

**Allen Wicomb**  
**Committee Secretary**  
**Parliament of the Republic of South Africa**



National Association of  
Automotive Component  
and Allied Manufacturers  
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Dear Allen

**RE: 2019 Draft Income Tax Amendment Bill**

Hope you are well.

The National Association of Automotive Component and Allied Manufacturers (NAACAM) raises its concern on the amendment around the proposed ad valorem change impacting the dutiable value for motor cars.

NAACAM sees the ad valorem change as a high-level recommendation of the SA Autos Masterplan 2035, and as such needed to have been unpacked through an Executive Oversight Committee type process, chaired by Minister: Trade and Industry before finalising, for implementation in 2021. This is how other elements of the plan are being implemented. NAACAM is unsure why NT has implemented immediately and not within the proposed timeframe specified for Masterplan implementation.

It is also unclear on how this will reshape the demand for new vehicles purchased in SA, given that the manufacturing OEMs are also net importers at present. That demand shaping was the pre dominant reason for recommendation, however under current conditions, it appears the implementation is more about fiscal recovery rather than demand shaping. The issue of demand shaping of the local vehicle market requires a rigorous assessment and solution, as the recent slow new vehicle sales environment stymies the long-term production outlook.

We suggest that analysis is needed on how component manufacturers who independently generate duty rebate certificates, which are tradeable by design, will be impacted if ad valorem on imports could no longer be rebated. If there are negative impacts on the ability of component manufacturers to

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monetise the incentive, then there will be a large unintended consequence of making leading component export sectors less competitive, and this is counter-intuitive to the long-term industry goals

By way of background, NAACAM is recognised as the voice of the South African automotive component industry both domestically and internationally. As a member driven organisation, we are at the forefront of industry leadership, representation and stakeholder engagement for automotive component manufacturers.

Anchoring our membership base are suppliers to OEMs for assembly in SA as well as to OE export markets and the domestic and global aftermarket. These approximately 150 manufacturers are supported by a band of associate members who provide specialised services across a diverse range including financial services, logistics, IT, incentive consulting and a host of others.

The majority of component suppliers to OEMs are globally owned however there is a significant emphasis of increasing the number of home-grown participants in this space. To that extent, NAACAM devotes much resources towards positively impacting the localisation, transformation and supplier development environment in SA.

Please contact me if any further information is needed.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R. M.', with a horizontal dotted line underneath it.

Renai Moothilal  
Executive Director