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Five APDP Cash Flow Opportunities

The goal of the APDP is to stimulate growth in the automotive industry in order to increase localization and employment. The National Government has indicated that they have set a goal of producing 1.2 Million vehicles by 2020, and the APDP should provide the framework within which to accomplish this goal.

Already, the vehicle manufacturers are looking beyond 2020 for policy certainty that will stimulate investment decisions. Various manufacturers are already mid-way into a life cycle for large volume derivatives that will require investment post 2020. Component manufacturers in the automotive supply chain will have similar requirements.

The APDP provides various opportunities that will create duty relief and rebate earning potential. The challenge is to structure your business operations and strategies such that they will include all of these opportunities. Depending on the specific product and market access, there are five key APDP opportunities for component manufacturers:

Production Incentives

To make full use of rebate earning potential, manufacturers must seek and secure non-OEM revenue streams. This is done through aftermarket and export contracts. All sales over and above OEM sales will qualify for Production Incentives, taking into account other relevant APDP guideline requirements.

Duty refund administration

Customs duty impacts the per-unit cost of every manufacturer, and should be refunded in total for all OEM supplies. This is done through Item 536 refund applications.

APDP - Fact 1: All component suppliers qualify – not only Tier 1 suppliers!

Importers that manufacture products that are eventually exported also qualify for duty refund relief.

APDP – Fact 2: The importer does not have to be the exporter of the products to qualify for a duty refund!



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Automotive Investment Scheme

Investment in manufacturing facilities, equipment, and machinery occurs annually to ensure that quality and capacity can be achieved for OEM supplies. The AIS allows up to a 35% incentive on capital investments made by component manufacturers. The application and claim processes are managed by Dti, and are a key support pillar of the APDP.

APDP – Fact 3: You can register an AIS application every year!

Customs tax

Components are imported under various tariff headings, in accordance with the Harmonised tariff classifications. Duty is an integral part of the costing structures for component manufacturers, and incorrect tariff classifications may have adverse cash flow implications. We recommend that all component manufacturers review their tariff classifications on a regular basis. Free trade agreements allow for duty relief, and should be incorporated into the customs clearing processes.

APDP – Fact 4: BCE provides a free customs compliance assessment!

Logistics

Logistic services, although not part of the APDP impact on the processes and structures supporting the APDP. Customs compliance and logistic cost are key considerations when appointing service providers. Amongst other applications, the APDP is used to offset logistical costs faced by South African companies competing in a global landscape. BCE has the expertise to make a positive difference in your business. We can improve compliance, and reduce logistical expenses.

APDP – Fact 5: Using Production Incentives to offset high dutiable imports will result in substantial cash flow benefits.

Conclusion

The five key areas discussed above are all linked, and support the overall customs and APDP compliance of your business. A comprehensive review of the five key areas will also unlock potential cash benefits in your business. BCE, as a dedicated automotive industry service provider has the experience to professionally support you with this process. Why not allow us to guide your business to an improved compliance and financial position?



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