

doing business in South Africa

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country profile											
government structure	<ul style="list-style-type: none"> • Executive: The president is both chief of state and head of government with a five-year term. Cabinet is appointed by the president. • Legislative: South Africa has a bicameral parliament. • Judicial: The apex courts are the Constitutional Court and the Supreme Court of Appeal. Both courts are courts of final appeal, save that, in the case of constitutional matters, an appeal may be brought in the Constitutional Court against a ruling of the Supreme Court of Appeal. The superior courts consist of the High Courts (provincial and local divisions) and other specialised courts such as Tax Courts, the Competition Appeal Court, Labour Court and Labour Appeal Court, Land Claims Court, Electoral Court, Divorce Courts and Equality Courts. The inferior courts consist of regional and district magistrates' courts. • Next presidential and parliamentary elections: May 2024. 										
economic data	<table> <tbody> <tr> <td>• Nominal GDP (USD billions):</td> <td>369.85</td> </tr> <tr> <td>• GDP per capita (USD):</td> <td>6 193.17</td> </tr> <tr> <td>• Inflation rate (percentage change):</td> <td>5.17</td> </tr> <tr> <td>• Government revenue (% of GDP):</td> <td>29.128</td> </tr> <tr> <td>• Government gross debt (% of GDP):</td> <td>64.193</td> </tr> </tbody> </table> <p><i>*Source: IMF (July 2020)</i></p> <ul style="list-style-type: none"> • Mining makes a significant contribution to South Africa's economy, with South Africa being the world's largest producer of platinum, gold and chromium, among other materials. • The manufacturing, services and tourism, agriculture, forestry and fishing sectors are other key sectors in South Africa. • South Africa's main export partners are China, the United States, Germany, Japan, India, Botswana, and Namibia. The main export commodities include gold, diamonds, platinum, other metals and minerals, machinery and equipment. • South Africa's main import partners are China, Germany, the United States, Saudi Arabia, and India. The main import commodities include machinery and equipment, chemicals, petroleum products, scientific instruments, and foodstuffs. 	• Nominal GDP (USD billions):	369.85	• GDP per capita (USD):	6 193.17	• Inflation rate (percentage change):	5.17	• Government revenue (% of GDP):	29.128	• Government gross debt (% of GDP):	64.193
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risk ratings	<ul style="list-style-type: none"> • World Economic Forum Global competitiveness index (2019): 60/141 • World Bank ease of doing business (2020): 84/190 • Corruption perception index (2019): 70/180 										

international treaties and memberships	
international and regional organisations and customs unions	<ul style="list-style-type: none"> • African Continental Free Trade Area Agreement • African Development Bank • African Union • Bank for International Settlements • BRICS • Common Market for Eastern and Southern African • Common Monetary Area ("CMA") • European Union • Financial Action Task Force • Group of 5, Group of 20, Group of 24 and Group of 77 • International Monetary Fund • Organisation for Economic Co-operation and Development • Organisation of African, Caribbean and Pacific States • Southern African Customs Union • Southern African Development Community • The European Free Trade Association • Trade, Investment and Development Cooperation Agreement • United Nations • World Bank Group • South Africa receives preferential treatment under the following agreements: http://ptadb.wto.org/Country.aspx?code=710
bilateral investment treaties	<ul style="list-style-type: none"> • South Africa has entered into bilateral investment treaties with China, Cuba, Finland, Greece, Islamic Republic of Iran, Republic of Korea, Mauritius, Nigeria, Russia, Senegal, Sweden, and Zimbabwe. • Treaties have been signed but are not yet in force with Algeria, Angola, Canada, Chile, Czech Republic, Democratic Republic of the Congo, Congo (Brazzaville), Egypt, Equatorial Guinea, Ethiopia, Gabon, Ghana, Guinea, Israel, Kuwait, Libya, Madagascar, Mali, Mozambique, Qatar, Rwanda, Sudan, Tanzania, Tunisia, Turkey, Uganda, and Yemen.
investment-related agreements / institutions	<ul style="list-style-type: none"> • African Growth and Opportunity Act • Cotonou Agreement • Multilateral Investment Guarantee Agency • World Trade Organization
dispute resolution	<ul style="list-style-type: none"> • United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York Convention) • United Nations Commission on International Trade Law (UNCITRAL)
intellectual property ("IP") treaties	<ul style="list-style-type: none"> • A comprehensive list of IP-related treaties signed by South Africa is available at: http://www.wipo.int/wipolex/en/profile.jsp?code=ZA • See the trade marks section below for further detail.



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legal regime	
applicable legal regime	<ul style="list-style-type: none"> South Africa's legal system is based on a mixture of Roman-Dutch civil law, English common law, and customary law.
dispute resolution	<ul style="list-style-type: none"> Commercial disputes are decided by the high courts. Arbitration in South Africa is governed by the Arbitration Act, 1965. This Act allows the contracting parties to choose dispute resolution procedures by mutual agreement, which can either be outlined in a separate agreement or drafted as a clause of the main agreement. South Africa enacted the International Arbitration Act, 2017 in December 2017, introducing the UNCITRAL Model Law to international arbitration in South Africa. South African courts are reluctant to interfere with arbitrations and arbitral awards, which makes South Africa an attractive destination to seat arbitrations.
land acquisition, planning and use	<ul style="list-style-type: none"> There are currently no restrictions on foreigners acquiring the freehold title to land anywhere in South Africa. However, various pieces of legislation are being considered which may introduce restrictions on foreign land ownership rights.
competition	
<i>merger control</i>	<ul style="list-style-type: none"> The South African Competition Act, 1998, as amended, regulates merger control in South Africa. The Competition Act states that a merger occurs when one or more firms directly or indirectly acquire or establish direct or indirect control over the whole or part of the business of another firm. The Competition Act sets out examples of what constitutes control for the purposes of merger regulation. In calculating merger thresholds, South Africa uses financial thresholds based on turnover and/or asset value in South Africa. The intermediate merger threshold where notification is mandatory applies to firms where the sum of the acquiring group's turnover or assets (whichever is higher) and the target firm's turnover or assets (whichever is higher) is ZAR600-million; and where the target firm's turnover or assets (whichever is higher) is ZAR100-million. The large merger thresholds are set at ZAR6.6-billion for the sum of the acquiring group's turnover or assets (whichever is higher), and the target firm's turnover or assets (whichever is higher); and ZAR190-million for the target firm's turnover or assets (whichever is higher). Filing fees are ZAR165 000 for an intermediate merger and ZAR550 000 for a large merger. The South African competition authority will take public interest considerations into account in making a determination on a merger. South Africa is a pre-implementation regime, therefore approval must be sought from the South African competition authorities prior to implementation of the proposed transaction.

	<ul style="list-style-type: none"> Any person who implements a merger in contravention of the Competition Act commits an offence and an administrative penalty of an amount not exceeding 10% of the merging parties' annual turnover in South Africa and its exports from South Africa during the firms' preceding financial year is imposed.
<i>prohibited practices</i>	<ul style="list-style-type: none"> The Competition Act prohibits horizontal and vertical agreements between firms, concerted practices by firms, or decisions by an association of firms which have the effect of substantially preventing, or lessening, competition in a market, unless a party to the agreement, concerted practice, or decision can prove that any technological, efficiency or other pro-competitive gain resulting from it outweighs that effect. Cartel conduct (such as price-fixing, market division and collusive tendering) and minimum resale price maintenance are prohibited by the Competition Act. The Competition Act prohibits abuses of dominance. The South African authority operates a corporate leniency policy which offers immunity to a firm part of a cartel for its participation in a cartel if the firm is first to voluntarily disclose the existence of a cartel and co-operates with the Authority in its investigations. A firm who engages in a restrictive horizontal or vertical agreement or abuses its dominant position commits an offence and an administrative penalty of an amount not exceeding 10% of the firm's annual turnover in South Africa and its exports from South Africa during the firm's preceding financial year is imposed.
employment requirements	
<i>immigration</i>	<ul style="list-style-type: none"> Expatriates working in South Africa must hold a valid work permit. The most commonly utilised work visa categories in terms of the Immigration Act, 2002 and Regulations are: <ul style="list-style-type: none"> critical skills work visa; general work visa; intra-company transfer visa; and corporate work visa. The Immigration Act also provides various other mechanisms to allow work, such as working on a study visa, retired person's visa or various sub-categories of visitor's visas.



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<i>local employment vs secondment</i>	<ul style="list-style-type: none"> In terms of South Africa's employment legislation, an employee may be seconded to South Africa as it is not a requirement for an employee to be employed by a local entity. However, in terms of South Africa's immigration legislation, employment by a local entity may be a prerequisite for applying for a work permit. It should also be noted that, in such circumstances, there may be an obligation to register as an external company in South Africa with the Companies and Intellectual Property Commission ("CIPC") and to comply with certain reporting obligations imposed on external companies in terms of the Companies Act.
<i>fixed-term contracts and temporary employment services</i>	<ul style="list-style-type: none"> Fixed-term employment contracts are legally permissible in South Africa, but should be approached with circumspection. Generally speaking, fixed-term contracts that exceed three months should only be used if the employee's work will be of a limited or definite duration, or if there is a justifiable reason for the fixing of the term of the contract. Furthermore, an employee employed in terms of a fixed-term contract exceeding three months must be treated no less favourably than a permanent employee performing the same or similar work, unless different treatment can be justified. A failure to comply with these requirements may result in fixed-term contract employees being deemed to be indefinite employees. While labour broking is permitted in South Africa, it should also be approached with circumspection, particularly in circumstances where labour broking employees (who earn remuneration below the threshold) will perform services to a client for longer than three months and will not perform "temporary services" (as defined). In these circumstances, and provided that certain requirements are met, the client will be deemed to be the sole employer of the labour broking employees and must treat the labour broking employees on the whole no less favourably than employees of the client who perform the same or similar work, unless different treatment can be justified.
<i>payment in local currency</i>	<ul style="list-style-type: none"> It is not a legal requirement for remuneration to be paid in local currency.
<i>restraint of trade agreements</i>	<ul style="list-style-type: none"> Restraint of trade agreements are <i>prima facie</i> valid and are generally enforceable, provided that the enforcement would not be contrary to public interest and/or unreasonable. A court will only enforce a restraint of trade if it can be shown that the employer has a proprietary interest worthy of protection (i.e. trade secrets or customer connections).

foreign investment regime	
investment regime	<ul style="list-style-type: none"> Foreign investment is not regulated in South Africa, but various pieces of specific legislation may be relevant to foreign investors. A key consideration for investors is the Broad-Based Black Economic Empowerment ("B-BBEE") Act, 2003 which, together with the codes of good practice, set out the legal framework for broad-based black economic empowerment of black people (being black Africans, coloured and Indians who are South African citizens) in four interrelated contexts: <ul style="list-style-type: none"> direct empowerment, which includes increasing the number of black people who manage, own and control enterprises and productive assets; human resources and skills development by achieving equitable representation in all occupational categories and at all levels of a workforce; indirect empowerment through the promotion of preferential procurement from empowered enterprises and investment in enterprises owned or managed by black people; and involvement in social development initiatives. The codes of good practice issued by the Minister of Trade and Industry and transformation charters developed by various industries monitor compliance against a general "scorecard" followed by all industries. Compliance with the B-BBEE targets provided for in the codes is not strictly speaking mandatory; however, the B-BBEE Act and codes operate through the mechanism of direct and indirect incentives to comply.
registration / licensing requirements	<ul style="list-style-type: none"> No specific licensing requirements apply to foreign investors.
non-industry specific registrations / licences	<ul style="list-style-type: none"> The following general non-industry specific registrations / licences may be required:
<i>South African Revenue Service ("SARS")</i>	<ul style="list-style-type: none"> All taxpayers must register with SARS. There is an electronic link between CIPC and SARS and when a company is incorporated, or a foreign company is registered as an external company with CIPC, SARS will automatically issue an income tax number to the company. A company must register as an employer (if applicable) for employees' tax purposes. If a company's turnover exceeds the VAT registration threshold (see 'tax' below), it must apply for VAT registration.
<i>Skills Development Levy ("SDL")</i>	<ul style="list-style-type: none"> Every employer must register for and contribute a SDL. Registration is done at SARS at the same time as registering as an employer for employees' tax purposes.



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Unemployment Insurance Fund ("UIF")	<ul style="list-style-type: none"> Employers and employees must register for and contribute to the UIF. Registration is done at SARS at the same time as registering as an employer for employees' tax purposes. Non-resident employers can register directly with the UIF.
industry-specific licences	<ul style="list-style-type: none"> Industry-specific licences may also be required.
incentives	<ul style="list-style-type: none"> Incentives include: <ul style="list-style-type: none"> various incentives are available to operations in special economic zones, including a reduced corporate income tax rate of 15%, being treated as a customs-controlled area with duty-free and VAT privileges and accelerated depreciation allowances on capital structures; grants are available to public private partnerships under the Support Programme for Industrial Innovation as a subsidy towards the cost of developing new products or processes in order to reduce infrastructure backlogs in both urban and rural areas; the Manufacturing Competitive Enhancement Programme of the Department of Trade and Industry which provides incentives in the manufacturing sector along with grants of up to ZAR50-million; a 50:30:20% accelerated depreciation allowance available to investments in energy-efficient equipment for production of renewable energy and biofuels. For electricity generated from photovoltaic solar power plants with a generating capacity not in excess of 1 MW, the allowance is enhanced to 100% of cost in the first year; a headquarter company regime to attract the establishment of intermediary foreign investment or finance companies, which qualifies for certain tax reliefs; and qualifying companies under the shipping tax regime being entitled to exemptions from income tax, capital gains tax, dividends tax and cross-border withholding tax on interest and have flexibility in terms of functional currency.
exchange control regulation	<ul style="list-style-type: none"> South Africa's foreign exchange regulations, in terms of which all flows of capital in and out of the country are regulated, are administered by the Financial Surveillance Department of the South African Reserve Bank ("SARB") and "authorised dealers" (commercial banks) appointed by the SARB. Where a foreign company registers with CIPC as an external company, due to either having employees in South Africa or conducting business in South Africa, the South African operations of the foreign company will be subject to exchange rules and regulations. Investments in the equity of South African companies must be reported to an authorised dealer and share certificates evidencing such investment

	<p>must be endorsed as "non-resident" to enable the remittance of any dividends or proceeds arising from the sale of the investment.</p> <ul style="list-style-type: none"> Pre-approval is required for loan capital (including the repayment terms and interest rate) introduced by non-residents as part of an investment in South Africa. Where Rand-denominated loans are concerned, the interest rate is generally not allowed to exceed the prevailing South African prime rate plus 5% (3rd party loans) or prime (shareholder loans). Where non-Rand-denominated loans are concerned, the interest rate is generally not allowed to exceed the foreign currency equivalent of the South African prime rate plus 3% (3rd party loans) or the foreign currency equivalent of the South African prime rate (shareholder loans). When 75% or more of the voting shares, capital, assets or earnings of a local company or a local branch (an external company) are directly or indirectly vested in, or controlled by, a non-resident, a local loan may not be made or granted to the company without the prior approval of the SARB. Pre-approval is required for royalty and technical service fee agreements, in terms of which such royalties or service fees may not exceed arm's length rates charged under comparable agreements. Management, administration or group service fees paid by South African companies to foreign associates and connected persons do not require pre-approval, but when such fees are to be remitted, documentary evidence (e.g. a written contract) confirming the amount involved must be provided to an authorised dealer. Fees will typically only be remitted if they are based on the cost of providing the services and a benefit has, in fact, been derived from the services in South Africa. South Africa is part of the CMA together with Namibia, Lesotho and Eswatini. Investments and transfers of funds from South Africa to other CMA countries are not subject to exchange control regulations.
insurance / reinsurance	<ul style="list-style-type: none"> South Africa has a sophisticated system of financial sector regulation known as the "Twin Peaks" system of regulation. The prudential regulator, known as the Prudential Authority (the "PA"), is responsible for the first peak, and is charged with the regulation of banks, insurers, cooperative financial conglomerates and certain market infrastructure. The market conduct regulator, known as the Financial Sector Conduct Authority (the "FSCA"), is responsible for the second peak, and regulates the conduct of financial institutions. The Insurance Act, 2017 governs the issuing of insurance licences, in relation to non-life, life, reinsurance and microinsurance business. Application is made to the PA. Generally, no entity, including a foreign insurer or its South African-based subsidiary, may "conduct insurance business" in South Africa unless that entity is licensed under the Insurance Act. Except to the extent that a company's Memorandum of Incorporation provides otherwise, a company may indemnify a director / officer, and



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	<p>may purchase insurance to protect a director / officer against any liability. Some exceptions apply.</p> <ul style="list-style-type: none"> Various legislation has been enacted which provides for compulsory insurance through the establishment and operation of certain funds, for example, the Road Accident Fund (“RAF”), the Workmen’s Compensation Fund, and the Unemployment Insurance Fund (“UIF”). The South African substantive law relating to insurance does not favour either the insurer or the insured. In principle, commercial insurance disputes are capable of being resolved in any court of law of competent jurisdiction. The courts favour the principle of party autonomy in relation to arbitration proceedings, and will generally uphold arbitration agreements and be reluctant to set aside or review an arbitration award. <i>ENSAfrica’s Insurance team has authored the South African chapter of the International Comparative Legal Guide to: Insurance & Reinsurance 2020. Please click here for a copy of their contribution, covering common issues in insurance and reinsurance laws and regulations. These include regulatory authorities and procedures, (re)insurance claims, litigation and arbitration.</i>
types of entities available for foreign investment	<ul style="list-style-type: none"> The main entities available for foreign investment are: <ul style="list-style-type: none"> co-operative; external company (branch office); partnership; personal liability company (Incorporated); private limited liability company (Proprietary Limited); public company (Limited); sole trader; and trading trust.
private limited liability company	
minimum number of shareholders	<ul style="list-style-type: none"> A minimum of one shareholder is required for a private limited liability company, with no specified maximum. There is no requirement for local shareholding in terms of the South African Companies Act, however please refer to the B-BBEE requirements as referred to above.
minimum share capital	<ul style="list-style-type: none"> There are no minimum authorised capital requirements in South Africa. In practice, a private limited liability company will generally be registered with an authorised share capital of at least 1 000 no par value shares.

directors	<ul style="list-style-type: none"> A private company must have at least one director. There is no general requirement to have South African citizen / resident directors, however, please refer to the B-BBEE requirements as referred to above. In addition, certain sectors may impose additional requirements.
company secretary	<ul style="list-style-type: none"> A private company is not required to appoint a company secretary, but public and state-owned companies are obliged to appoint company secretaries. If the company does appoint a company secretary, the person or firm must be resident in South Africa. In terms of the Income Tax Act, 1962, as amended, a senior official of the company resident in South Africa is required to be appointed as the public officer of every company.
auditor	<ul style="list-style-type: none"> Public and state-owned companies must appoint auditors. A private company is only required to appoint an auditor if it is stipulated in terms of its Memorandum of Incorporation or it exceeds the minimum “public interest score” calculated with reference to: <ul style="list-style-type: none"> the average number of employees of the company during the financial year; the amount of third party liability of the company at the financial year-end; the company’s turnover; and the number of individuals at the end of the financial year known by the company to directly or indirectly have a beneficial interest in any of the company’s issued securities. If an auditor is appointed, it must be a person in accordance with the Auditing Profession Act, 2005.
registered address	<ul style="list-style-type: none"> A company must have a registered office and a postal address in South Africa to which all communications and notices may be addressed. A company may have its registered address at the offices of its accountants, lawyers or a third party.
shelf companies	<ul style="list-style-type: none"> There are shelf companies available for purchase in South Africa.
registration process	<ul style="list-style-type: none"> Companies are registered with the CIPC and it takes approximately seven to 10 working days to complete registration once all of the required documents have been submitted.



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tax	
tax system	<ul style="list-style-type: none"> South Africa has a residence-based tax system in terms of which residents are taxed on their world-wide income and non-residents on income from a source in South Africa.
corporate residence	<ul style="list-style-type: none"> A company is deemed a resident in South Africa if it is incorporated or established in South Africa, or if its place of effective management (the Organisation for Economic Co-operation and Development ("OECD") interpretation of the term) is in South Africa, provided that it is not deemed to be exclusively resident in another country in terms of a relevant double tax agreement.
corporate tax rate	<ul style="list-style-type: none"> Resident companies and permanent establishments of foreign companies are subject to corporate income tax at the rate of 28%. Small business corporations are taxed on a sliding scale. A formula is applied to taxable income from gold-mining operations which reduces or increases the normal tax rate in accordance with the relationship between taxable income derived from mining and gross mining revenue. Special and complex rules apply in respect of the taxation of long-term insurance companies. Each company is split into separate funds, which are taxed separately, either at 0%, 28% or 30%.
capital gains tax ("CGT")	<ul style="list-style-type: none"> CGT is levied at the applicable corporate tax rate on 80% of the aggregated net capital gains realised by a resident company during a tax year, resulting in an effective capital gains tax rate of 22.4%. Non-residents will be taxed on the disposal of immovable property situated in South Africa, or any right or interest thereto. This includes the disposal of equity shares in any company (resident or non-resident) where more than 80% of the value of the equity shares being disposed of is attributable, directly or indirectly, to South African immovable property or rights to this (held otherwise than as trading stock) and more than 20% of the equity shares are held by that disposing person together with connected parties.
controlled foreign company ("CFC")	<ul style="list-style-type: none"> Certain profits of CFCs are included in the taxable income of resident shareholders which holds 10% or more of the voting rights / participation rights in that CFC, in proportion to the shareholding held in the CFC, and taxed at the corporate income tax rate. A CFC is a foreign company in which >50% of the participation rights / voting rights are held / exercisable by South African residents which are not headquarter companies. A full exemption from imputation is available where the CFC is "highly taxed". Simplistically stated, this will apply where the CFC is taxed at a rate of $\geq 21\%$ (applying to years of assessment ending on/after 31 December 2014 to 31 December 2019) or 18.9% (applying to years of assessment ending on/after 1 January 2020).

	<ul style="list-style-type: none"> Alternatively, specific income streams will be exempt where such income is "active business income" (e.g. not rental, royalties, dividends, interest) and non-diversionary in nature (income received from South African connected parties should be tested under the diversionary rules). 		
withholding tax ("WHT") rates	WHT rate		
	payment to	residents	non-residents
	branch profits	N/A	N/A
	dividends	0%	20%
	interest	N/A	15%
	royalties	N/A	15%
	management, consulting and technical service fees	N/A	N/A
double tax agreements ("DTAs")	<ul style="list-style-type: none"> South Africa has DTAs in force with: Algeria, Australia, Austria, Belarus, Belgium, Botswana, Brazil, Bulgaria, Cameroon, Canada, Chile, China, Congo (Dem. Rep.), Croatia, Cyprus, Czech Republic, Denmark, Egypt, Eswatini, Ethiopia, Finland, France, Germany, Ghana, Greece, Grenada, Hong Kong, Hungary, India, Indonesia, Iran, Ireland, Israel, Italy, Japan, Kenya, Korea (Rep.), Kuwait, Lesotho, Luxembourg, Malawi, Malaysia, Malta, Mauritius, Mexico, Mozambique, Namibia, the Netherlands, New Zealand, Nigeria, Norway, Oman, Pakistan, Poland, Portugal, Qatar, Romania, Russia, Rwanda, Saudi Arabia, Seychelles, Sierra Leone, Singapore, Slovak Republic, Spain, Sweden, Switzerland, Taiwan, Tanzania, Thailand, Tunisia, Turkey, Uganda, Ukraine, United Arab Emirates, United Kingdom, United States, Zambia, and Zimbabwe. South Africa signed the OECD Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting ("MLI"). However, South Africa has not yet deposited its instrument of ratification of the MLI and thus the MLI has not yet entered into force. 		
losses	<ul style="list-style-type: none"> Losses may be carried forward indefinitely and set off against income earned in the future, provided that the company trades in each year. Capital losses are ring-fenced and may only be set off against capital gains and not against income earned on revenue account. Unutilised capital losses may be carried forward to the following year. 		



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transfer pricing	<ul style="list-style-type: none"> In terms of South Africa's transfer pricing rules cross-border transactions between "connected persons" and "associated enterprises" must be entered into on an arm's length basis. A connected person in relation to a company is: <ul style="list-style-type: none"> any other company that forms part of the same group of two or more companies in which one company directly or indirectly holds shares in at least one other company with the effect that more than 50% of the shares of each controlled group are directly held by the controlling group company, one or more controlled group companies or any combination thereof and the controlling group companies or any combination thereof and the controlling group company directly hold more than 50% of the shares in at least one controlled group; any other company with a minimum 20% holding in the equity share capital in the company; any person, excluding a company, who individually or jointly with a connected person directly or indirectly holds at least 20% of the company's equity share capital or voting rights; or a company managed or controlled by connected persons of the company. An "associated enterprise" means an associated enterprise as contemplated in Article 9 of the Model Tax Convention on Income and on Capital of the OECD. The concept of "associated enterprise" will come into operation on 1 January 2021 and apply in respect of years of assessment commencing on or after that date.
limitations on interest deductibility	<ul style="list-style-type: none"> Interest expenditure incurred in the production of non-exempt income for purposes of trade is generally deductible. Specific rules apply to the amount of interest and timing of any deduction. There are no separate thin capitalisation rules applicable in South Africa. Thin capitalisation is to be dealt with as part of the general arm's length-based transfer pricing provisions. A portion of the interest paid to a connected person will generally be disallowed where the total financial assistance was excessive in relation to the fixed capital contributed by such a connected person. Apart from transfer pricing, South Africa has specific rules relating to limitations on interest paid to certain connected persons where such interest is not subject to tax or interest withholding tax in South Africa. In addition, certain rules apply to hybrid debt and hybrid interest to reclassify such interest as a dividend <i>in specie</i>. It has been proposed that net interest expense deductions should be restricted to 30% of earnings to combat base erosion and profit shifting by multinational corporations. The introduction of such legislation has been delayed and will likely be reconsidered in the 2021/2022 round of legislative amendments.

employee taxes	<p>The income tax rates applicable to resident individuals for the tax year ending on February 2021 are:</p> <table border="1" data-bbox="1406 368 2089 815"> <thead> <tr> <th>annual chargeable income (ZAR)</th> <th>tax rate</th> </tr> </thead> <tbody> <tr> <td>up to 205 900</td> <td>18% of taxable income</td> </tr> <tr> <td>205 901 – 321 600</td> <td>37 062 + 26% of taxable income above 205 900</td> </tr> <tr> <td>321 601 – 445 100</td> <td>67 144 + 31% of taxable income above 321 600</td> </tr> <tr> <td>445 101 – 584 200</td> <td>105 429 + 36% of taxable income above 445 100</td> </tr> <tr> <td>584 201 – 744 800</td> <td>155 505 + 39% of taxable income above 584 200</td> </tr> <tr> <td>744 801 – 1 577 300</td> <td>218 139 + 41% of taxable income above 744 800</td> </tr> <tr> <td>1 577 301 and above</td> <td>559 4641 + 45% of taxable income above 1 577 300</td> </tr> </tbody> </table>	annual chargeable income (ZAR)	tax rate	up to 205 900	18% of taxable income	205 901 – 321 600	37 062 + 26% of taxable income above 205 900	321 601 – 445 100	67 144 + 31% of taxable income above 321 600	445 101 – 584 200	105 429 + 36% of taxable income above 445 100	584 201 – 744 800	155 505 + 39% of taxable income above 584 200	744 801 – 1 577 300	218 139 + 41% of taxable income above 744 800	1 577 301 and above	559 4641 + 45% of taxable income above 1 577 300
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social security contributions	<ul style="list-style-type: none"> South Africa does not have a statutory social security system. However, employers must make monthly contributions to the Unemployment Insurance Fund ("UIF") for each of their employees at a rate of 1% of the worker's monthly remuneration, subject to certain exclusions, with a monthly remuneration cap of ZAR14 872. Employees must also make a 1% contribution per month, matching the contribution of the employer, which is to be withheld from the monthly remuneration and remitted by the employer. Employers may also make contributions to benefit funds (i.e. pension, provident, retirement, medical aid, etc.) in respect of their employees and directors. 																
Skills Development Levy ("SDL")	<ul style="list-style-type: none"> SDL is payable by employers at a rate of 1% of remuneration. Employers paying annual remuneration of less than or equal to ZAR500 000 are exempt from paying a SDL. 																
Unemployment Insurance Fund (UIF)	<ul style="list-style-type: none"> Both employees and employers must contribute 1% of the employee's remuneration, based on a maximum monthly remuneration of ZAR178 464 to the UIF for purposes of ensuring employees against the loss of earnings due to termination of employment, illness and maternity leave. 																
stamp duty	<ul style="list-style-type: none"> A transfer duty is imposed under the Transfer Duty Act on the acquisition of real property (i.e. land and buildings thereon) and certain interests in land. The duty is imposed according to a sliding scale with reference to the value of the property transferred. 																

doing business in South Africa

POPULATION
56.9M



CURRENCY
RAND (ZAR)
GMT+2



OFFICIAL LANGUAGE
AFRIKAANS, ENGLISH, ISINDEBELE,
SEPEDI, SESOTHO, SETSWANA,
ISISWATI, TSHIVENDA, ISIXHOSA,
XITSONGA AND ISIZULU

	<ul style="list-style-type: none"> Real property acquired for ZAR1-million (or less) is not subject to transfer duty. Securities transfer tax is imposed on any transfer of either a listed or unlisted security of a South African incorporated company, or a Johannesburg Stock Exchange listed security of a foreign incorporated company. The applicable rate is 0.25% on the taxable amount, which is generally the higher of the consideration given for the transfer of a security or the market value of the security.
value added tax ("VAT")	
<i>taxable supplies</i>	<ul style="list-style-type: none"> VAT is levied on the supply of goods or services by a vendor in the course or furtherance of his/her enterprise and on the importation of goods and services.
<i>VAT rate</i>	<ul style="list-style-type: none"> 15%
<i>registration threshold</i>	<ul style="list-style-type: none"> A person who is carrying on an enterprise and has an annual turnover of at least ZAR1-million must register for VAT purposes. Businesses whose turnover is below the registration threshold may apply for voluntary registration, provided other registration requirements are met.
<i>reverse VAT on imported services</i>	<ul style="list-style-type: none"> To the extent that imported services will be utilised or consumed in South Africa other than for making taxable supplies, the recipient of such services is required to declare and pay output VAT on the services in terms of a reverse-charge mechanism. Such VAT cannot be claimed as an input credit.
carbon tax	<ul style="list-style-type: none"> Carbon tax applies from 1 June 2019 and is administered and collected by SARS. Carbon tax is imposed on entities that operate emissions generation facilities at a combined installed capacity equal to or above the carbon tax threshold. The emissions that are subject to carbon tax are determined in accordance with either an approved reporting methodology of the Department of Environment, Forestry and Fisheries, or the prescribed formulas in terms of the Carbon Tax Act, 2019. Persons conducting an activity or activities in South Africa resulting in greenhouse gas emissions above the threshold must licence each of their emissions generation facilities with SARS as customs and excise manufacturing warehouses for environmental levy purposes. The first phase has a carbon tax rate of R120 per ton of carbon dioxide equivalent emissions, subject to certain industry specific tax free emission allowances.

trade marks	
international conventions, treaties and arrangements	<ul style="list-style-type: none"> Paris Union Trade-Related Aspects of Intellectual Property Rights World Intellectual Property Organization Convention World Trade Organization
classification	<ul style="list-style-type: none"> The International Classification of goods and services applies. A separate application is required for each class of goods and/or services.
categories of trade marks	<ul style="list-style-type: none"> Provision is made for: <ul style="list-style-type: none"> service marks; certification marks; and collective marks.
filing requirements	<ul style="list-style-type: none"> Simply signed Power of Attorney; electronic copy of the mark; and priority document (if applicable), with verified English translation.
procedure	<ul style="list-style-type: none"> Applications are examined as to formal requirements. Thereafter, applications are examined as to inherent registrability and conflict with prior existing registrations / applications. Once accepted, applications are advertised.
oppositions	<ul style="list-style-type: none"> Opposition may be lodged within three months following the date of advertisement of the trade mark application. Extension of the opposition period is possible at the discretion of the Registrar (first extension), and thereafter upon agreement between the parties.
duration and renewal	<ul style="list-style-type: none"> A trade mark registration is effective for an initial period of 10 years from filing date, thereafter, renewable for further periods of 10 years.

For more information or assistance please contact:

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LAST UPDATED SEPTEMBER 2020