

# Grotech targets technology firms

By [Phakamisa Ndzamela](#)

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Venture capital technology fund Grotech plans to raise between R50m and R200m by the end of this month, using the proceeds to invest in disruptive digital technology companies. Grotech is registered as a section 12J "venture capital company", a structure created to offer investors a tax break.



Clive Butkow

Grotech joint CEO and chief investment officer Clive Butkow said section 12J of the Income Tax Act allowed investors to set off 100% of the amount invested from their taxable income. If one invested R1m in Grotech, the firm would issue a tax certificate and the investor would attach the certificate to their South African Revenue Services returns, and would not be taxed on the R1m, Butkow said.

The tax legislation was created to encourage people, trusts and companies to invest in venture capital companies so that money can be invested in earlier stage companies to stimulate economic growth and create jobs.

"We are currently in a capital raise, which closes at the end of February... We have a pipeline of about 10 companies. All these companies we think we can build and sell within a few years." The plan was for Grotech to achieve an internal rate of return of 30% per annum, he said.

The other people behind Grotech are Malcolm Segal, former head of Sasfin Capital, Fatima Habib, chairwoman of the

information technology advisory committee to the basic education minister, and Craig McLeod, co-founder of website builder Build.

*Source: Business Day*

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