

South African Electric Vehicle Tax Break Cannot Secure Automotive Future Alone

Infrastructure export access suppliers and policy certainty remain central to future production decisions

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/EINPresswire.com/ -- South Africa's manufacturing allowance for battery-electric and hydrogen-powered vehicles. It finds that the measure improves qualifying investment economics but cannot by itself determine where global manufacturers allocate future vehicle programmes. The South African Revenue Service says section 12V took effect on 1 March 2026.



TheGMA_South_Africa_EV_Tax_Break

The allowance changes the investment calculation

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Tax relief strengthens the case, but production decisions are global. South Africa must deliver reliable utilities, efficient logistics, competitive suppliers, stable policy and export access.”

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Section 12V permits qualifying manufacturers to deduct 150% of the cost of eligible buildings, improvements, and new and unused machinery or equipment used mainly to produce battery-electric or hydrogen-powered vehicles in South Africa. [InvestSA says](#) the window runs from 1 March 2026 to 1 March 2036 and can operate alongside the Automotive Production and Development Programme Phase 2, known as APDP2.

The measure is a tax deduction, not a cash payment equal to 150% of the investment. Its value depends on eligibility and the manufacturer's tax position. SARS draft guidance

defines 'mainly' as more than half in eligible production.

Export exposure raises the economic stakes

The sector's scale makes the transition an industrial-policy issue. The 2026 Automotive Trade Manual reported that vehicle and component manufacturing accounted for 23.8% of South African manufacturing value addition in 2025. It said 70.5% of light-vehicle production was

exported, with the European Union and United Kingdom accounting for 62.8% of automotive export value.

[Reuters](#) reported that the industry directly employs about 113,000 people. Changes in export-market rules and demand can therefore affect South African factories, suppliers and employment.

Investment decisions extend beyond tax

Automotive executives interviewed by Reuters described the allowance as constructive while identifying electricity, logistics, production costs, skills, supplier capacity, trade access and policy certainty as continuing factors in capital allocation. These are attributed assessments, not forecasts.

Reuters also reported that no automaker had announced an electric-vehicle manufacturing investment explicitly linked to the allowance by 24 September. That does not establish policy failure: the measure had been active for fewer than seven months and vehicle programmes involve long planning cycles. The tax percentage alone is not evidence of secured production.

"Tax relief can improve a project's business case, but production is allocated across international networks, the practical test is whether South Africa can combine the allowance with reliable utilities, efficient logistics, competitive suppliers, predictable rules and continued access to export markets."

Domestic demand and supplier depth remain relevant

naamsa's latest full-year figures show that new-energy-vehicle sales rose 7.1% to 16,716 units in 2025, but their share of total new-vehicle sales declined from 3.0% to 2.8% as the wider market grew faster. The category includes hybrid, plug-in hybrid and battery-electric vehicles. A small domestic market does not prevent export-led manufacturing, but it limits scale.

A Department of Trade Industry and Competition implementation update reported local content at about 39% in 2024, below the Automotive Masterplan target of 60%. It said APDP2 amendments for electric vehicles and components had been completed, while support for plug-in hybrids and range-extender vehicles was still in progress.

The next evidence will determine the outcome

The APDP2 review had not been finalised when Reuters published its report, although government had called it a priority. The next assessment should focus on final policy terms, announced investments, model allocations, capital expenditure, local-content and employment commitments, and energy and logistics performance.

The allowance is an active policy instrument, not a completed industrial outcome. Evidence of success will come from commissioned assets and recorded production decisions.

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