Doing Business Guide

South Africa

1st Edition

SizweNtsalubaGobodo
Public Accountants

www.sng.za.com

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About This Booklet

This booklet has been produced by SizweNtsalubaGobodo, Public Accountants, for the benefit of its clients and associate offices worldwide who are interested in doing business in South Africa.

Its main purpose is to provide a broad overview of the various things that should be considered by organisations considering setting up business in South Africa.

The information provided cannot be exhaustive and – as underlying legislation and regulations are subject to frequent changes – we recommend anyone considering doing business in South Africa or looking to the area as an opportunity for expansion should seek professional advice before making any business or investment decision.

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Contents

Introduction: The Republic of South Africa 4
The Economy 6
Legal Structures of Business Organisations 7
Labour and Personnel 9
Taxation System 15
Statutory and Reporting Requirements 17
Incentives for Investments and Grants 19
Official Agencies Providing Assistance to Enterprises 21
Expatriate Living 24

Introduction: The Republic of South Africa

History and Geography

South Africa, officially the Republic of South Africa, is a country located at the southern tip of Africa. It is divided into nine provinces and has 2,798 kilometres of coastline. To the north of the country lie the neighbouring territories of Namibia, Botswana and Zimbabwe; to the east are Mozambique and Swaziland; while Lesotho is an enclave surrounded by South African territory.

South Africa is a multi-ethnic nation with diverse cultures and languages. Eleven official languages are recognised in the constitution. Two of these languages are of European origin: South African English and Afrikaans, a language originating mainly from the Dutch that is spoken by the majority of white and Coloured South Africans. Though English is commonly used in public and commercial life, it is only the fifth most spoken home language. All ethnic and language groups have political representation in the country's constitutional democracy comprising a parliamentary republic; unlike most parliamentary republics, the positions of head of state and head of government are merged in a parliament-dependent president.

South Africa Today

South Africa has an open business environment and enjoys a relatively stable economy, with steady prices and a well-regulated business sphere. The real GDP per capita is the highest in Africa, and the country is viewed as the economic hub of the African continent. International businesses wanting to do business in Africa first consider coming to South Africa and use South Africa as a gateway into the rest of the African continent. More recently, South Africa has been admitted on the BRICS emerging economies as a fifth member (Brazil, Russia, India, China and South Africa). This is viewed as a way of encouraging foreign direct investment into South Africa and ultimately into the rest of the continent.

Historically, South Africa is known as the country that is rich with natural resources and precious stones. Many international conglomerates have operated their business in South Africa. The manufacturing sector is also recognised as a leading player, with some automotive companies having their assembly plants in the country.

South Africa is politically stable, with growing improvements in the infrastructure. Businesses operating in South Africa utilise both rail and road transportation services when moving goods. Altogether, eight ports facilitate marine transportation services; there are also world-class air transport services, with well-developed major airports in Johannesburg, Durban and Cape Town. There is both skilled and unskilled workforce, with a number of graduates coming through the 23 universities. The majority of the workforce is unionised and affiliated to the trade unions.

The political spectrum is stable and matured. South Africa is viewed as a key player in peace-keeping missions in Africa and also has a role in the United Nations Security Council as a non-permanent member.

Population and Language

The South African population, comprising South African citizens and permanent residents, was just over 50 million (52% female) according to the 2011 mid-year *Statistics SA* release. The race distribution of the total population is: Black African, 79.5%; coloured, 9%; Indian/Asian, 2.5%; white, 9%.

Climate

South Africa is a subtropical country, moderated by the Indian and the Atlantic oceans on three sides of the country which – together with the altitude of the interior plateau – account for the warm, temperate conditions that are popular with visitors.

South Africa is famous for its sunshine. It is a relatively dry country, with an average annual rainfall of about 464 mm (about half the world average). While the Western Cape gets most of its rainfall in winter, the rest of the country is generally wetter in summer. At the same time, temperatures in South Africa tend to be lower than in other countries at similar latitudes (such as Australia), due mainly to its higher elevation above sea level. On the interior plateau, the altitude – Johannesburg lies at 1,694 metres – keeps the average summer temperatures below 30°C. In winter, for the same reason, night-time temperatures can drop to freezing point – in some places lower.

Being in the southern hemisphere, South African seasons stand in opposition to those of Europe and North America. Winter in South Africa is characterised in the higher-lying areas of the interior plateau by dry, sunny, crisp days and cold nights. The hot, humid KwaZulu-Natal coast, as well as the Lowveld of Mpumalanga and Limpopo provinces, offer mild winter weather with sunny, warmish days and virtually no wind or rain. The high mountains of the Cape and the Drakensberg in KwaZulu-Natal usually get snow in winter. The journey to see the flowers of the Namaqualand in the Western and Northern Cape is an annual pilgrimage for many South Africans.

Constitution and Law

South Africa is a republic state ruled by parliamentary democracy. It currently consists of 400 members of parliament representing 16 political parties, headed by the President of South Africa who is the head of state. Citizens aged ≥18 years are eligible to vote. The president can serve only two terms, and is elected by the people for a 5-year term, although government can be dissolved earlier through a motion of no confidence.

The Chief Justice heads the legal process and machinery of the administration of law.
The highest court of the land is the Constitutional Court which hears both civil and criminal appeals emanating from the Supreme Court of Appeal, the High Court and the Subordinate Courts and is also responsible for the review of the constitutionality of new legislation.

The Economy

South Africa is ranked as an upper-middle-income economy by the World Bank. It has the largest economy in Africa, and the 28th largest in the world. The country, which saw a shift from primary to secondary economy during the second half of the twentieth century, now has a largely tertiary economy with key contributions from mining, agriculture, manufacturing, financial services and tourism. The main exports are minerals, metals and agricultural produce. Major South African imports are machinery and transportation equipment.

South Africa has by far the most reliable infrastructure in Africa, with a well-established financial services sector that is largely immune to the global financial crisis. As a result, it offers an attractive base for multinational companies hoping to secure a foothold in the African economy.

The South African economy is considered heavily regulated compared with the economies of the developed world. State ownership and regulations are seen as major barriers to entry in some sectors of the economy; however, compared with the rest of the continent, South Africa is considered among the most welcoming of the countries for doing business.

South Africa has a relatively high rate of unemployment (about 25%), which is acknowledged as a major problem and associated with high levels of crime.

Legal Structures of Business Organisations

In May 2011, the Companies Act, 2008 was introduced, replacing the Companies Act, 1973 and the Close Corporations Act, 1984.

Profit vs. Non-Profit Organisations

The Companies Act, 2008 distinguishes between profit and non-profit companies. A non-profit organisation is incorporated for public benefit; its income and assets do not benefit the organisation's stakeholders, but are used to pursue the organisation's charitable goals. Profit companies, on the other hand, exist to generate a profit for their stakeholders.

The Companies Act, 2008 specifies the following profit business entities:

- Sole proprietor
- Private company (Pty) Ltd
- Personal liability company (Inc.)
- Public companies (Ltd)
- State-owned companies (SOC)

A sole proprietor trades under their own name, with no separation of assets and liabilities. They benefit from all the profits and assets accumulated through their business. However, they are also held personally liable for any debts that the business incurs. In other words, a sole proprietor does not enjoy limited liability.

Unlike sole proprietorships, the following business entities are distinct juristic persons, with a separation being made between the assets and liabilities of the owners/shareholders, and those of the company. In other words, they do enjoy limited liability.

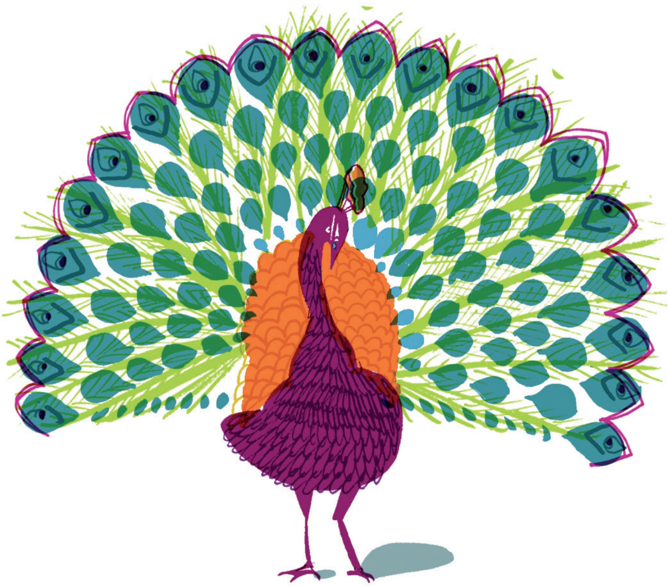
- **Private Company (Pty) Ltd.** This business entity may be founded and managed by just one director (known as a 'one-man company'), and must have at least one shareholder, but no more than 50.
- **Personal Liability Company (Inc.).** These are business entities in which both current and previous directors may be held jointly and severally liable for any debts and liabilities that occur during their time in office. This form of business enterprise is most often used for firms of professionals, such as doctors, lawyers and accountants.
- **Public Companies (Ltd).** These are business entities which issue shares, and are often listed on a stock exchange. Public companies are liable to shareholders and management is vested in a Board of Directors.
- **State-Owned Companies (SOC).** These are business entities that are either state-owned, or owned by a local authority (municipality).

Registration of Businesses

Private companies, personal liability companies, public companies and state owned companies need to be registered with the Companies and Intellectual Properties Commission (CIPC), formerly known as the Companies and Intellectual Properties Registration Office (CIPRO). Sole proprietorships do not need to be registered.

Close Corporation

In the past, close corporations provided small businesses with a cost-effective and simple business entity under which to trade. But, as from May 2011, this form of enterprising has been phased out and no new close corporations are registered by the CIPC.



Labour and Personnel

Workforce in South Africa

Out of the total population of 50.59 million mid-2011 (according to Stats SA), almost half of the total labour force of 32.9 million aged between 15–64 are employed (see Table 1 for breakdown by sector); 4.4 million are unemployed, and a further 14.9 million are economically inactive (mainly discouraged job-seekers). The unemployment rate in South Africa is 24.9%.

Table 1. Breakdown of employment by sector.

Sector	Number
Formal sector (non-agricultural)	9.571 m
Informal sector (non-agricultural)	2.085 m
Agriculture	0.638 m
Private households	1.153 m
Total employed	13.447 m

Statutory Working Conditions

The Basic Conditions of Employment Act 1997 provides the statutory working conditions for employees, as outlined below.

Working time

- This section does not apply to senior managers (those who can hire, discipline and fire), sales staff who travel and workers who work <24 hours/month.

Ordinary hours of work

A worker must not work more than:

- 45 hours in any week
- 9 hours/day, if working ≤5 days/week
- 8 hours/day, if working >5 days/week.

Overtime

- If overtime is needed, workers must agree to do it and they may not work for >3 hours/day or 10 hours/week overtime.
- Overtime must be paid at 1.5 times the worker's normal pay or, by agreement, they must get paid time off.

- More flexibility of working time can be negotiated if there is a collective agreement with a registered trade union. For example, this can allow more flexible hours for working mothers and migrant workers.
- Compressed work week: A worker can agree to work up to 12 hours/day and work fewer days/week. This can help working mothers and migrant workers by providing a longer weekend.
- Averaging: A collective agreement may permit the hours of work to be averaged over a period of up to 4 months. Any worker bound by such an agreement cannot work more than an average of >45 ordinary hours/week or an average of 5 hours/week overtime over the agreed period. A collective agreement for averaging has to be re-negotiated each year.

Meal breaks and rest periods

- A worker must have a meal break of 60 minutes after 5 hours' work. But a written agreement may lower this to 30 minutes and do away with the meal break if the worker works <6 hours/day.
- A worker must have a daily rest period of 12 continuous hours and a weekly rest period of 36 continuous hours, which, unless otherwise agreed, must include Sunday.

Sunday work

- A worker who sometimes works on a Sunday must get double pay. A worker who normally works on a Sunday must be paid at 1.5 times the normal wage. There may be an agreement for paid time off instead of overtime pay.

Night work

- Night work is unhealthy and can lead to accidents. That is, workers working between 18:00 and 06:00 must get extra pay or be able to work fewer hours for the same amount of money.

Transport must be available but not necessarily provided by the employer

- Workers who usually work between 23:00 and 06:00 must be told of the health and safety risks. They are entitled to regular medical check-ups, paid for by the employer. They must be moved to a day shift if night work develops into a health problem. All medical examinations must be kept confidential.

Public holidays

- Workers must be paid for any public holiday that falls on a working day. Work on a public holiday is by agreement and paid at double the rate. A public holiday is exchangeable by agreement.

Leave

Annual leave

- A worker can take up to 21 continuous days' annual leave or, by agreement, 1 day for every 17 days worked or 1 hour for every 17 hours worked.
- Leave must be taken not later than 6 months after the end of the leave cycle.
- An employer can only pay a worker instead of giving leave if that worker leaves the job.

Sick leave

- A worker can take up to 6 weeks' paid sick leave during a 36-month cycle.
- During the first 6 months, a worker can take 1 day's paid sick leave for every 26 days worked.
- An employer may require a medical certificate before paying a worker who is sick for >2 days at a time or more than twice in 8 weeks.

Maternity leave

- A pregnant worker can take up to 4 continuous months of maternity leave. She can start leave any time from 4 weeks before the expected date of birth or on a date that a doctor or midwife says is necessary for her own health or that of her unborn child.
- Mothers are not allowed to work for 6 weeks after the birth of their child, unless declared fit to do so by a doctor or midwife.
- A pregnant or breastfeeding worker is not allowed to perform work that is dangerous to her or her child.

Family responsibility leave

- Full-time workers employed for >4 months can take 3 days' paid family responsibility leave per year on request on the birth of a child, or if their child is sick; or for the death of their spouse or life partner, parent, adoptive parent, grandparent, child, adopted child, grandchild or sibling.
- An employer may require proof that this leave was needed.

Employee benefits

The main differences between a pension and provident fund are summarised below.

- Under a pension fund, at least two-thirds of the final benefit must be paid as a pension for the rest of the pensioner's life. A maximum of one-third of the final benefit may be taken as cash.

- Under a provident fund, the full amount of the benefit available at retirement may be taken as a lump sum cash payment, irrespective of whether the benefit is calculated on a defined benefit or a defined contribution basis.
- The tax concessions for employers and members in respect of the two types of funds also differ. The employer may deduct up to 20% of the member's salary for tax purposes under both pension and provident funds. In a pension fund, up to 7.5% of a member's salary is tax-deductible, while there is no tax-deductible benefit for the member's contribution in a provident fund.

Pension funds

- Employers may deduct 10% of approved remuneration for pension, provident funds and medical aid schemes. In practice, up to 20% is allowed if justifiable; this is not tax-deductible.

Provident funds

- Employers may deduct 10% of approved remuneration for pension, provident funds and medical aid schemes. In practice, up to 20% is allowed if justifiable; this is tax-deductible to a maximum of R1,750 or 7.5% of pensionable remuneration, whichever is greater.

Trade Unions in South Africa

Of the total labour force of 13.4 million, 3.1 million employees are unionised. The largest trade union in South Africa is the Congress of South African Trade Unions. with 1.8 million members. Employees in South Africa are allowed freedom of association, collective bargaining, strikes and workplace forums, and they can join trade unions under the terms of the Basic Conditions of Employment Act 1997. Areas covered by critical labour legislation in South Africa are summarised below.

Labour Legislation in South Africa

The following is a summary of the critical labour legislation in South Africa.

Labour Relations Act 1995

Freedom of association and general protections; collective bargaining; collective agreements; Bargaining Council; Statutory Councils; strikes and lock-outs; workplace forums; trade unions and employers' organisations; regulation of federations of trade unions and employers' organisations; registrar of labour relations; dispute resolution; Commission For Conciliation, Mediation and Arbitration; accreditation of and subsidy to Councils and private agencies; resolution of disputes under auspices of Commission; Labour Court; Labour Appeal Court; unfair dismissal; temporary employment services; contracts of employment may not disregard or waive collective agreements or arbitration awards; representation of employees or employers; confidentiality; service of documents; codes of good practice; collective agreement, arbitration award or wage determination to be kept by employer;

records to be kept by employer; effect of certain defects and irregularities; application of Act when in conflict with other laws; Code of Good Practice: dismissal; fair reasons for dismissal; misconduct; fair procedure; disciplinary records; dismissals and industrial action; guidelines in cases of dismissal for misconduct; incapacity: poor work performance; incapacity; ill health or injury.

Basic Conditions of Employment Act 1997

Regulation of working time; interpretation of day; ordinary hours of work; overtime; compressed working week; averaging of hours of work; determination of hours of work by Minister; meal intervals; daily and weekly rest period; pay for work on Sundays; night work; public holidays; annual leave; pay for annual leave; sick leave; proof of incapacity; application to occupational accidents or diseases; maternity leave; protection of employees before and after birth of a child; family responsibility leave; particulars of employment and remuneration; written particulars of employment; informing employees of their rights; keeping of records; payment of remuneration; information about remuneration; deductions and other acts concerning remuneration; calculation of remuneration and wages; termination of employment; notice of termination of employment; payment instead of notice; employees in employer-provided accommodation; payments on termination; severance pay; certificate of service; prohibition of employment of children and forced labour; prohibition of employment of children; employment of children aged ≥15 years; medical examinations; prohibitions; evidence of age; variation of Basic Conditions of Employment by agreement and Minister; Sectoral Determinations; Employment Conditions Commission; monitoring, enforcement and legal proceedings; labour inspectors; powers; compliance order; appeals; Labour Court; rights of employees; burden of proof; temporary employment services; deeming of persons as employees; duration of employment; Codes of Good Practice; representation of employees or employers; confidentiality; penalties; procedures for progressive reduction of maximum working hours; maximum permissible fees; transitional provisions; duties of employers and employee concerning health and safety at work; advisory council for occupational health and safety; penalties for offences.

Employment Equity Act 1998

Prohibition and elimination of unfair discrimination; medical and psychometric testing; applicants; burden of proof; affirmative action and measures; duties of designated employers; voluntary compliance; consultation with employees, matters for consultation; disclosure of information; employment equity plan; publication of report; successive plans; assigning manager; duty to inform and keep records; income differentials; Commission for Employment Equity; monitoring, enforcement and legal proceedings; trade union representatives; labour inspectors; compliance order; register of designated employers; legal proceedings; powers of commissioner in arbitration proceedings; Labour Court; protection of employee rights; disputes; codes of good practice; temporary employment services; breach of confidentiality; liability of employers; obstruction, undue influence and fraud; maximum permissible fines; turnover threshold applicable to designated employers.

Unemployment Insurance Fund Act 2001

Right to benefits; calculation of benefits; contributor not entitled to benefits; calculation of period of unemployment; right to unemployment benefits; application and payment; illness benefits: determination of period of illness; right to illness benefits; calculations; application and payment; maternity benefits, adoption benefits, dependant's benefits, rights, application ad payment; claiming benefits, assignment, attachment, set off, benefits not subject to taxation, recovery of benefits paid in error, suspension of contributor's right to benefits; disputes, enforcement; securing undertakings; compliance order; objections to compliance order; orders of Labour Court; duty of employer; unemployment insurance board; information to be supplied by employer; database; evidence; disclosure of information; general prohibited conduct; penalties; jurisdiction of Labour Court; duty to contribute and recovery of contributions, determination of contribution; employer must deduct employee's contribution; payment of contribution to Commissioner and refund; payment of contribution to Unemployment Insurance Commissioner; duty to register as employer and to provide particulars; payment of amounts collected by Commissioner into National Revenue Fund; interest on late payments; penalties on default; application of Income Tax Act; labour inspectors; collection costs; offences and penalties.

Taxation System

South Africa's Tax System

South Africa has a residence-based system, which means that residents are (subject to certain exclusions) taxed on their worldwide income, irrespective of where their income was earned. Non-residents are, however, taxed on their income from a South African source. Foreign taxes are credited against South African tax payable on foreign income.

The majority of the state's income is derived from income tax (personal and company tax), although nearly one-third of total revenue from national government taxes comes from indirect taxes, primarily VAT.

Avoiding Double Taxation

Since tax systems differ from country to country, there is a chance that a particular amount could be taxed twice. But tax relief can be effected by a double-taxation agreement between the countries concerned. These international tax agreements are important for encouraging investment and trade flow between nations. South Africa has agreements with a number of other countries to prevent double taxation of income accruing to South Africa taxpayers from foreign sources, or of income accruing to foreign taxpayers from South African sources.

A summary of major taxes for corporations in South Africa are summarised in Table 2 (overleaf).

Corporate Income Tax

Any company or any close corporation (CC) that becomes liable for any normal tax or becomes liable to submit any return of income in terms of Section 66 of the Income Tax Act, 1962 (the Act) is required to register as a taxpayer in terms of Section 67 of the Act. Any such person must register as a taxpayer at the South African Revenue Service (SARS) within 60 days after so becoming a taxpayer by completing an IT77(C) form. A registered taxpayer is required to complete and submit the annual returns of income in a prescribed form within the stipulated period.

Dividend Tax

In simple terms, dividend tax (DT) is a tax imposed on shareholders at a rate of 10% on receipt of dividend. The DT is categorised as a withholding tax, as it is withheld and paid to SARS by the company paying the dividend or by a regulated intermediary (i.e. a withholding agent interposed between the company paying the dividend and the beneficial owner), and not by the person liable for the tax (i.e., the beneficial owner of the dividend).

Value-Added Tax (VAT)

Value-added tax (VAT) is an indirect tax based on consumption of goods and services in the economy. Revenue is raised for the government by requiring certain traders or vendors to register and to charge VAT on taxable supplies of goods or services.

Capital Gains Tax

Capital gains tax (CGT) legislation is contained in the Eighth Schedule to the Income Tax Act, 1962. It was introduced by the Taxation Laws Amendment Act, 2001, which was promulgated on 20 June 2001. This is tax levied on capital gains.

Table 2. Summary of corporate taxes in South Africa.

Tax	Statutory tax rate	Tax base
Corporate tax	28%	Taxable income
Dividend tax	10%	Distributable profits
Value added tax	14%	Value added
Capital gains tax	28%	Capital gains
Unemployment insurance fund	1%	Gross salaries
Skills development levy	1%	Gross salaries
Property tax	0.1%	Property value
Occupational injuries insurance contribution	1.6%	Gross salaries

Statutory and Reporting Requirements

Accounting Records

All companies have to maintain accounting records and all companies have to prepare annual financial statements within 6 months after the end of its financial year. This 6-month deadline also applies to close corporations.

Annual Return

All companies must lodge an annual return containing information to be prescribed, but only companies that are required to have their financial statements audited also have to lodge these with the Commission with their annual returns.

Financial Reporting Standards

Different financial reporting standards can be established for profit and non-profit companies, as well as for different categories of profit companies (see Table 3).

Audit/Review

Annual financial statements for a public company must be audited, and in the case of any other company must be audited if required to by regulations – this depends on whether the company is operating in a space that can be defined as having public interest. Therefore, it can be assumed that certain private companies need to have their annual financial statements audited; others may fall outside the sphere of public interest and do not need to be audited, just reviewed – or they can even be exempt from both audit and review. Some companies are either audited voluntarily or independently reviewed in a manner that satisfies the regulations made by the Minister.

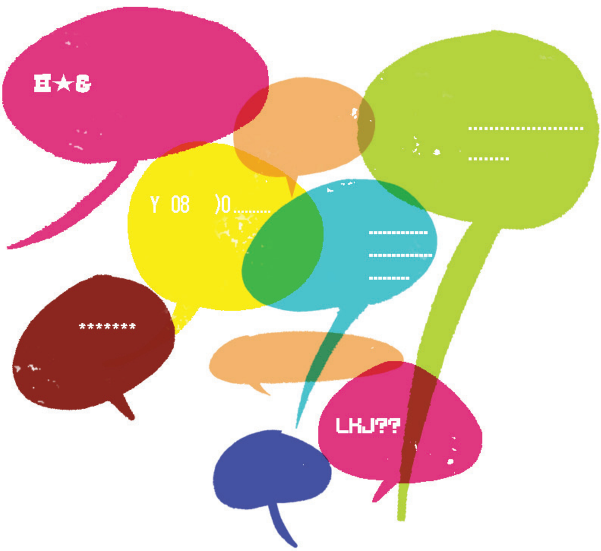
Certain private companies are exempt if one person holds or has all the beneficial interest in all the securities issued by the company; or every person who is a holder or has beneficial interest in securities issued by the company is also a director of the company, except if the company has only one director and that director is a disqualified person.

Table 3. Reporting and audit requirements of different business entities.

Type of company	Accounting framework	Audit/Review/Exempt
State-owned	Minister may grant exemption from IFRS where alternative ensure achievement of purpose of Act	Audit, except where Minister grants exemption
Public	IFRS	Audit
Private (as defined by regulations)	IFRS	Audit

Type of company	Accounting framework	Audit/Review/Exempt
Private	IFRS or IFRS SMEs	Review
Owner-managed private	Framework for non-public entities (still to be approved by the Accounting Practices Board)	Exempt
Personal liability	Framework for non-public entities (still to be approved by the Accounting Practices Board)	Audit/Voluntary audit/ Review/Exempt, depending on regulations
Not-for-profit	IFRS or IFRS SMEs	Review
Close corporation	Generally accepted accounting practice, appropriate to the business of the corporation, and achieving fair presentation	Accounting officer's report

IFRS, International Financial Reporting Standards.
SMEs, Small Medium Enterprises



Incentives for Investments and Grants

South Africa has begun to establish Industrial Development Zones (IDZs) in a bid to promote foreign direct investment. There are now three IDZs: East London, Coega and Richards Bay. Incentives are offered to businesses that are involved in the IDZs by lowering business costs and providing the necessary financial support for the acquisition of infrastucture. According to the SARS, incentives are offered on the following:

Relief from customs duties at time of importation into a Customs Controlled Area (CCA) an area within an Industrial Development Zone (IDZ), designated by the Commissioner in concurrence with the Director General: Trade and Industry, which area is controlled by the Commissioner:

- Any goods for storage
- Raw material for manufacture
- Machinery used in the manufacturing process.

Simplified customs procedures:

- Clearance of goods – importation, exportation and transit
- Application for designation, licensing and registration
- Release of cargo
- Consideration of stage consignments if the requirements are met
- Consideration of release under embargo
- Lesser amounts for security – licensing, registration and movement of bonded goods.

Fiscal incentives on goods:

- Goods imported for storage
- Raw material imported for manufacture
- Machinery imported for used in the manufacturing process
- Any material imported for use in the construction of the CCA infrastructure
- Goods exported from the CCA to a foreign country
- Any services rendered to a Customs Controlled Area Enterprise (CCAE), being a company holding a valid Industrial Development Zone enterprise permit issued by the Manufacturing Development Board and a CCAE must be a vendor for VAT purposes (i.e. an industrial development zone enterprise or in the CCA.

Subsidised infrastructure:

- No import duties payable on goods imported for use in the construction and maintenance of the infrastructure of a CCA in an IDZ (rebate item 498.02)
- No VAT payable when:

- Goods imported for use in the construction and maintenance of the infrastructure of a customs controlled area
- Land supplied to a CCAE in the CCA for sale, letting or any other agreement
- Electricity or water supplied to the IDZ operator or CCA enterprise located in the CCA.

In addition to the grants stated above, there is a foreign investment grant that is aimed at encouraging foreign businesses to invest in manufacturing companies by assisting in the cost of transporting productive qualifying assets to South Africa.

In order to qualify for the incentive, the company must be incorporated in South Africa with a foreign direct shareholding of ≥50%. The foreign investment grant is conditional on the approval of a project under the Manufacturing Investment Programme (MIP). The benefit is the lower of the actual qualifying transportation costs, or 15% of the cost of new plant and machinery acquired abroad, limited to R 10 million.

The Department of Trade and Industry (DTI) has published in its investment guide a comprehensive list of incentives that are available to promote foreign direct investment in South Africa; this can be downloaded from http://www.thedti.gov.za/.

Official Agencies Providing Assistance to Enterprises

The DTI aims to promote and attract foreign direct investment into the country; increase economic participation between South Africa, the rest of the continent and the world; and promote international trade.

Over the years, the South African government – overseen by the DTI – has set up several agencies that assist enterprises and entrepreneurs looking into starting their own businesses. These agencies positively encourage enterprise by helping to promote economic participation of previously disadvantaged people, job creation and access to markets. There are both provincial and national agencies that exist to assist businesses and emerging entrepreneurs. The following are the major public agencies that provide assistance to businesses:

- Small Enterprise Development Agency (SEDA)
- National Empowerment Fund (NEF)
- Industrial Development Agency (IDC)
- Development Bank of South Africa
- Khula Enterprise Finance
- International Trade Administration Commission of South Africa (ITAC)
- Trade and Investment South Africa (TISA).

In addition to the agencies listed above, there are agencies set up to assist enterprises by sector – such as the food and beverage, forestry and technology sectors.

Small Enterprise Development Agency (SEDA)

SEDA is an agency of the South African DTI and was established in December 2004 through the National Small Business Amendment Act, 2004. It is mandated to implement the government's small business strategy; design and implement a standard and common national delivery network for small enterprise development; and integrate government-funded small enterprise support agencies across all tiers of government. SEDA's mission is to develop, support and promote small enterprises throughout the country, ensuring their growth and sustainability in coordination and partnership with various role players, including global partners, who make international best practices available to local entrepreneurs.

National Empowerment Fund (NEF)

Established by the National Empowerment Fund Act, 1998, the NEF is a driver and opinion-leader in promoting and facilitating black economic participation through the provision of financial and non-financial support to black empowered businesses, as well as by promoting a culture of savings and investment among black people.

Industrial Development Corporation (IDC)

The IDC is a national development finance institution set up to promote economic growth and industrial development. IDC is owned by the South African government under the supervision of the Economic Development department. The IDC's primary objectives are to contribute to the creation of balanced, sustainable economic growth in South Africa and across the rest of the continent.

The IDC promotes entrepreneurship through the building of competitive industries and enterprises based on sound business principles. The IDC provides finance for industrial development projects, playing a catalytic role in promoting partnerships across industries within and outside South Africa, promoting regional economic growth, by:

- Proactively identifying and funding high-impact and labour-intensive projects
- Leading the creation of viable new industries
- Using diverse industry expertise to drive growth in priority sectors
- Taking up higher-risk funding projects.

Development Bank of South Africa

The Development Bank of South Africa offers access to development finance, effectively integrating and implementing sustainable development solutions. The bank believes in generating investment in assets and supports broad-based wealth creation. The bank acts as a catalyst, integrator, centre of excellence and strategic implementer by aiming to:

- Catalyse, expand and enable delivery of basic and social services
- Provide and build human and institutional capacity
- Promote broad-based economic growth, job creation, efficiency, fixed capital formation and regional integration
- Engender sustainability, both external and internal.

Khula Enterprise Finance

The DTI established the necessary framework for the promotion of a more inclusive economy with its integrated small business strategy and via the agencies designed to deliver support and services to small, medium and micro enterprises. Khula Enterprise aims to provide finance, mentorship services and small business premises to small and medium enterprises through a network of partnerships, and to encourage the sustainable development of small and medium enterprises while ensuring that Khula remains financially viable.

International Trade Administration Commission of South Africa (ITAC)

ITAC was established by an Act of Parliament on 1 June 2003. Its aim is to foster economic growth and development in order to raise incomes and promote investment and employment in South Africa and within the common customs union area by establishing an efficient and effective system for the administration of international trade, subject to this Act and the Southern African Customs Union (SACU) Agreement. The core functions are customs tariff investigations, trade remedies, and import/export control.

Trade and Investment South Africa (TISA)

TISA is a national investment promotion agency whose main role is implementation of the government's vision of a competitive, outward-facing economy by providing the following services to foreign investors:

- Attracting foreign direct investment; developing and promoting local direct investment
- Identifying, packaging and marketing potential investment opportunities, as well as potential investors
- Facilitating investment in South Africa by providing general information on the investment and domestic business climate
- Assisting South African companies at all levels to ensure retention, expansion and diversification by company, product and market
- Offering dedicated aftercare services for investors
- Organising inward/outward trade missions; facilitating funding and government support for trade- and investment-related activities
- Providing information on sectors and industries
- Assisting consultations with regulatory bodies
- Assisting with work permit applications.

There are provincial investment promotion corporations throughout the country whose main objective is the promotion and encouragement of regional investment. Other objectives include:

- Attracting new investors and positioning the provinces as choice investment targets
- Stimulating exports
- Facilitating economic development
- Deriving value from assets, including a large property portfolio
- Building existing businesses
- Facilitating start-up businesses.

Expatriate Living

Work Permits

An expatriate in South Africa must have a work permit for all occupations. Three main types of work permit are available:

- General work permit, granted to an individual applying for a specific position in a specific place of employment
- Quota work permit, granted to an individual who can prove that their profile fits onto predetermined scarce skills
- Exceptional skills permit, granted to an individual who has a unique skills set in a particular discipline.

The main consideration for all three types is that a South African citizen must not be qualified to perform the task in question at the same capacity as the applicant.

There are also other work permits in South Africa:

- Intra-company transfer work permit, granted to people who are being transferred by a company to South Africa to work in a South African branch of the company
- Business permit, given to foreigners who intend to start or invest in a business in South Africa.

Accommodation

Expatriates moving to South Africa can look forward to finding plenty of reasonably priced, comfortable housing options available to them. Renting property in South Africa is a straightforward process. Renting through estate agents remains a popular method of finding a place to stay, while listings are also given in local newspapers and on a wide variety of websites. There is an almost inexhaustible range of accommodation available to rent in South Africa: from executive apartments to Victorian cottages, large detached houses and modern townhouse complexes. Buying property in South Africa is easy for expatriates because there are no restrictions on non-residents regarding property ownership. However, there is a restriction on the amount of finance available to non-South African residents when purchasing a new home.

Transport and Driving

Driving and public transport in South Africa is similar to that in the United States. Public transport, even within big cities, is very limited – although some efforts have been made recently to improve the infrastructure. Virtually everyone moving to South Africa will need to purchase a car – which can be relatively expensive, although petrol prices are lower than in Europe.

The easiest way to get around South Africa is by air. Johannesburg's O. R. Tambo International Airport is a modern and well-organised hub for all of southern Africa. Metrobus is the official bus service provider in the Johannesburg area. The high-speed Gautrain has been operating in the greater Johannesburg area since 2010.

Banking and Money

The currency in South Africa is the South African Rand, abbreviated as ZAR or R. The four major banks include ABSA, First National Bank, Standard Bank and Nedbank. Private banks generally offer a slicker service and more professional advice; they include Investec and Rand Merchant Bank. Visa and MasterCard are widely accepted in South Africa; American Express and Diner's Club are accepted in major centres and tourist spots.

Health Care

Some 80% of the South African population rely on public health care. Fees are charged according to a patient's income and number of dependants; in most cases, a consultation will cost around R 60 or less. The facilities are manned by highly qualified professionals.

The private health sector in South Africa is excellent. The standard of treatment, facilities and professionals is by far the most highly regarded on the African continent, and considered to be equal to that of Europe; however, it is expensive.

Education and Schools

The South African education system is made up of three different types of school: independent or private, public or government, and model C (quasi-government) schools. Private education is much more expensive than public education, but offers exceptionally high standards of education. Model C schools are government schools that are administered and largely funded by the parent and alumni body.

The South African school year is divided into four terms. While there is no official language of instruction in South Africa, the most highly reputed schools teach in English; international schools teach in the language associated with their respective countries. All school pupils in South Africa are obliged to wear a uniform.

Food Costs

There has been a large increase (about 8–10%) in the cost of food in the last 2 years. Most families on a budget prefer to buy groceries from large supermarkets that stock a wide variety of different brands, including local produce and imported goods. South African brands are substantially cheaper than imported goods.

The Next Step

Contact SizweNtsalubaGobodo to discuss your needs.

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