



# Tax & Legal Flash



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## R&D tax incentive - what does the future hold?

**The long-awaited discussion paper on the future of the section 11D Research and Development (R&D) tax incentive, entitled "Reviewing the design, implementation and impact of South Africa's Research and Development Tax Incentive", was released for public comment by National Treasury on 17 December 2021.**

In the 2021 Budget Review, Government proposed to limit, or let lapse, incentives that either erode the equity of the tax system or do not meet their intended objectives. In respect of the R&D tax incentive (which gives the taxpayer a 150% tax deduction of qualifying R&D expenditure), Government has undertaken an extensive exercise to assess the value and impact of this incentive.

This exercise includes an Impact Evaluation by the World Bank (to ensure objectivity); an internal Synthesis Analysis by the Department of Science and Innovation and, as part of the recently released discussion paper, an online survey whereby the public can provide input into the evaluation of the future of the R&D tax incentive.

The objective of the discussion paper and online survey is to evaluate whether the incentive should continue beyond the current end date of 30 September 2022 and, if it continues, whether the current design is still suitable.

Studies have shown that R&D is crucial for innovation, productivity and economic growth in a country. In fact, a review of the National Research and Development Strategy and Ten-Year Innovation Plan published by the National Advisory Council on Innovation in May 2020 included an assessment of the R&D tax incentive, with the reviewers recommending that the R&D incentive not be relinquished, but rather that its impact be improved.

Based on this, we do not believe that the R&D tax incentive will be scrapped. However, KPMG is working through the discussion paper (which is available [here](#)) in order to provide comment and input to government by **25 January 2022**.

We encourage affected taxpayers to complete the online survey (by following this link: [R&D Online Survey](#)), as more responses will assist Government to better understand stakeholders' wishes and concerns regarding the R&D tax incentive. This, in turn, will inform the future of the incentive.

The media release notes that further announcements regarding the incentive will be made in the 2022 Budget Speech. We will provide insight as and when further information becomes available.

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