



BRIGHT LIGHT
SOLAR VCC

BRIGHT LIGHT SOLAR VCC LTD TAX DEDUCTION UNDER S12J

The South African Revenue Service (“SARS”) have followed international counterparts in adopting a tax deduction on investments made in registered Venture Capital Companies, as defined in the Income Tax Act. This deduction has been included under Section 12J of the South African Income Tax Act. Whilst tax deductions are typically only allowed on expenditure in the production of income, SARS aimed to incentivise investors investing in Venture Capital Companies as a way to increase employment and grow small business.

Investors in a Section 12J Venture Capital Company (“VCC”) can deduct 100% of their investment from their taxable income, whether the investor is an individual, a Trust or a company, but limited to R2.5m for individuals and Trusts, and R5.0m for companies.

This effectively reduces the amount of “risk capital”, from the initial capital amount invested to the amount less the investor’s tax bracket percentage. For investors in the top tax bracket of 45%, or annual taxable income over R1,577,301, this reduces the risk capital portion to 55% of the initial amount invested.

The following table provides an illustration of this reduction in risk capital:

Investment	Individuals	Trusts	Corporates
Investment amount	R 1 000 000	R 1 000 000	R 1 000 000
Tax rate	45,0%	45,0%	28,0%
Tax deduction	R 450 000	R 450 000	R 280 000
Net investment "risk capital"	R 550 000	R 550 000	R 720 000

The Section 12J Income Tax deduction provides investors with the opportunity to benefit from 100% of the upside, whilst reducing risk by the allowable deduction.

In order to qualify for this deduction, the investor must invest in a registered VCC that has been approved by the Financial Services Conduct Authority (“FSCA”) established pursuant to the Financial Sector Regulation Act No 9 of 2017 (previously the Financial Services Board (“FSB”)) and has been registered with the South Africa Revenue Service (“SARS”). Bright Light Solar VCC Ltd (“Bright Light Solar VCC”) was approved by the FSCA and obtained its license (FSP 47804) in February 2017. It obtained its SARS registration as an authorised VCC in May 2017 (SARS VCC reference number VCC-0060).

Bright Light Solar VCC Ltd

Registration Number: 2016/491381/06

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Bright Light Solar VCC Ltd is an authorised Financial Services Provider, FSP number 47804



TAX CERTIFICATES

Investors will receive a Section 12J Tax Certificate from the VCC, which serves to confirm the tax deduction and which must be presented when submitting the investor's annual tax return. An investor may not claim the 12J deduction without this Tax Certificate. Bright Light Solar VCC will issue investors with their Tax Certificates prior to any tax submission deadlines.

Tax Certificates issued to investors will include the following details:

- Full name of the investor (whether this be an individual, Trust or company);
- The tax year in which the investment was made in Bright Light Solar VCC;
- Amount of the investment;
- Tax registration number of the investor (whether this be an individual, Trust or company);
- The Bright Light Solar SARS VCC number; and
- Other relevant details pertaining to the deduction.

Investors should keep their Tax Certificates in a safe place, as SARS could request proof of this.

TAX TREATMENT

Investors are advised of the following tax treatment relating to their investments in Bright Light Solar VCC:

- **Initial investment:**
 - Section 12J tax deduction in the hands of the investor (investors can deduct 100% of their investment in Bright Light Solar VCC from taxable income);
 - This deduction occurs in the tax year in which the investment in Bright Light Solar VCC is made but limited to R2.5m for individuals and Trusts, and R5.0m for companies;
 - An investor must remain invested in Bright Light Solar VCC for a period of at least five years to continue to qualify for the deduction;
 - Dividends earned from Venture Capital Company shares are subject to dividends withholding tax if the investor is an individual or a Trust. Companies are excluded from dividends tax.
- **Bright Light Solar VCC and Qualifying Companies:**
 - The Qualifying Companies are able to claim an accelerated Wear and Tear allowance in terms of s12B on solar PV and can claim a Wear and Tear allowance over the useful life of the assets in terms of other renewable installations.
 - The result is that the Qualifying Companies will only pay tax on income between years 5 and 7 (depending on the mix of renewable energy projects invested in by the Qualifying Company);
 - The Section 12J deduction effectively results in a double write off against taxable income (the first being against the investor's taxable income and the second being against the taxable income of the Qualifying Companies);
 - Dividends earned by investors from Bright Light Solar VCC are subject to dividends withholding tax if the investor is an individual or a Trust. Companies are excluded from dividends tax.



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- **Sale of VCC shares:**

- In the event that the investor sells their shares held in Bright Light Solar VCC prior to the above five-year period, from the date of purchase, a full recoupment of the tax deduction will apply;
- If the investor remains invested for a period of greater than five years, no recoupment will apply when they sell their shares in Bright Light Solar VCC;
- Capital Gains Tax (CGT) will apply on the sale of shares in Bright Light Solar VCC;
- CGT will be payable when selling VCC shares. The CGT rate will be at the tax payer's usual CGT rate. There is tax relief for capital losses on disposal of VCC shares. Any losses can be deducted against any other capital gains. It will not be possible to set off capital losses against the investors' income. The base cost for CGT purposes will be zero.

The tax deduction allowed by SARS makes investing in Venture Capital Companies a very compelling investment argument. This not only offers investors an immediate upfront return, but potentially higher after-tax returns than typical investment funds. Bright Light Solar VCC is managed by Bright Light Project Management (Pty) Ltd and headed by an experienced team in the asset management and solar sectors.

All statements made in this document are subject to the terms and conditions of the latest Prospectus issued by Bright Light Solar VCC which is available on request, as well as on the Bright Light Solar VCC website (www.brightlightvcc.co.za). If there is any conflict between this document and the latest Prospectus, the Prospectus shall prevail.