



AFRICAN REGIONAL
INTELLECTUAL PROPERTY
ORGANIZATION



ORGANISATION AFRICAINE DE
LA PROPRIÉTÉ
INTELLECTUELLE



JAPAN PATENT OFFICE



GOVERNMENT OF THE
REPUBLIC OF ZIMBABWE



INCENTIVISING INNOVATION AND COMMERCIALIZATION OF IP ASSETS BY SMES



**SOUTH AFRICAN
RESEARCH CHAIR:**

Intellectual Property,
Innovation and Development

Prof Caroline B Ncube



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WIPO/ARIPO/OAPI (WAO) Conference on Intellectual Property (IP),
Innovation and Value Addition for Business Competitiveness and Sustainable
Development in Africa

Overview

- Framing for session
- Current financial incentives for innovations, protection and commercialization of IP assets available for SMEs in Africa
- SMEs and IP
- Financing innovative SMEs (overview of forms of funding)
- Public funding
 - Overview (incl. tax incentives)
 - A success story

*will not cover IP Valuation – see resources at the end

SMEs and IP

- The terrain is varied, but a few fundamental features have consistently been observed-
 - IP awareness and technical knowledge is very low
 - There is minimal usage of IP protection
 - Most SMEs do not have an IPR strategy
 - Additional obstacles to SMEs' use of IPR include the cost of creation and enforcement of rights
 - Obstacles to IPR use are particularly acute when SMEs operate internationally
 - Collaboration and open innovation may overcome some resource challenges but they also present complexity to SMEs
- Financial constraints may be overcome by the protection and commercialization of IP assets, so financial incentives for this are important

Financing innovative SMEs

- “Despite broad recognition of the economic value of IP and its contribution to economic growth, many start-ups face difficulties accessing affordable funds to expand their businesses.” Ogier, 2016
- SMEs rely on traditional finance sources – bank loans – but struggle to provide acceptable collateral
- Relying on IP - backed financing would help e.g.
 - Angel investors
 - Venture capital
- Government incentives and public funding thus have an important role to play

IP-backed financing

Advantages

- Appreciate in value
- Adds to pool of business assets
- Repayment incentive
- Alternative to burdening personal assets

Disadvantages

- Challenges in valuation and proper accounting to reflect IP assets
- Management of assets to ensure appreciation in value
- Lending & risk criteria that overlook IP assets
- Attendant risks on using IP assets

IP backed financing: some solutions

- SMEs

- Use of IP audits to properly ascribe value to IP assets
- Strengthen IP Portfolio management
- Leverage licensing as a source of income

- Financial services sector

- accredited standards for IP valuation and risk management;
- Common platforms for IP asset evaluation;
- More accessible and effective IP marketplaces;
- Some services available on the continent e.g. <http://www.prospectipafrika.com/>

Public funding

- Arts Councils provide grants
 - E.g. National Arts Council, Namibia <http://artscouncilnam.org/content/grants-bursaries/grants#grants-are-offered-for>
 - National Arts Council, South Africa <https://www.nac.org.za/three-year-funding/>
- Government departments provide a wide variety of grants through multiple instruments



The dti funding for small businesses is currently obtainable from the following four funds:

SEDA Technology Programme – the Seda Technology Programme (STP) is responsible for providing both financial and non-financial technology transfer, business incubation and quality support services for small enterprise.

Agro-Processing Support Scheme (APSS) – Launched in 2017, the Agro-Processing Support Scheme (APSS) incentive scheme is a R1-billion cost-sharing grant fund designed to boost investments in new and existing agro-processing projects.

Support Programme for Industrial Innovation (SPII) – designed to promote technology development in South Africa's industry, through the provision of financial assistance for the development of innovative products and/or processes.

The Aquaculture Development and Enhancement Programme (ADEP) – a cost-sharing incentive programme for projects in primary, secondary and ancillary aquaculture activities

Export Marketing and Investment Assistance Scheme (EMIA) – aims to develop export markets for South African products and services and to recruit new foreign direct investment into the country.

The Sector Specific Assistance Scheme (SSAS) – a reimbursable cost-sharing grant that will pay for 80% of the costs incurred by (non-profit) export councils, joint action groups and industry associations to provide support to companies to grow the export market for South African goods.

R&D Tax Incentive – this incentive is available to businesses of all sizes and in all sectors of the economy, for research focused on science and technology as applied to any industry sector.

R&D Tax Incentive

- 2006 – 2022, likely to be renewed
 - s11D Income Tax Act
 - Administered by DSI, SARS & National Treasury
 - Online application system
 - Tax deduction of 150% of direct & sole R&D expenditure

SBC tax rebate

- a small business corporation (SBC) pays no income tax on the first R79 000 taxable income (for years of assessment ending on or after 1 April 2019).
- SBC defined as a close corporation, a co-operative, a private company and a personal liability company, if at all times during the year of assessment all of the shareholders or members of that entity were natural persons.
- Additional requirements that must all be met to be regarded as a SBC, include:
 - gross income < R20 million for the year of assessment;

SBC additional requirements cont'd

- No member or [shareholder](#) of the entity may, hold any shares or have any interest in the equity of **another company**, other than certain specific exceptions which include listed companies, collective investment schemes and others;
- Not more than 20% of the total receipts or accruals and capital gains of the entity may consist collectively of “investment income” and income from the rendering of a “personal service”; and
- The entity may not constitute a “personal service provider” as defined for tax purposes.

SBC tax rates

Small Business Corporations (SBC) - *see changes from last year*

Financial years ending on any date between 1 April 2019 and 31 March 2020:

| Taxable Income (R) | Rate of Tax (R) |
|--------------------|--|
| 0 – 79 000 | 0% of taxable income |
| 79 001 – 365 000 | 7% of taxable income above 79 000 |
| 365 001 – 550 000 | 20 020 + 21% of taxable income above 365 000 |
| 550 001 and above | 58 870 + 28% of the amount above 550 000 |

- Companies pay 28% tax (no rebate)

Other tax incentives: Micro business turnover tax

- simplified system aimed at making it easier for micro business to meet their tax obligations.
 - replaces Income Tax, VAT, Provisional Tax, Capital Gains Tax and Dividends Tax for micro businesses with a qualifying annual turnover of R 1 million or less.
- Turnover tax is worked out by applying a tax rate to the taxable turnover of a micro business.

TURNOVER TAX FOR MICRO BUSINESSES

2020 (1 March 2019 - 29 February 2020) - no changes from last year

| Taxable turnover (R) | Rate of tax (R) |
|----------------------|--|
| 0 – 335 000 | 0% of taxable turnover |
| 335 001 – 500 000 | 1% of taxable turnover above 335 000 |
| 500 001 – 750 000 | 1 650 + 2% of taxable turnover above 500 000 |
| 750 001 and above | 6 650 + 3% of taxable turnover above 750 000 |

Examples of govt funding (2)

- **Black Industrialists Scheme (BIS)**
- the **Industrial Development Cooperation (IDC)** e.g. the Green Fund
- **Tourism Transformation Fund** (Department of Tourism & National Empowerment Fund)
- **Growth Fund** (professionally managed by CDI, funded by the National Treasury's Jobs Fund, the Technology Innovation Agency (TIA), and the Western Cape Department of Economic Development and Tourism (DEDAT))
- **Technology Innovation Agency (TIA) – Seed Fund** (individuals who are working with a higher education institution or science councils and are now looking to commercialise their research)
- **National Youth Development Agency (NYDA)**
- **Technology Venture Capital Fund** (IP commercialisation)
- **Innovation Hub** (innovation agency of the Gauteng province)*

e.t.c

BIOPARK @ GAUTENG ENTREPRENEURS

BioPark @ Gauteng Alumni Companies

BioPark @ Gauteng Core Companies

BioPark @ Gauteng Factory Companies



MABU CASING SOILS

Produces an eco-friendly, casing soil for the button mushroom farming from pulp and paper waste material. The product solves multiple challenges faced in South Africa that include, unemployment, waste management, production of low cost food. The product substitutes peat, the traditional source of the casing soil, which is now banned due to environmental unfriendliness.

Tel: 012 362 0441 | 082 374 7707

linda@mabucasing.co.za



OPTIMUS BIO

OptimusBioTM produces a variety of earth-friendly biological based products using technology licensed from the CSIR. The company addresses the core of current environmental challenges which resonates with the global drive for a green economy. The market ready product portfolio caters for domestic and commercial cleaning, water treatment and rural sanitation, agriculture and aquaculture.

Tel: 012 841 3780 | 082 452 4889

rlaloo@csir.co.za



PORTIA M SKIN SOLUTIONS

Production of skin care products from Marula Oil. The products are rich in Omega 3, 6 and 9 fatty acids. The product has one of the best skin miniaturisation capabilities and caters for all skin types especially the previously neglected ethnic one.

Tel: 076 186 7256

www.portiamss.com /tshidi@portiamss.com

A success story: Portia M

- 2011 Portia Mngomezulu, registered her business (1 product)
- 2012 Mother in law taught her about Marula oil's healing properties
- 2011 – 2014 home manufacture & direct sales with social media marketing
- Then received funding and support:
 - Massmart bursary;
 - SEDA business development consultant;
 - SABS and Proudly South African product accreditation;
 - Innovation Hub's BioPark Incubation Programme: manufacturing equipment, infrastructure and business development support.



- Expansive product range: face, body and baby
- now available in all major outlets in South Africa, Botswana, Zambia, Namibia, eSwatini, Lesotho
- Operates from own factory
- 39 full time employees

www.portiamss.com

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Dis-Chem Pharmacies some Pick n Pay SPAR Kalapeng PHARMACIES

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PURE LUXURY FOR YOUR SKIN



Learnings

- Multiple funding opportunities (at national & provincial level)
- Advertise these widely
- Assist applicants in applying
- Select only as many as can realistically & meaningfully be supported
- Comprehensive support is required
 - Funding
 - Skills
 - Standards accreditation
 - Incubation (manufacturing, packaging, distribution)
- “graduate” successful enterprises

Resources

- WIPO – IP Panorama, [Module 11: IP Valuation](#)
- The Creative Industries Federation *Creative Industries: routes to finance*
- UKIPO [IP Finance Toolkit](#), 2015
- JP Ogier [Intellectual property, finance and economic development](#), *WIPO Magazine* February 2016
- OECD [IP-Based Financing of Innovative Firms](#), 2015
- SMEs South Africa [A Guide to Government Funding for SMEs](#), April 2019
- Kirsch IP [R&D in South Africa: A must read for any business operating in South Africa](#), July 2019

Thank you!



@caro_ncube @IPChairUCT

Caroline.ncube@uct.ac.za



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www.ipchair.uct.ac.za