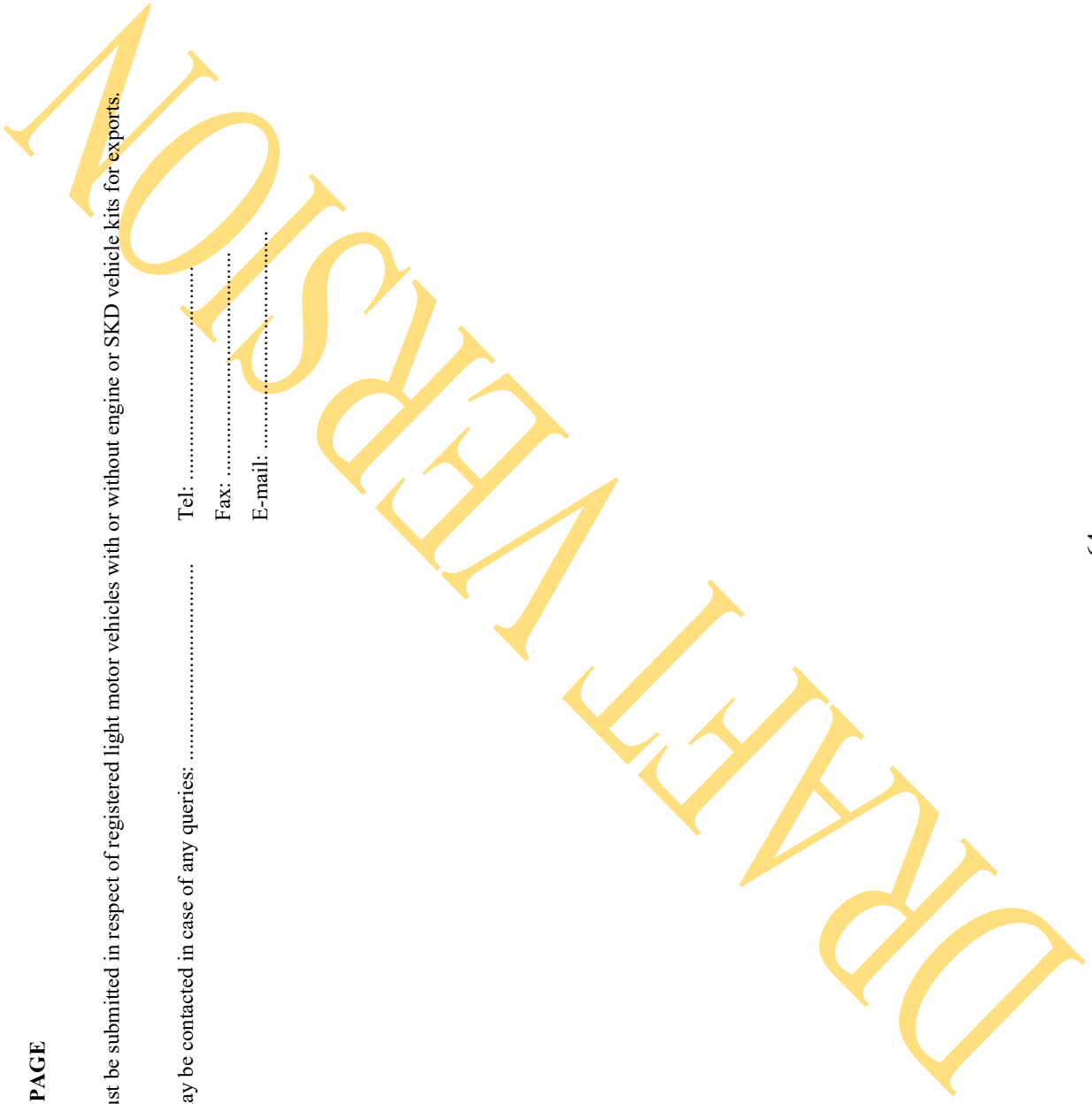
1. Separate Annexures must be submitted in respect of registered light motor vehicles with or without engine or SKD vehicle kits for exports.

2. Name of person who may be contacted in case of any queries:

Tel:

Fax:

E-mail:



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, warranty costs, etc.
R.....
4. FOB value R.....
5. Selling price as reflected in Column 7 of Annexure A2 R.....

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ANNEXURE A3**INTERNATIONAL TRADE ADMINISTRATION COMMISSION
AUTOMOTIVE PRODUCTION AND DEVELOPMENT PROGRAMME 2****LETTER OF AUTHORIZATION:****ISSUE/TRANSFER OF PRODUCTION REBATE CERTIFICATE****NB:** Must be completed by both parties, original to be submitted to ITAC**CERTIFICATE HOLDER/APPLICANT**

Iin my capacity as
of
hereby authorise the International Trade Administration Commission of South Africa to:

- (a) transfer the production rebate certificate No (PCA No) for an amount
of Rto the name of
.....
OR
(b) issue a production rebate 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 certificate referred to above, be issued in the name of
.....

Postal Address:

Tel No:Fax No:e-mail.....

I accept the transferred production rebate certificate "warts and all" (i.e. with all its latent and patent defects).

Customs Import No.:

SIGNED: **DATE:**

ANNEXURE A4

EXAMPLE OF E-MAIL

From: Maxwell Madida/Lavhelesani Mulaudzi/ Odirile Mosiane

To:

Subject: PRC ISSUED

Enquiries: Maxwell Madida/Lavhelesani Mulaudzi/ Odirile Mosiane

Tel.: 012 – 394 3714/1678/3676

...../20....

PRODUCTION REBATE 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/ AUTOMOTIVE TOOLING/ SEMI KNOCKED DOWN.**

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.

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ANNEXURE A5**INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA****Production Rebate Certificate (PRC) 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 CERTIFICATE

We have undertaken a reasonable assurance engagement of the accompanying Application for a Production Rebate Certificate (PRC) (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 Phase 2 of the Automotive Production and Development Programme (APDP2) Regulations (the Regulations) and the *Detailed Information on Production Rebate Certificates (PRCs)* (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.

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'.

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 behavior.

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.

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

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- 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.

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 CERTIFICATE IN TERMS OF PHASE 2 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;

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- (d) All the products listed in the application form have been manufactured in the South Africa at the following physical address(es) of the final manufacturer:

and that no product manufactured outside the South Africa 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.

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(k) This declaration is applicable to the application for a production rebate certificate dated amounting to a total eligible value of R

NAME: _____ **DESIGNATION:** _____

SIGNATURE: _____ **DATE:** _____

WITNESS NO. 1 _____ **DATE:** _____

WITNESS NO. 2 _____ **DATE:** _____

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ANNEXURE A7**APDP2 STANDARD MATERIAL AND COMPONENT DECLARATION**

1. Under the APDP2 the final manufacturer of specified motor vehicles and automotive components or tooling will qualify for a production incentive (PI) based on local value added at the applicable duty rate.
2. All participants are obliged to submit SMD and all participants (excluding material suppliers) must comply with the relevant B-BBEE provisions as set out in the Table below.
3. All participants (excluding material suppliers) must submit a valid B-BBEE certificate of compliance, or sworn affidavit for Exempted Micro Enterprise (EME), as defined in the B-BBEE Codes of Good Practice ("Codes") according to the B-BBEE Act No 53 of 2003 as Amended by Act No 46 of 2013 as well as showing compliance to the levels in Table below. Alternatively, participants that are unable to meet the B-BBEE requirements as stipulated in the Table below, must provide evidence of contributing to the Transformation Fund and these must be available for verification purposes by ITAC.

YEAR	COMPONENTS & TOOLING MANUFACTURERS	ORIGINAL EQUIPMENT MANUFACTURERS (OEMs)	NEW ENTRANTS
2021	No requirement to comply	Level 6 (six)	36 months from the start of production date in SA, to reach the applicable levels.
2022	No requirement to comply	Level 4 (four)	
2023	No requirement to comply	Level 4 (four)	
2024	No requirement to comply	Level 4 (four)	
2025	Level 6 (six)	Level 4 (four)	
2026	Level 4 (four)	Level 4 (four)	

4. All participants (excluding materials suppliers) that are unable to meet the B-BBEE requirements as stipulated in the Table above may be considered after contributing to a Transformation Fund managed by the Automotive Industry Transformation Fund (AITF). Entry to this fund will require the participants (excluding material suppliers) to hold a minimum B-BBEE level 8 by 2024 to be deemed level 6 by 01 January 2025 and a minimum B-BBEE level 6 by 2025 to be deemed level 4 by 01 January 2026.

5. New manufacturing enterprises (excluding material suppliers) in South Africa must be B-BBEE compliant in terms of the B-BBEE codes no later than thirty-six (36) months from the start of production date in South Africa.
6. All participants must deem the value addition from non-compliant suppliers (excluding material suppliers) as non-qualifying at the weighted average purchase price in the quarter in which the SMD is received.

7. Standard Material

7.1 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):

- 7.1.1 Aluminium;
- 7.1.2 Brass;
- 7.1.3 Leather
- 7.1.4 Platinum group metals
- 7.1.5 Stainless steel: and
- 7.1.6 Steel

7.2 Only 50% of the value of the following EV battery standard material will qualify as local value added when sourced in the SACU and SADC regions. The value will be referred to as standard value added (SVA):

- 7.2.1 Iron
- 7.2.2 Lithium
- 7.2.3 Graphite
- 7.2.4 Copper
- 7.2.5 Cobalt
- 7.2.6 Manganese
- 7.2.7 Nickel
- 7.2.8 Sodium carbonate ("Soda ash")
- 7.2.9 Fluorspar
- 7.2.10 Copper
- 7.2.11 Titanium
- 7.2.12 Vanadium

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Although the standard material value will roll up the production chain only the entity applying for the PI will calculate the SVA. As with Form C2s, 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.

8. The value of standard materials, **EV battery standard material**, and non-standard materials/components will be declared on form SMD (Standard Materials and components Declaration).
9. Find attached Annexure A7.1 (APDP2 STANDARD MATERIALS AND COMPONENTS DECLARATION) and Annexure A7.2 (APDP2 STANDARD MATERIALS AND COMPONENTS DECLARATION: CONTINUATION SHEET). Annexure A7.3 provides an explanation on the information required.

The following should be noted:

- 9.1 To simplify the calculation process statistics and values applicable to the previous quarter will be used.
- 9.2 The manufacturer of standard material and **EV battery standard material** will determine the standard value of such material, which will be the weighted average selling price of the previous quarter.
- 9.3 For ease of understanding, compliance with B-BBEE requirements are not considered in the example below

If the standard material supplier also imports "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.

- 9.4 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 imports 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.

A supplier of components, regardless of whether the component is only manufactured from non-standard materials, must supply a SMD showing the value of standard and non-standard materials utilized in the manufacture of the component.

- 9.5 Participants are advised to familiarize themselves with Info Doc C (declaration of imported content) as the principles of the calculation are similar.
- 9.6 If no SMD was received the weighted average purchase price of the previous quarter must be deemed the non-standard material value.
- 9.7 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.
- 9.8 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.
- 9.9 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 weighted average purchase price per unit will apply.
- 9.10 Values must be entered in Rand and should not be expressed as a percentage or as a foreign currency.
- 9.11 Consumables are not identifiable as integral or visible parts of the end product, such as petrol, distillate fuels, packing/wrapping, lubricating grease and prepared lubricating oils for engine,

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- gearbox, steering case and drive-axle, etc should be excluded from standard and non-standard material values.
- 9.12 Materials and goods in bulk, such as steel sheeting, adhesives and paint, and goods that require cutting to length or shape, such as carpet in rolls and electrical cable, are not considered to be automotive components.
- 9.13 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.
- 9.14 The final manufacturer shall be liable for correctness of the SMD forms received from its supplier. In the event that an ITAC verification audit reveals any inconsistency, the final manufacturer shall be held accountable.
- 9.15 Standard and non-standard material values on any loss associated with the production process must be shown as non-standard material.
- 9.16 It is currently not necessary for first tier suppliers, as in the case with the FORM C2, to have their systems to calculate standard and non-standard material values audited on an annual basis.
- 9.17 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 or the total quantity supplied during a quarter.
- 9.18 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.
- 9.19 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.
- 9.20 Motor vehicle manufacturers, component manufacturers and component suppliers to the motor vehicle industry must obtain an 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. If an SMD is not obtained for the quarter in which the

components or materials were supplied, or if an SMD is not duly completed, the user must deem the applicable goods as non-qualifying at the weighted average purchase price.

10. Quarterly lag principle

When the final manufacturer applies for a PRC 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 principle 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.

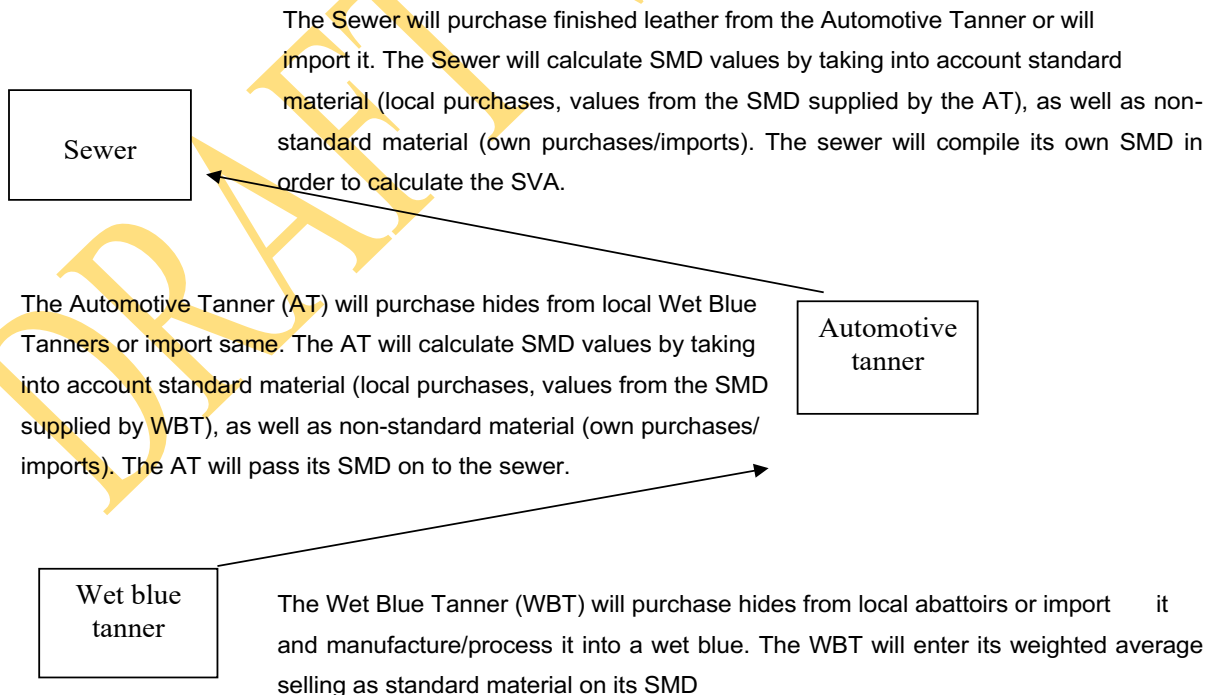
- 10.1 The following example illustrates the quarterly lag principle, using the leather interior industry as an example and it should be noted that for ease of understanding, compliance with B-BBEE requirements are not considered in the example below and treatment of non-compliance to B-BBEE requirements are provided in examples A7.7.
- 10.2 The final manufacturer (Sewer) will calculate a SMD which will be applicable to stitched leather seats sold during the quarter, for example, 01/01/2021 to 31/03/2021 and will base its calculations on its own financial information of the quarter 01/10/2020 to 31/12/2020. 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 01/01/2021 to 31/03/2021.
- 10.3 The Automotive Tanner issuing the SMD (to the Sewer) with the effective date 01/10/2020 to 31/12/2020 will base its calculation on its own financial information applicable to the quarter

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01/07/2020 to 30/09/2020. 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 01/10/2020 to 31/12/2020.

- 10.4 The Wet Blue Tanner issuing the SMD with the effective date 01/07/2020 to 30/09/2020 will base its calculation on its financial information applicable to the quarter 01/04/2020 to 30/06/2020. 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.

11. To illustrate the flow of SMDs



12. 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.
13. 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.
14. 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.
15. Should a manufacturer not make all relevant documentations available within a period of 30 days of request of information, ITAC shall treat the declared values on products as to be equal to the selling price. Alternatively keep all PRC claims on hold in a case of a PRC verification until such time that the requested information has been submitted, assessed and verification is concluded by ITAC officials.
16. 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.
- 17. EXAMPLE: CALCULATION OF THE SVA APPLICABLE TO A TOW BALL**
See Annexure A7.4.
- 18. EXAMPLE: CALCULATION OF THE SVA APPLICABLE TO A STITCHED LEATHER SEAT**
See Annexure A7.5.
- 19. EXAMPLE: CALCULATION OF THE SVA APPLICABLE TO CATALYTIC CONVERTERS**
See Annexure A7.6.
- 20. EXAMPLE: STANDARD MATERIAL DECLARATIONS AFTER EFFECTING COMPLIANCE TO B-BBEE REQUIREMENTS**
See Annexure A7.7.

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Annexure A7.1

APDP2 STANDARD MATERIALS AND COMPONENTS DECLARATION												
MANUFACTURE/SUPPLIER INFORMATION	CONTACT INFORMATION	SMD INFORMATION										
Name: 1	Contact person: 5	Certificate no: 9										
Address: 2	Designation: 6	Effective from: 10 to: 10										
Custom code number: 3	Telephone number: 7	Replaces certificate no: 11										
B-BBEE level: 4	E-mail: 8	Effective date from: 12 to: 12										
		Total number of lines: 13										
STANDARD MATERIALS												
No	PART NUMBER	DESCRIPTION	UNIT OF MEASURE	ALUMINIUM	BRASS	LEATHER	PGM	STAINLESS STEEL	STEEL	TOTAL	EV BATTERY STANDARD MATERIAL	NON-STANDARD MATERIALS/COMPONENTS
1	14	15	16	17	18	19	20	21	22	23	24	25
2												
3												
4												
5												
6												
8												
9												

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ANNEXURE A7.2

APDP2 STANDARD MATERIALS AND COMPONENTS DECLARATION – CONTINUATION SHEET

Certificate number: 9 Effective from: 10 to: 10

PART NUMBER	DESCRIPTION	UNIT OF MEASURE	STANDARD MATERIALS							NON-STANDARD MATERIALS/COMPONENTS		
			ALUMINIUM	BRASS	LEATHER	PGM	STAINLESS STEEL	STEEL	TOTAL		EV BATTERY STANDARD MATERIAL	
11	14	15	16	17	18	19	20	21	22	23	24	25
12												
13												
21												
22												

31 _____ DATE

SIGNATURE _____

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. B-BBEE level or indication of whether the manufacturer contributed to the transformation fund
- 5-8. Contact information of the duly authorized official;
9. Certificate no, the participant issuing the certificate must insert its own unique number;
10. Period over which the certificate will be effective;
11. Certificate number being replaced
- 12-12 Effective dates applicable to the certificate that is being replaced;
13. Total number of lines used;
14. Material/component number;
15. Description of material/component;
16. Unit or measurement, should be the same as that reflected on the tax invoice;.
- 17-24 Weighted average purchases value and total of **standard materials;**
- 25 Weighted average value of non-standard materials and components and imported raw material and imported components;
- 26-32 Particulars and signature of duly authorized official.

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

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. For ease of understanding, compliance to B-BBEE requirements are not considered in the example below.

Example 1: 100% local material

- 1.1 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.
- 1.2 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.
- 1.3 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.
- 1.4 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.
- 1.5 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 (steel)	Non-standard material	Imported component/material	Total
01/01/2020	100	1 000	0	0	1 000
10/02/2020	150	1 700	0	0	1 700
20/03/2020	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.

1.6 Component Z12

Z12

Selling price	R20.00
Less: Standard material (R11 x 75%)	R 8.25
Less: Non-standard materials	R 0.00
Less: Imported Components/material	<u>R 0.00</u>
VA	R 11.75

PRC value = VA x PI Factor X Duty rate

PRC Value = R11.75 x 62.5 %(PI) x 20% Duty rate = R 1.47

2. Example 2: Local and imported material

- 2.1 In the example below it is assumed that the tow ball manufacturer purchased local steel from Company A (200 kilograms, unit price = R10 per kilogram) and also imported 200kg steel for R3000. 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.

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- 2.2 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 (steel)	Non-standard material	Imported component/material	Total
01/04/2020	200	2 000	0	0	2 000
20/06/2020	200	0	0	3000	3 000
TOTAL	400	2 000	0	3000	5 000
WEIGHTED AVE VALUE PER KG		R5.00 (R2000/400kg)	0	R7.5 (3000/400kg)	R12.50 (5000/400kg)

See Annexure A7.4.2 for an example of the SMD issued.

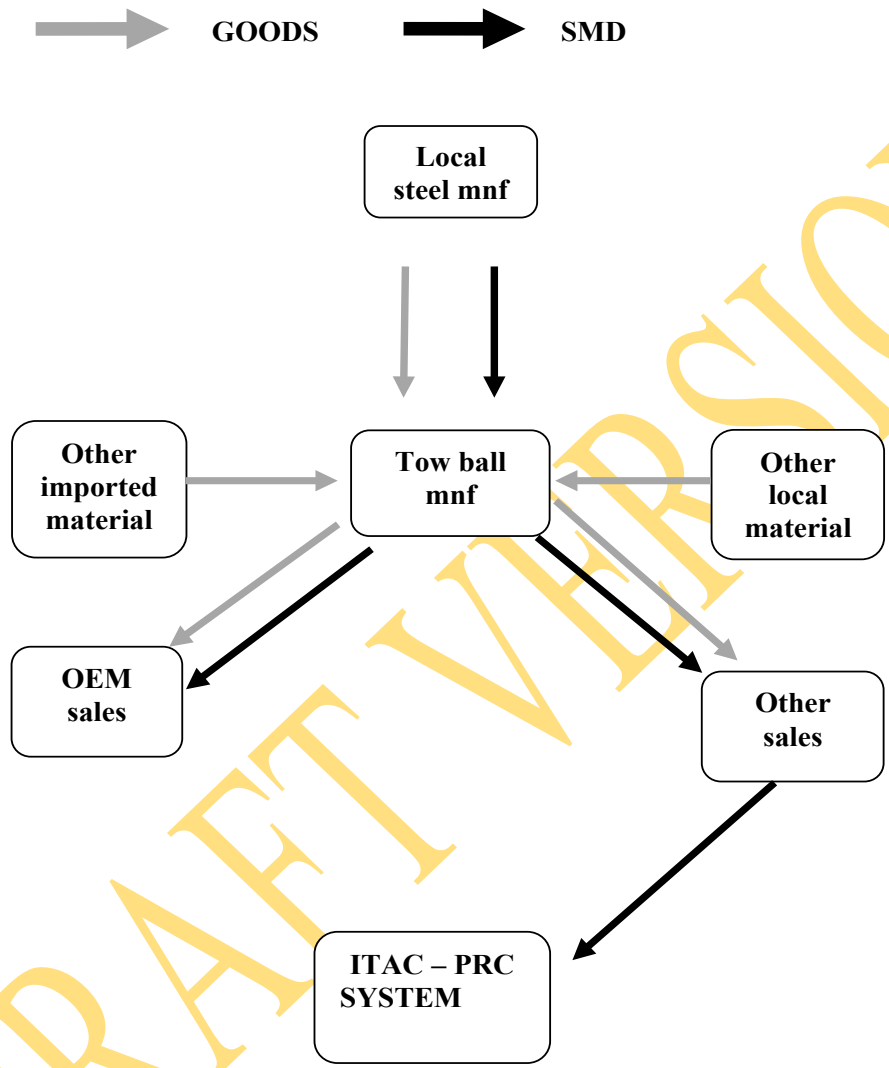
- 2.3 The tow ball manufacturer applying for a PRC will calculate the SVA per unit as follows, if it is assumed that the selling price of the tow ball is R20 per unit:

2.4 Component Z13	Z13
Selling price	R20.00
Less: Standard material (R5 x 75%)	R 3.75
Less: Non-standard materials	R 0.00
Less: Imported Components/material	<u>R 7.50</u>
VA	R 8.75

PRC value (PI factor = 62.5%*20%)

PRC Value = R8.75 x 62.5 %(PI) x 20% Duty rate R 1.09

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



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ANNEXURE A7.4.1

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	STAINLESS STEEL	STEEL	TOTAL	
1	Z12 TOW BALL	UNIT						11.00	11.00	0
2	Z13 TOW BALL	UNIT						5.00	5.00	7.50

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. For ease of understanding, compliance to B-BBEE requirements are not considered in the example below.

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			
		Units (hides)	Standard material	Non-standard material	Imported component/material
DATE					
31/03/2020 (own production)	1 000	200 000	0	0	200 000
10/02/2020 (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		166.67	0	50.00	216.67

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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
01/04/2020	500	90280	0	18055	108 335
10/05/2020	400	0	0	120 000	120 000
20/06/2020	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 m² 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:

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LEATHER SEAT COVER		VALUES in - R			
	Units (seat)	Standard material	Non- standard material	Imported component/ material	Total
Input 4.25 m ²	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.

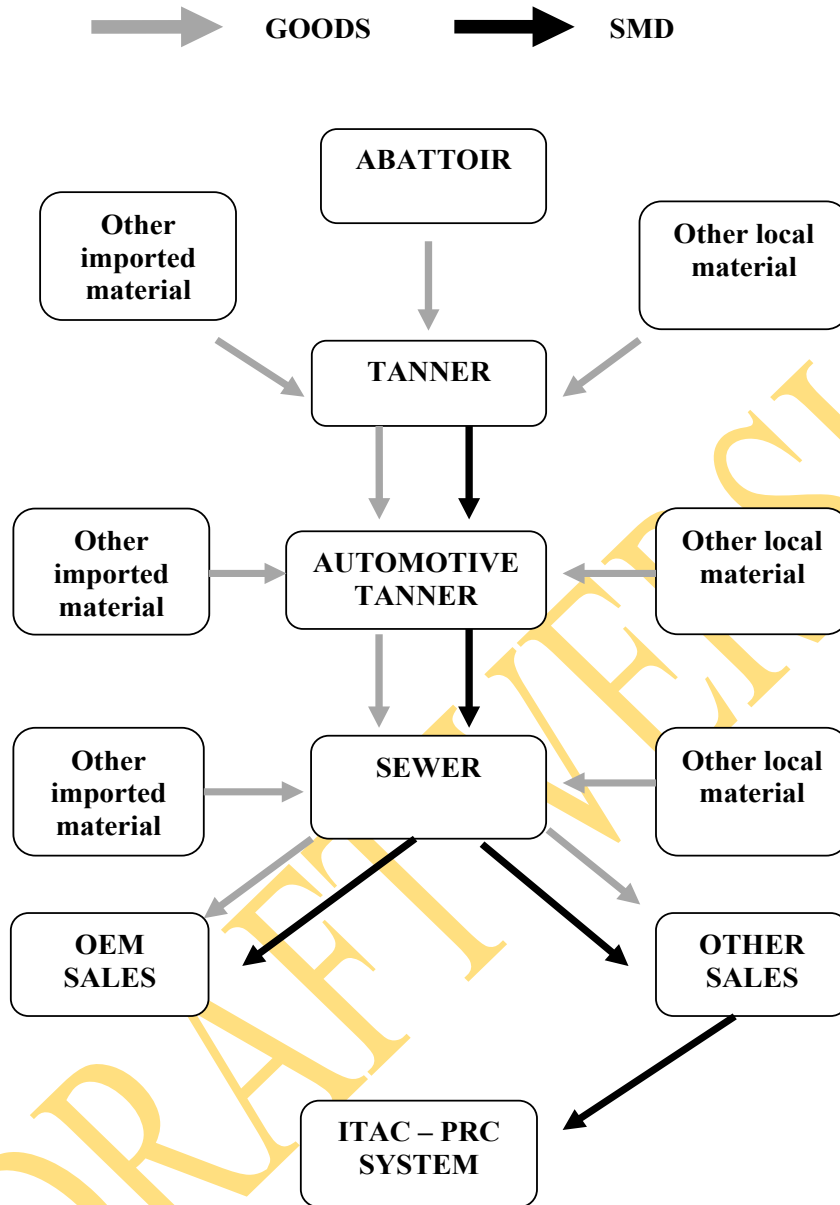
The Sewer applying for a PRC will calculate the SVA per unit as follows, a selling price of R900 per unit was assumed:

Selling price	R900.00
Less: Standard material (R156.40 x 75%)	R117.30
Less: Non-standard materials	<u>R502.24</u>
VA	R280.46

PRC value (PI factor = 62.50%) x 20% duty

PRC Value = R280.46 x 62.5%(PI) x 20% Duty rate R35.06

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



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ANNEXURE A7.5.2

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	STAINLESS STEEL	STEEL	TOTAL
1	A444 Kit-leather seat	Unit			156.39				156.39
2									
									502.25

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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. For ease of understanding, compliance to B-BBEE requirements are not considered in the following example. 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 PRC 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
01/01/2020	100	167 000	0	0	167 000
10/02/2020	200	330 000	0	0	330 000
21/03/2020	100	0		200 000	200 000
	400	497 000	0	200 000	697 000
Weighted ave value per Troy oz.	1	1 243.50	0	500	1 743.50

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
01/01/2020	50	0	1 000	0	1 000
10/02/2020	100	0	2 000	0	2 000
21/03/2020	200	0	0	4 000	4 000
	350	0	3 000	4 000	7 000
Weighted ave value per Troy oz.	1	0	8.57	11.43	20.00

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 performs the following VA calculation:

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SUBSTRATE		VALUES in - R			
DATE	Units	Standard material	Non-standard material	Imported component/material	Total
01/01/2020	400	0	0	5 000	5 000
10/02/2020	200	0	0	3 000	3 000
21/03/2020	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 1000 substrates:

COATER		VALUES in - R			
DATE	Units (Substrates)	Standard material	Non-standard material	Imported component/material	Total
01/04/2020 (Substrates)	1 000	0	0	40 000	40 000
10/05/2020 (Chemicals)		0	10 000	0	10 000
21/05/2020 (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.

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- 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 PRC 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
01/04/2020 (Coated substrates)	500	0	5 000	27 500	32 500
20/04/2020 (PGM)		65 344	0	21 781	87 125
20/05/2020 (S/steel)		10 000	0	0	10 000
21/05/2020 (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

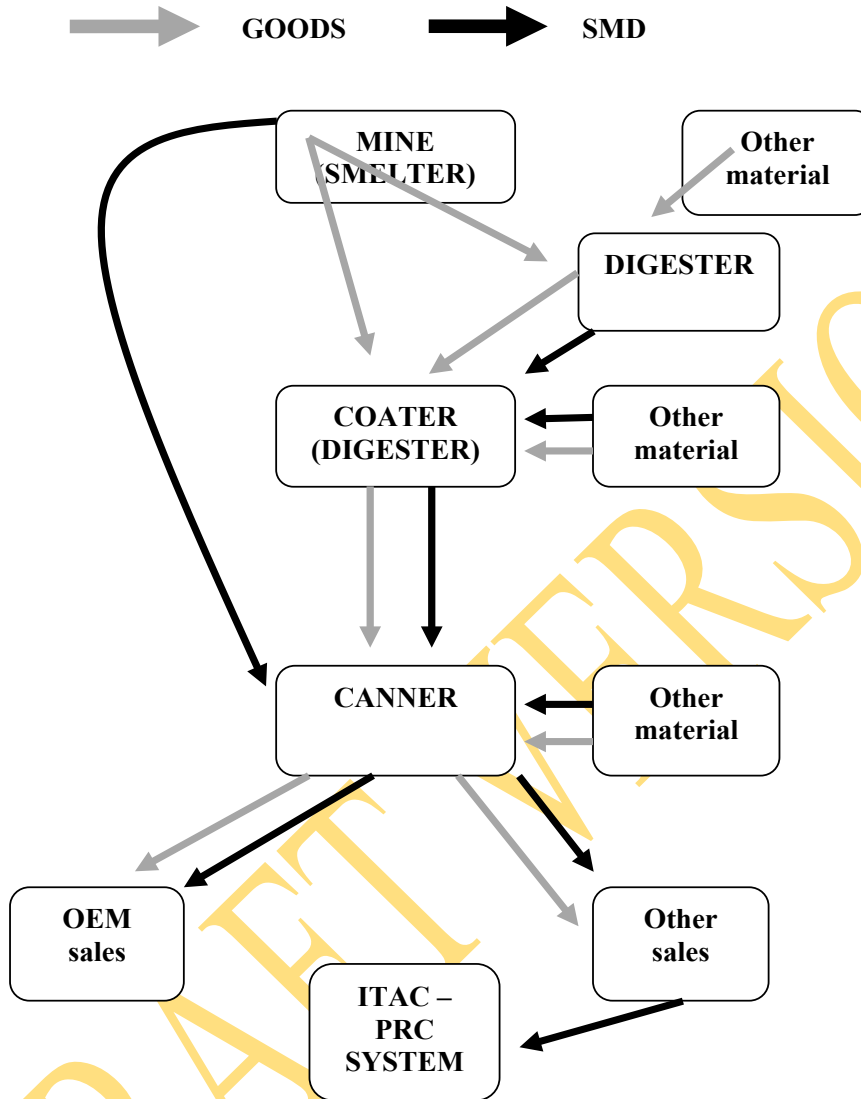
See attached Annexure A7.6.6 for an example of the SMD.

- 2.7 The Canner applying for a PRC calculate the SVA per unit as follows:

Selling price	R1 000.00
Less: Standard materials (R150.69 x 75%)	R 113.02
Less: Non-standard materials	R 20.00
Less: Imported component/material	<u>R 98.56</u>
SVA	R 768.42
PRC value (PI factor = 65%) x 20%	
PRC Value = R768.42 x 62.5 %(PI) x 20% Duty rate	R 96.05

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



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ANNEXURE A7.6.1

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

TOTAL NUMBER OF LINES: ___ 1 ___		STANDARD MATERIALS						NON-STANDARD MATERIALS/COMPONENTS	
PART NUMBER	DESCRIPTION	UNIT OF MEASURE	ALUMINIUM	BRASS	LEATHER	PGM	STAINLESS STEEL	STEEL	TOTAL
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: ___ 1 ___		STANDARD MATERIALS						NON-STANDARD MATERIALS/COMPONENTS	
PART NUMBER	DESCRIPTION	UNIT OF MEASURE	ALUMINIUM	BRASS	LEATHER	PGM	STAINLESS STEEL	STEEL	TOTAL
1	1.1 Platinum	Troy oz				1306.88			435.63
2									

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ANNEXURE A7.6.3

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

TOTAL NUMBER OF LINES: 1		STANDARD MATERIALS							NON-STANDARD MATERIALS/COMPONENTS
PART NUMBER	DESCRIPTION	UNIT OF MEASURE	ALUMINIUM	BRASS	LEATHER	PGM	STAINLESS STEEL	STEEL	TOTAL
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: 1		STANDARD MATERIALS							NON-STANDARD MATERIALS/COMPONENTS
PART NUMBER	DESCRIPTION	UNIT OF MEASURE	ALUMINIUM	BRASS	LEATHER	PGM	STAINLESS STEEL	STEEL	TOTAL
1	Substrate	Unit							40.00
2									

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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	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	STAINLESS STEEL	STEEL	TOTAL
1	1.1 CatCon	Unit				130.69	20.00		150.69
2									
3									

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ANNEXURE A7.7- EXAMPLES OF CALCULATING SMD AND FORM C2 VALUES WHEN TAKING INTO ACCOUNT COMPLIANCE TO B-BBEE REQUIREMENTS UNDER THE APDP2.

STANDARD MATERIALS AND COMPONENT DECLARATION AND FORM C2 EXAMPLES WITH B-BBEE IMPLEMENTATION (material suppliers are not required to comply with the B-BBEE requirements under the APDP2):

NB: The calculations below are referring to Tier 1 to the OEM for example purposes, however the same calculations are also applicable to all APDP participants (excluding material suppliers) within the automotive value chain.

EXAMPLE 1: Tier 1 purchases and declarations from Tier 2 and own imports.

The following is an example of how suppliers (excluding material suppliers) who are not compliant to B-BBEE requirements under the APDP2 are required to complete their declarations. For ease of understanding in this example Tier 1 is compliant to the B-BBEE level as per the APDP2 requirements. Tier 1 purchases materials from two Tier 2 suppliers (1 compliant and 1 non-compliant) and components from one compliant Tier 2 supplier. Tier 1 further imports its own components.

Tier 1 Purchases & Declarations from Tier 2 & Own Import

Description	Compliant / Non-Compliant	Purchase Price from suppliers (a)	UoM	Standard material (c)	Total std material (d)	Own Import & Tier 2 (your supplier's) Form C2s & SMDs			
						Imported components (Duty) (e)	Imported Components (VALA) (f)	Imported material (g)	
Tier 2 Material	Compliant	200	KG	100	0	0	0	0	
Tier 2 Material	Non-compliant	300	Each	0	200	0	0	20	
Tier 2 Component	Compliant	60	Each	0	40	40	40	0	
Own import	Compliant	500	Each	0	500	500	500	0	

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Explanation of the purchases made by Tier 1 from Tier 2 suppliers & own import:

- Tier 1 purchases standard material from a B-BBEE compliant Tier 2 supplier at a purchase price of R200 per kg. Tier 2 provided Tier 1 with an SMD declarations of the standard material declared at R100 per kg;
- Tier 1 purchases non-standard material from a non-compliant B-BBEE Tier 2 supplier at a purchase price of R300 each. Tier 2 provided Tier 1 with an SMD and Form C2 declarations. The Form C2 reflected that Tier 2 supplier directly imported material at a value of R20 and further added other local non-standard material valued at R180, resulting to a total non-standard material of R200 declared on the SMD supplied to Tier 1;
- Tier 1 purchases components from a compliant Tier 2 supplier at a purchase price of R60 each. Tier 2 provided Tier 1 with an SMD and Form C2 declarations. The Form C2 shows that Tier 2 supplier directly imported components at a value of R40 and supplied these components to Tier 1. The SMD supplied to Tier 1 also shows a non-standard material value of R40 as there were no other components or materials that Tier 2 supplier added to the imported components supplied to Tier 1;
- Tier 1 directly imported its own components at a value of R500 each.

Tier 1 Form C2 and SMD calculations: Tier 1 is B-BBEE Compliant

Description	Purchase Price supplier (a)	UoM	BOM (b)	Qty/ Usage	Tier 1 Calculations (Compliant)				
					Standard material (b) x (c)	Total non std material (b) x (d)	Imported components (Duty) (b) x (e)	Imported Components (VALA) (b) x (f)	Imported material (b) x (g)
Tier 2 Material	200	KG	0,5		50	0	0	0	0
Tier 2 Material	300	Each	2		0	400	0	0	40
Tier 2 Component	60	Each	2		0	80	80	80	0
Own import	500	Each	1		0	500	500	500	0
Tier 1 Materials Declaration (Compliant):					50	980	580	580	40

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Explanation of the Form C2 and SMD calculation for a B-BBEE complaint Tier 1:

- Tier 1 purchased standard materials from a compliant Tier 2 supplier at a purchase price of R200 per kg, however Tier 2 declared the raw material as standard material to Tier 1 at a value of R100 per KG on its SMD. Tier 1 has only utilized 0.5 kg of the total material purchased from Tier 2 in its manufacturing process and therefore Tier 1 will declare a value of R50 ($R100 \times 0.5$) under standard material column of its SMD that will be declared to the OEM.
- Tier 1 purchased non-standard material from a non-compliant Tier 2 supplier at a purchase price of R300 each, however Tier 2 declared the raw material as non-standard material to Tier 1 at a value of R200 each on its SMD. Out of the non-standard material value of R200 declared by Tier 2 to Tier 1 on its SMD, material worth R180 worth of material sourced locally by Tier 2. Tier 1 utilized 2 of each raw material sourced from Tier 2 in its manufacturing process and therefore Tier 1 will declare a value of R400 ($R200 \times 2$) under non-standard material column of its SMD that will be declared to the OEM. Furthermore, Tier 1 will declare a value of R40 ($R20 \times 2$) under the imported raw material column on the Form C2 to be declared to the OEM. Non-compliant material suppliers are not subjected to B-BBEE requirements under the APDP2, therefore the value at which the material is declared on the SMD or Form C2 by Tier 2 supplier will be the same value that Tier 1 will use to calculate its SMD or Form C2 declarations to the OEM.
- Tier 1 purchased components from a compliant Tier 2 supplier at a purchase price of R60 each. The components were imported by the Tier 2 supplier and supplied to Tier 1. Tier 2 supplier provided an SMD declaration to Tier 1 with a non-standard material value of R40 and a Form C2 with imported component for both duty and VALA declared at a value of R40 each. Tier 1 utilized two of the components sourced from Tier 2 supplier in its manufacturing process and therefore Tier 1 will declare a value of R80 ($R40 \times 2$) under its non-standard material column of its own SMD that will be declared to the OEM. Furthermore, Tier 1 will also declare a value of R80 under the imported component column for both Duty and VALA on its own Form C2 to be declared to the OEM.
- Tier 1 imports its own components at a purchase price of R500 each. Tier 1 utilizes 1 imported component in its manufacturing process. Tier 1 supplier will declare a value of R500 ($R500 \times 1$) under its non-standard material column of its own SMD that will be declared to the OEM. Furthermore, Tier 1 will declare a value of R500 under both imported component column for both Duty and VALA on the Form C2 which will be declared to the OEM.
- The total standard material value amounts to R50 and the total non-standard material value amounts to R980 on the SMD to be declared by Tier 1 to the OEM;
- The total imported component value for duty will be R580, the total imported component value for VALA will be R580 and the total imported raw material will be R40 on the Form C2 to be declared by Tier 1 to the OEM.

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Example 2: Tier 1 purchases and declarations from Tier 2 and own imports

Tier 1 is compliant to B-BBEE level as per the APDP2 requirements. Tier 1 purchases materials from two Tier 2 suppliers (1 non-compliant and 1 compliant) and components from one non-compliant Tier 2 supplier. Tier 1 further imports its own components.

Tier 1 Purchases & Declarations from Tier 2 & Own Import

Own Import & Tier 2 (your supplier's) Form C2s & SMDs									
Description	Compliant / Non-Compliant	Purchase Price form suppliers (a)	UoM	Standard material (c)	Total non std material (d)	Imported components (Duty) (e)	Imported Components (VALA) (f)	Imported material (g)	Imported material (g)
Tier 2 Material	Non-compliant	200	KG	100	0	0	0	0	0
Tier 2 Material	Compliant	300	Each	0	200	0	0	20	20
Tier 2 Component	Non-compliant	60	Each	0	60	40	60	0	0
Own import	Compliant	500	Each	0	500	500	500	20	20

Calculations of Compliant Tier 1, purchasing materials from both compliant and non-compliant supplier, components from non-compliant suppliers as well as its own imports:

Tier 1 Calculations (Compliant)										
Description	Compliant/ Non-compliant	Purchase Price (a)	UoM	BOM (b)	Qty	Standard material (b) x (c)	Total non std material (b) x (d)	Imported component s (Duty) (b) x (e)	Imported Component s (VALA) (b) x (f)	Imported material (b) x (g)
Tier 2 Material	Non-compliant	200	KG	0,5		50	0	0	0	0
Tier 2 Material	Compliant	300	Each	2		0	400	0	0	40
Tier 2 Component	Non-compliant	60	Each	2		0	120	80	120	0
Own import	Compliant	500	Each	1		0	500	500	500	0
Tier 1 Materials Declaration (Compliant):						50	1020	580	620	40

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Explanation of the Form C2 and SMD calculation for a B-BBBE complaint Tier 1:

- Tier 1 purchased standard materials from a non-compliant Tier 2 supplier at a purchase price of R200 per kg, however Tier 2 declared the raw material as standard material to Tier 1 at a value of R100 per kg on its SMD. Tier 1 has only utilized 0.5 kg of the total material purchased from Tier 2 in its manufacturing process and therefore Tier 1 will declare a value of R50 ($R100 \times 0.5$) under standard material column of its SMD that will be declared to the OEM. Non-compliant material suppliers are not subjected to B-BBEE compliant, therefore the value at which the material is declared on the SMD or Form C2 by Tier 2 supplier will be the same value that Tier 1 will use to calculate its SMD or Form C2 declarations to the OEM.
- Tier 1 purchased non-standard material from a compliant Tier 2 supplier at a purchase price of R300 each, however Tier 2 declared the raw material as non-standard material to Tier 1 at a value of R200 each on its SMD. Out of the non-standard material value of R200 declared by Tier 2 to Tier 1 on its SMD, material worth R20 was imported by Tier 2, supplied to Tier 1 and declared under the form C2 supplied to Tier 1. Tier 1 utilized 2 of each raw material sourced from Tier 2 in its manufacturing process and therefore Tier 1 will declare a value of R400 ($R200 \times 2$) under non-standard material column of its SMD that will be declared to the OEM. Furthermore, Tier 1 will declare a value of R40 ($R20 \times 2$) under the imported raw material column on the Form C2 to be declared to the OEM.
- Tier 1 purchased components from a non-compliant Tier 2 supplier at a purchase price of R60 each. The components were imported by the Tier 2 supplier and supplied to Tier 1. Tier 2 supplier provided an SMD declaration to Tier 1 with a non-standard material value of R60 and a Form C2 with imported component for both duty at a value of R40 and VALA declared at a value R60 each. Tier 1 utilized two of the components sourced from Tier 2 supplier in its manufacturing process and therefore Tier 1 will declare a value of R120 ($R60 \times 2$) under its non-standard material column of its own SMD that will be declared to the OEM. Furthermore, Tier 1 will also declare a value of R120 ($R60 \times 2$) under the imported component column for VALA and a value of R80 ($R40 \times 2$) for the imported component column for duty on its own Form C2 to declare to the OEM.
- Tier 1 imports its own components at a purchase price of R500 each. Tier 1 utilizes 1 imported component in its manufacturing process. Tier 1 supplier will declare a value of R500 ($R500 \times 1$) under its non-standard material column of its own SMD that will be declared to the OEM. Furthermore, Tier 1 will declare a value of R500 under both imported component for Duty and VALA on the Form C2 which will be declared to the OEM.

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- The total standard material value amounts to R50, the total non-standard material value amounts to R1020 on the SMD to be declared by Tier 1 to the OEM.
- The total imported component value for duty amounts to R580, the total imported content value for VALA amounts to R620 and the total imported material value amounts to R40 on the Form C2 to be declared by Tier 1 to the OEM.

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Example 3: Tier 1 purchases from Tier 2 suppliers who does not supply SMD and Form C2 declaration & Own import.

Tier 1 is compliant to B-BBEE level as per the APDP2 requirements. Tier 1 purchases material from two Tier 2 suppliers (1 who is compliant and 1 who is not compliant), components from a compliant Tier 2 supplier, however, does not receive any SMD and Form C2 declarations from any of the Tier 2 suppliers. Tier 1 further directly imports its own components.

Tier 1 Purchases from Tier 2 with no SMD and Form C2 Declaration & Own Import

Description	Compliant / Non-Compliant	Purchase suppliers (a)	Price from	JoM
Tier 2 Material	Compliant	200		KG
Tier 2 Material	Non-compliant	300		Each
Tier 2 Component	Compliant	60		Each
Own import	Compliant	500		Each

Tier 1 Form C2 and SMD calculations: Compliant Tier 1 who purchases materials and components from Tier 2 that do not provide Form C2 and SMD declarations.

Description	Purchase Price form supplier (a)	JoM	BOM (b)	Qty/ Usage	Tier 1 Calculations (Compliant)				
					Standard material (b) x (c)	Total non std material (b) x (d)	Imported components (Duty) (b) x (e)	Imported Components (VALA) (b) x (f)	Imported material (b) x (g)
Tier 2 Material	200	KG	0.5		0	100	0*	0*	0*
Tier 2 Material	300	Each	2		0	600	0*	0*	0*
Tier 2 Component	60	Each	2		0	120	0*	0*	0*
Own import	500	Each	1		0	500	500	500	0
Tier 1 Materials Declaration (Compliant):					0	1320	500	500	0

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Explanation of SMD and Form C2 calculation of a compliant Tier 1 supplier who purchases materials and components from Tier 2 suppliers who do not provide SMD and Form C2 declarations:

- Tier 1 is compliant to B-BBEE level and receives material and components from Tier 2 supplier who are either compliant or non-compliant but who do not provide any SMD or Form C2 declarations for the materials and components supplied must base their SMD and Form C2 calculations on the full purchase prices of the materials and components sourced from all Tier 2 suppliers.
 - In this case purchase price based on local tax invoices received from Tier 2 suppliers will be used to calculate the non-standard material values that Tier 1 will declare on its SMD to be supplied to an OEM.
- * In a case where import documentations are received from Tier 2 supplier who imported components or materials on behalf of Tier 1, then Tier 1 supplier is required to calculate the imported content values by making use of customs documentations received from Tier 2 supplier to declared values under a Form C2 that Tier 1 will supply to the OEM.

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Example 4: Tier 1 purchases and declares from Tier 2 and Own Import, however Tier 1 is non-compliant to B-BBEE level as per the APDP2 requirements:

Tier 1 is non-compliant to B-BBEE level as per the APDP2 requirements. Tier 1 purchases materials from 2 Tier 2 suppliers (1 compliant and 1 non-compliant) and components from 1 compliant Tier 2 supplier. Tier 1 further imports its own components.

Tier 1 is non-compliant to B-BBEE level

Own Import & Tier 2 (your supplier's) Form C2s & SMDs									
Description	Compliant / Non-Compliant	Purchase Price from suppliers (a)	UoM	Standard material (c)	Total non std material (d)	Imported components (Duty) (e)	Imported Components (VALA) (f)	Imported material (g)	Imported material (g)
Tier 2 Material	Compliant	200	KG	100	0	0	0	0	0
Tier 2 Material	Non-compliant	300	Each	0	200	0	0	20	20
Tier 2 Component	Compliant	60	Each	0	40	40	40	0	0
Own import	Non-compliant	500	Each	0	500	500	500	0	0

Tier 1 Form C2 and SMD calculations: Tier 1 not compliant:

Tier 1 Calculations (Non-Compliant)										New Cost Price Column (to calc own VA)
Description	Purchase Price from suppliers (a)	UoM	BOM (b)	Qty	Standard material (b) x (c)	Total non std material (b) x (d)	Imported components (Duty) (b) x (e)	Imported Components (VALA) (b) x (f)	Imported material (b) x (g)	Tier 1 Cost of materials (Price x QtyPer) (a) x (b)
Tier 2 Material	200	kg	0,5	50	0	0	0	0	0	100 (h)
Tier 2 Material	300	Each	2	0	400	0	0	40	40	600 (i)
Tier 2 Component	60	Each	2	0	80	80	80	80	0	120 (j)

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Own import	500	Each	1	0	500	500	500	0	500 (k)	
Tier 1 Materials Declaration (Compliant):										
				50	980	580	580	40		
				How to determine your own value addition (VA)						
				1. Calculate Tier 1 Cost of materials (Price x BOM Qty Per):						1320
				2. Subtract cost of materials from Selling Price to calculate VA						
				Selling Price to your Customer:						2300
				Less: BOM cost of materials at purchase price (h) + (i) + (j) + (k):						1320
				Own Value Addition Added to Non-Standard Components and Imported Components (VALA) (L):						980
				Standard material	Total non std material	Imported components (Duty)	Imported Components (VALA)	Imported material		
Tier 1 Materials Declaration (Compliant):				50	980	580	580	40		
Add own value addition as non-compliant Tier 1:				50	980 (L)	N/A	980 (L)	N/A		
				50	1960	580	1560	40		
				Declaration for non-compliant supplier						

Explanation of the Form C2 and SMD calculation for a B-BBEE non-complaint Tier 1:

- Tier 1 is non-compliant to B-BBEE level as per the APDP2 requirements. Tier 1 is purchasing raw materials from two Tier 2 suppliers (1 who is compliant and 1 who is non-compliant), components from one compliant Tier 2 supplier and directly imports components. Tier 1 receives SMD and Form C2 declarations from his Tier 2 material and component suppliers.
- The raw materials supplied by Tier 2 suppliers which Tier 1 incorporate in his SMD/ Form C2 calculations to be declared to the OEM will be calculated by making use of the SMD and Form C2 values declared by Tier 2 suppliers as these categories are not subjected to B-BBEE compliance requirements. In a case where Tier 2 material suppliers do not supply any SMD/Form C2 to Tier 1, the full purchase price will be utilized by Tier 1 to calculate their own SMD/Form C2 values.

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- The values declared by the compliant Tier 2 component suppliers will be multiplied by the BOM usage to determine the value of the non-standard material, imported component for duty, imported component for VALA as the supplier is compliant and has provided their declarations to tier 1. In a case where Tier 2 component supplier does not supply any SMD/Form C2 to Tier 1, the full purchase price will be utilized by Tier 1 to calculate their own SMD/Form C2 values.
- Tier 1 is also required to calculate his own value addition by calculating the total cost of materials/components used in its production process by making use of the full purchase of its supplier multiplying the costs with the BOM usages to determine the cost price of the final product.
- The calculated total cost price will be deducted from the selling price of the final product that Tier 1 is selling to the OEM to determine value addition on the product supplied.
- Tier 1's value addition will be added to the calculated non-standard material values as well as the imported component values for VALA to determine the total non-standard material value and the total imported component value for VALA which Tier 1 will declare to the OEM.