Section 12B Renewable Energy Investment Partnerships

July 2025

“A fine is a tax,
for doing something wrong”

“A tax is a fine,
for doing something right”

What is Section 12B?

Section 12B is a tax-incentive provision of the South African Income Tax Act that provides investors with a **100% tax deduction for investment into qualifying solar projects.** The **Section 12B allowance is granted in respect of the cost of equipment** and explicitly requires that electricity generated by the equipment be used in the production of income.

Why invest in Section 12B partnerships?

- **Section 12 B partnerships invest in niche renewable energy projects around SA**
- **Partner with established operators** that have a demonstrable track record of achieving targeted returns
- Investors effectively **own the assets** (solar panels, batteries, inverters etc) through ***en commandite* partnerships**
- Earn **strong, predictable and growing distributions from the underlying Power Purchase Agreements (PPAs)**
- Adding leverage, investors can claim up to a **235% income tax deduction** for investing in renewable energy projects via Section 12B partnerships. This, remarkably, works out to getting up to **106% of your capital invested returned as a tax refund within 12 months of investing***
- **Expected after-tax IRR's between 16% to 19% per annum over a 10-year period***
- **Doing good for the country and the environment** (ESG-conscious investment)

** Assumes a marginal tax rate of 45% and on whether leverage is used in the partnership*

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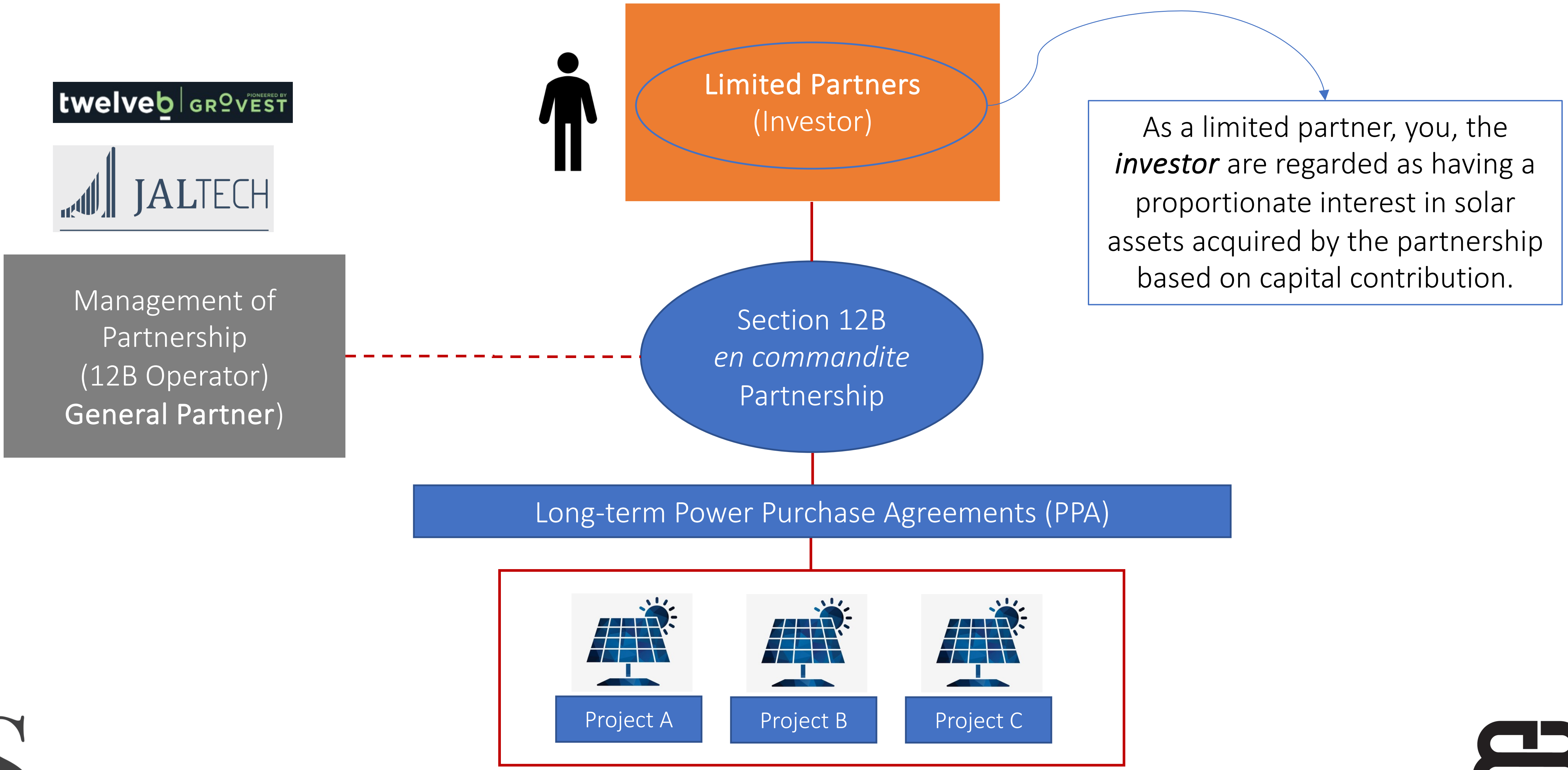
Section 12B Partnership Structure



Who is it for?

- **Individuals** with taxable income over R **1.8** million expected in the current tax year
    - 45% marginal tax rate.
- **Trusts** with looming, large tax liabilities in the current tax year
- Can afford to hold onto the investment for **10+** years
- The investment should be less than **5-10 %** of their overall portfolio
- Selected partnership characteristics (debt levels, income expectation etc) must be commensurate with the investor's risk profile

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Section 12B vs Section 12J

Section 12B - Section 12J Comparison		
	Section 12J	**Section 12B**
Structure	Fixed Capital Structure	En Commandite Partnerships
Tax Deduction	100%	up to 235%
Holding Period	5 Years	No limit
Annual Investment Limit	R2.5m p.a. for companies & trusts R5m p.a. for individuals	No limit
Capital Gains Tax on Exit	Yes	No
Recoupment Tax on Early Exit	Yes	Yes
Risk	Moderate to High	Moderate to High

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How we think of Section 12B?

- Expected after-tax IRRs of 16 % - 19 % per annum driven by:
  - Upfront tax refund significantly reduces net investment outflow
  - Strong, predictable, and growing distributions
  - Use of leverage to enhance tax deductions and returns
- It’s an alternative investment with a return profile uncorrelated to conventional investments like listed shares, bonds and unit trusts
- Identify reliable and reputable section 12B operators and underlying renewable energy projects that meet our strict investment criteria

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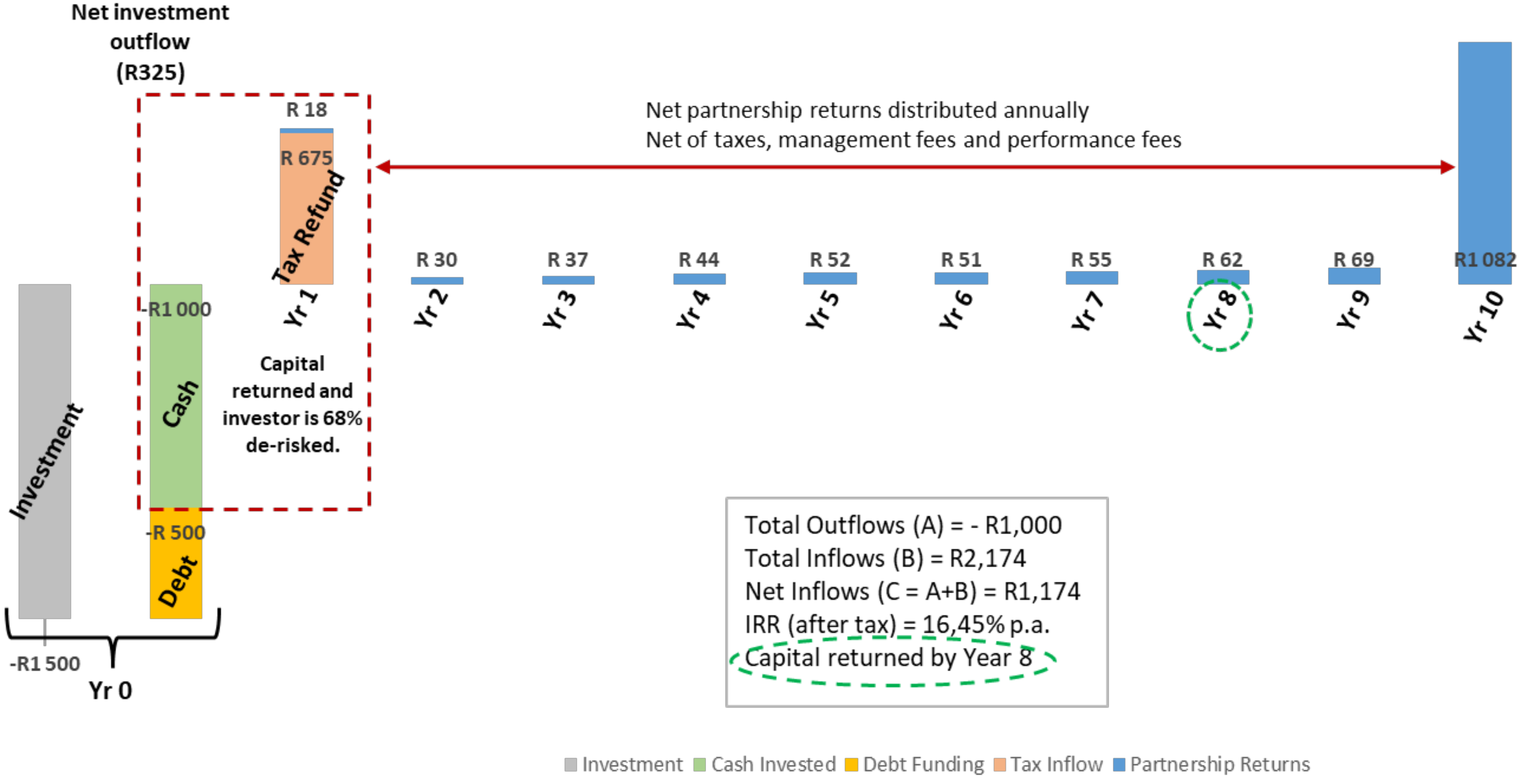
Example:

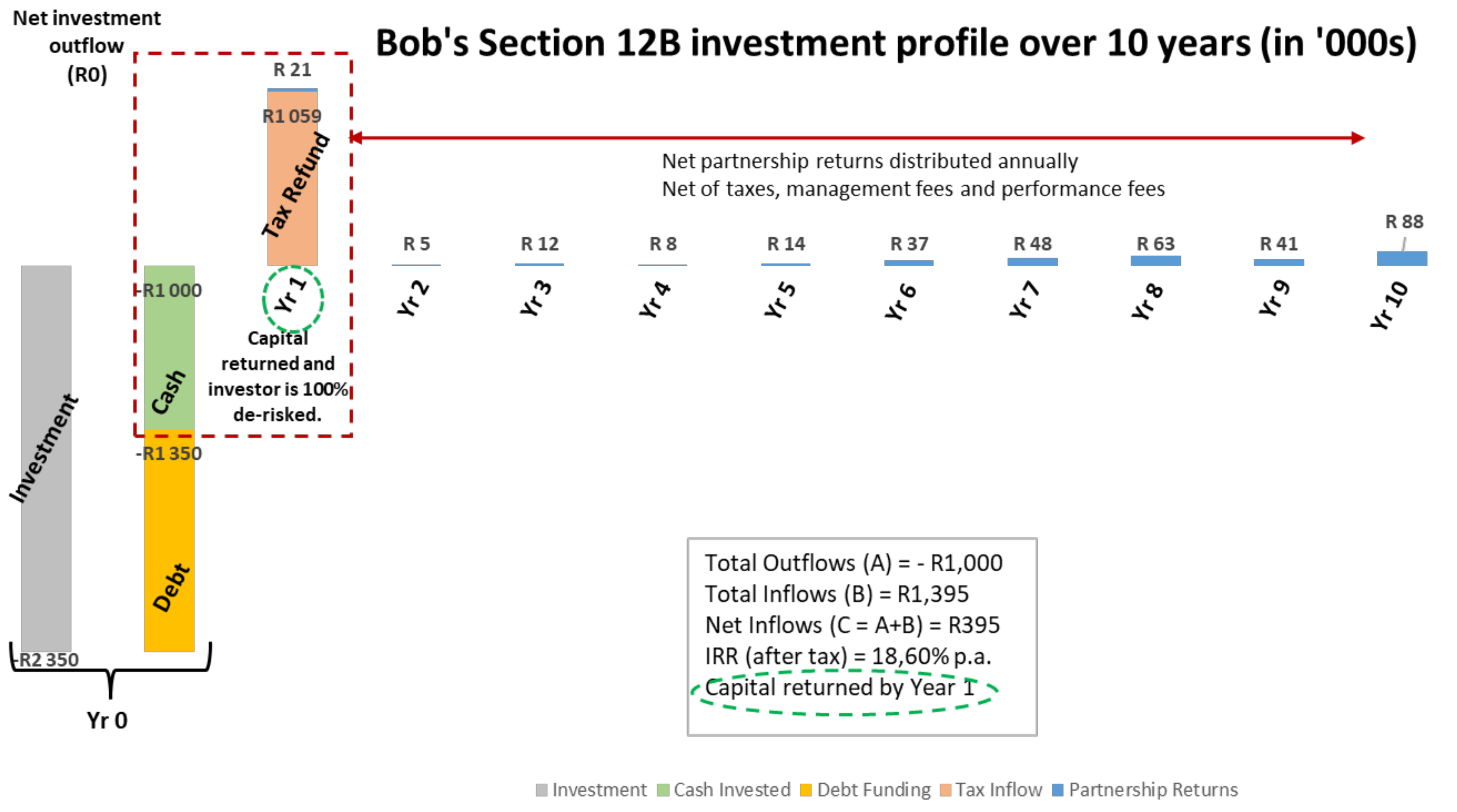
Bob invests R1,000 into the Grovest Section 12B partnership. The investment leverages 33% of debt versus assets and generates annual cash flows from its portfolio of renewable energy projects. The graph below illustrates the resultant cash flows (net of tax and fees) assuming Bob exits the Fund in 10 years' time. Bob has a 45% marginal tax rate.

Bob's Section 12B investment profile over 10 years (in '000s)



Example:

Bob invests R1,000 into the Jaltech Section 12B partnership. The investment leverages 57% of debt versus assets and generates annual cash flows from its portfolio of renewable energy projects. The graph below illustrates the resultant cash flows (net of tax and fees) assuming Bob exits the Fund in 10 years' time. Bob has a 45% marginal tax rate.



Section 12B Partnership Due Diligence

The are some of the factors we use to assess the inclusion of any Section 12B fund we recommend:

Partnership Analysis

- General Partner or Operator
  - Experience, expertise, reputation
  - Co-investment
  - Track record
- Corporate Governance
  - Key management
  - Ongoing reporting
- Fees
  - Upfront, ongoing, and upon exit etc
- Exit Strategy
  - Coherent, defined, and aligned
- Income Streams
- Investment Minimums

Project Analysis

- Use of your money
- Project Manager
  - Experience
  - Expertise
  - Reputation
  - Co-invested
- Diversification
  - Geographic
  - Sector
  - Asset Orientation
- Expected returns based on risk taken

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Key Risks

- **Late deployment of capital:**
  - Tax deduction can only be claimed in the year the renewable energy project is live and producing electricity.
  - The exact tax deduction for the 2026 tax year will only be known in Jan/Feb 2026 (estimates can be used to file provisional tax returns)

- **Long-term investment with no guaranteed early liquidity mechanism:**
  - Whilst your investment could be repurchased by the Partnership or sold to a 3rd party, it will take time to facilitate and have recoupment tax consequences.

- **Default or non-payment by an end-user:**
  - Whilst the assets are moveable and can be deployed elsewhere, a customer default will temporarily impact returns.

- **Operational risks:**
  - Renewable energy assets are electronic systems, any failure of a system at a project level could temporarily impact cash returns depending on the severity.

- **Leverage risk:**
  - The use of debt within these partnerships adds an additional layer of risk to the investment.

- **Unregulated partnership structure**
  - The Product does not fall within the ambit of the Financial Advisory and Intermediary Services Act, 37 of 2002 (Act) and is subsequently not regulated under the Act and therefore the protection that may apply in respect of financial products or services in terms of the Act will not apply to the Product. Based on your financial experience, and before you proceed with this transaction, please familiarise yourself with the specific specifications of this product's terms and conditions, to assist you in determining whether, or not, the specific financial product is suitable for you, based on your specific circumstances.

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Section 12B - Partnership Analysis

Partnership name		Twelve B Green Energy by Grovest	JalTech Solar Investment
Investment Minimum per investor		R100 000	R500 000
General Partner Analysis	Competence & reputation	Excellent	Excellent
	Commitment to corporate governance & reporting	Excellent	Excellent
	Management co-invested	Yes	Yes
	Growth Industry	Renewable Energy	Renewable Energy
	Scale (Existing AUM)	> R3 500 000 000	> R1 600 000 000
	Targeted Capital Raise	R200 000 000	R250 000 000
Fees and Exit Strategy	Upfront fees	1%	2% of total debt amount
	Ongoing fees	2% per annum	2.25% per annum
	Performance fees	20% after returning 110% of capital	Zero for first 4 years. Thereafter, 15% above hurdle of investment amount and 20% based on profits from sale of solar assets
	Expected investment horizon	10 years	10 years
	Aligned and defined exit strategy	Portfolio of assets to be sold into active institutional market, may be extended by two years	Wetility is contractually obligated to acquire solar asset portfolio after year 10 at predetermined value
Risk analysis	Geographic diversification of assets	Yes	Yes
	Sector diversification	Low	Low
	Customer concentration	Medium	Medium
	Gearing	Medium	High
	Ongoing Income Stream for partnership from Year 1	Yes	Yes
	Distribution frequency	Bi-annual	Annual
Projected Returns Analysis (Returns on Net Capital Invested)	Investment Type	Portfolio of projects underpinned by long-term agreements with contractual cash flows, up to 34% debt used at partnership level	Portfolio of projects underpinned by long-term agreements with contractual cash flows, up to 57% debt used at partnership level
	Expected Internal Rate of Return % (Post-tax IRR)	**16%**	**19%**

Any questions?

Kindly reach out to any of our advisors if you would like to discuss this opportunity further.

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