

Biodiversity Management Agreement Tax Incentive Pilot

Fiscal Benefits for Threatened Species

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Development and implementation of new and innovative finance mechanisms for conservation and sustainable landscapes

- Sustainable Landscape Finance Coalition
- Fiscal Benefits
 - Tax Incentives
 - Property Rates
- Innovative Finance: Incubators, Strategies, Pilots



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CONTEXT

- Substantial financial shortfalls across all landscapes to address the global environmental crisis.
- Exacerbated by Covid-19 crisis.
- Financial implications of managing South Africa's threatened species, notably rhino, but including others such as lion, cycads, vultures, etc.
- Effective protection and management require adequate as well as sustainable financing and resourcing.
- Resourcing: existing and available financial resources and how these are used effectively.
- Financing: creation of new flows of finance, multitude of mechanisms.
- Innovative Finance: tax incentives are one tool that has been successful.

BIODIVERSITY TAX INCENTIVE: STATUS QUO

SECTION 37D

- Effective and accessed country wide
- Protected Areas: Nature Reserves/National Parks
- Qualifying sites deduct value of land declared as a PA
- To date: R200 million and approx. R1.4 billion by 2026

SECTION 37C(1)

- In legislation since 2009: Income Tax Act
- Not utilised to date
- Tax deduction for conservation and maintenance costs
- Linked to a Biodiversity Management Agreement per section 44 of NEMBA – *link to specific BMPs for species*
- **Aim: test this for the first time**

BMA TAX INVESTIGATION INCUBATOR



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- Sustainable Landscape Finance Coalition = Finance Solution Incubators – investigate a specific green finance intervention and determine its viability
- BMA Tax Investigation Incubator successfully concluded with clear indication of viability
- Run together with DFFE and SANBI
- Building Blocks to the finance solution are present to allow for practical testing
- This does not guarantee the financial benefit but provides sufficient scope to qualify for testing
- Pilot will test the practical implementation and impact

PILOT: BMA TAX INCENTIVES

- Pilot: WFA's Innovative Finance Unit will test section 37C(1) for the first time since inclusion in the ITA
- Aim: Determine the use and applicability of this unique tax deduction for the benefit of species management
- Key Deliverable: Process incentive in a minimum of one qualifying tax return
- Focus: Rhino and Lion management costs
- Engagement with key communities of practice as well as management experts
- Advisory Committee established to assist with expert input throughout the pilot
- Official start date: 1 July 2021
- Project Lead: Ellané van Wyk
- Oversight: Candice Stevens

PILOT: ELIGIBILITY

- Owners and managers of species
- Who are not generating income from the land the species are kept
- i.e. who cannot deduct these expenses for tax purposes
- These taxpayers may qualify for section 37C(1)

- Taxpayers already deducting conservation and maintenance expenses because they are running a commercial operation (tourism, hunting, breeding & selling, game viewing), will rather access section 11(a) of the Income Tax Act
- And will not access section 37C(1).

KEY FACTORS

- 1) **Pilot:** outcome is therefore uncertain
- 2) **Voluntary:** tax pilot sites with both rhino landowners and lion landowners
- 3) **Selection criteria:** tax and conservation management
- 4) **Building blocks:** allow pilot results to be scaled across all qualifying sites and to other species
- 5) **Linked to BMPs:** Biodiversity Management Plan for specific species
- 6) **Link to BMAs:** each site must have a BMA – this will form part of the pilot
- 7) **Tax requirement:** each site must meet the tax requirements per the ITA
- 8) **Rhino and Lion:** threatened species, large management costs, community associations, scoping of costs and management already undertaken, national imperatives

ADVISORY COMMITTEE: WHAT IS REQUIRED?



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- Meeting every 2nd month to provide input into updates from project which will be presented at these meetings.
- Advisory committee members approach on an ad hoc basis on specific issues.
- Introductions to taxpayers who may be willing and eligible to test the incentive.
- Drafting & Signing of BMAs with legal support from DFFE.