

# Tax allowance to grow your business (I2L Tax Allowance)



## A tax deduction that helps to grow your business

The National Treasury and South African Revenue Services in conjunction with the Department of Energy offer a **tax allowance that supports start-up or expanding businesses that practice and adhere to energy productivity.**

The tax allowance is contained in section 12L of the Income Tax Act, 1962 (Act No 58 of 1962) and is generally referred to as the **I2L Tax Allowance**. It enables businesses of any kind to claim a tax deduction for the efficient use of energy and for investing in modern energy efficient equipment.

- The deduction is calculated at **95 cents** per kilowatt hour or kilowatt hour equivalent for the difference between the energy used and that which would have been used if the more efficient technologies and processes had not been installed.
- The tax allowance is only applicable for a consecutive **12 month** period, after which it falls away.
- **No limits** are applicable to the number of claims or the sizes of individual claims.



Go to [www.sanedi.org.za/I2L.html](http://www.sanedi.org.za/I2L.html) for more information



Alternatively, call SANEDI at **011 038 4300** and ask to speak to an advisor who specialises in the I2L Tax Allowance



## Procedure for claiming

A business must, for each year of assessment for which the tax deduction is claimed:

- **Register** with the South African National Energy Development Institute (SANEDI), an agency of the Department of Energy
- Appoint a **SANAS accredited** measurement and verification (M&V) body to perform the activities and compile the necessary reports towards the claimed energy amounts for the specific assessment year
- Ensure that the M&V body **submits the reports** to **SANEDI** for evaluation
- Obtain a **certificate** from SANEDI that confirms and provides proof of energy savings and amounts to be claimed for that specific assessment year



## Benefits

The tax allowance encourages:

- Establishment of new **energy efficient businesses**; and
- Energy efficient **growth and expansion** of existing businesses.

# How is the I2L Tax Allowance calculated?

A business could save **R260 000** on its annual tax return when expanding more efficiently than it would have and, in the process save **1 million kilowatt hours** of electricity\*. See how in the example below calculates a project's incentive:

Electricity that would have been used  
(if not for efficiency)- Electricity usage = Verified difference  
 $1\ 000\ 000\ 000\ \text{kWh} - 999\ 000\ 000\ \text{kWh} = 1\ 000\ 000\ \text{kWh}$   
Incentive rate = R0.95 per kWh  
Tax incentive amount = **R950 000**



## Business annual net profit (R2 million):

<b>Without I2L</b>	←	R2 000 000	→	<b>Using I2L</b>
R2 000 000		(example)		R2 000 000
x 28%				- R950 000
<hr/>				<hr/>
<b>R560 000</b>				R1 050 000
tax payable				x 28%
				<hr/>
				<b>R294 000</b>
				tax payable

**Money saved using I2L:**  
**R560 000 – R294 000 = R260 000 saved**  
plus money saved on electricity bills due to **efficiency**



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Or contact a SANAS  
accredited Measurement and  
Verification Inspection Body

### Disclaimer:

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