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| MEMORANDUM FROM THE PARLIAMENTARY OFFICE |

**NATIONAL ASSEMBLY**

**FOR WRITTEN REPLY**

**QUESTION 575**

**DATE OF PUBLICATION OF INTERNAL QUESTION PAPER: 03/03/2023**

**INTERNAL QUESTION PAPER NO 6 OF 2023**

**Ms K D Mahlatsi (ANC) to ask the Minister of Higher Education, Science and Innovation: [138] [Question submitted for oral reply now placed for written reply because it is in excess of quota (Rule 137(8))]:**

What has been the impact of the research and development tax incentive in increasing research and development investment as a percentage of the Gross Domestic Product?

**NW640E**

**REPLY:**

Independent studies and assessments have been conducted on the impact of the R&D tax incentive. These studies and assessments were considered during the recent policy review of the R&D tax incentive programme, the outcome of which culminated in the Minister of Finance announcing in his 2023 Budget Speech a 10-year extension of the incentive until 31 December 2033. As part of this policy review a Discussion Document was published on 15 December 2021 by the National Treasury and the Department of Science and Innovation, which document referred to and referenced the relevant studies. The Discussion Document is available on the National Treasury’s website.

In terms of impact, the study conducted by James (2017) indicated that companies benefiting from the R&D tax incentive spend an additional R4 million on R&D compared to those who conducted R&D but did not benefit from the incentive. The study indicated that while the revenue foregone between 2008 and 2015 was about R7 billion, the additional R&D spending was nearly R13 billion. This implies that for every one rand of tax revenue foregone by the fiscus, these companies spent an additional R1.83 on R&D. Another study also indicated positive and significant effects associated with the R&D tax incentive, in that companies that received the R&D tax allowance increased in-house R&D investment in terms of expenditure and intensity and reduced technology in-licensing.