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TAXATION INCENTIVES: A TOOL FOR FAST-TRACKING THE GROWTH OF EMERGING
NEWSPACE INDUSTRIES. CASE STUDY: AFRICA

Abstract

Government support is critical to the success of developing space programs in emerging space countries, which often lack socioeconomic investment, access to space, and aeronautic-related partnerships with other nations. The support from the government exceeds providing grants and sponsorships or establishing institutions, agencies and parastatals as this is not a sustainable approach in the long term. For the growth and development of emerging space countries, governments would need to put in place policies that create an enabling environment for space professionals, businesses and investors to thrive.

Tax incentives are a strong fiscal policy that can stimulate investment and savings leading to capital formation thereby enhancing industrial growth and economic development. To boost the NewSpace industries in emerging countries some tax incentives such as tax exclusions; credits; preferential tax rates; or deferral of tax liability, are essential. The impact of tax incentives on the NewSpace industry will be increased interest and participation within the ecosystem by both investors and various players, ease of entrance of foreign companies looking to expand into Africa and indigenous companies, employment creation and eventually tremendous growth of the industry.

The African space industry is undoubtedly one of the fastest-growing in the world. The African space sector has progressed in the last five years than the continent witnessed in the previous 16 years. The African space industry is currently worth USD 7.37 billion and is projected to grow to over USD 10.29 billion by 2024. A major segment of the industry is the NewSpace sector, which has been cited as a major contributor for spurring this enormous growth. There are over 310 private and public companies operating in the African space industry providing various services within the upstream and downstream segments. Although the NewSpace segment in Africa has enjoyed some great successes over the past few years, it is still largely considered an emerging market. This is partly because of the slow progression of this market, attributed to a myriad of difficulties, most notably financial and political woes, market reach, access to funding, and lack of human capital.

In African countries, there are already existing tax incentive policies put in place to encourage certain industries, some of these incentives include: general tax incentives, incentives for specific industries, incentives for large scale projects, pioneer status incentives and etc. However, there is no tax incentive for the African space and satellite industry despite its enormous potential. A major contributor is the lack of understanding of the space and satellite industry and strategic plans by policymakers.

In this paper, I will elaborate on the present tax incentive policies within Africa, how these policies can be better structured to capture the space and satellite industry, the benefit of tax incentives on the global and African NewSpace ecosystem, capacity development and fast-tracking the growth of the African space industry as a whole, the impact of the AfCFTA on the African NewSpace industry.