



SOUTH AFRICA



COUNTRYFACTSHEET–SOUTH AFRICA

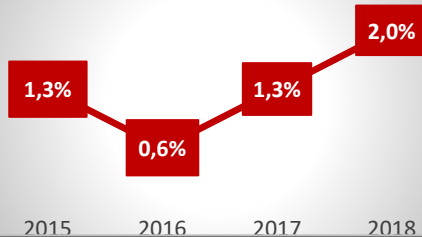


South Africa, well known for its precious metals and agricultural products, has transformed from an agriculture- and mining-dominated economy **into a sophisticated manufacturing- and services-based economy**, with services comprising more than 60% of the country's GDP in 2015. The country also has well developed financial, legal, communications, energy and transport sectors.

South Africa's stock exchange is the largest in Africa, and ranked in the top 20 in the world. In 2011, South Africa introduced the special headquarter company regime (HQC), to **make South Africa an attractive location for multinational companies wanting to invest into Africa.**

KEY FACTS

- Population: 56.7 million
- Demographic growth: 0.99%
- GDP per capita: \$7504, 30
- Life Expectancy: 63.8 years
- Literacy Rate: 94.4%
- Inflation: 5,2%
- Human development index (HDI) (over 188 countries) : 119th
- FDI (Net Inflows): \$ 2.25 billion (2016)
- Current accounts: -3,21%
- Primary export: Gold
- Last elections: 2018
- GDP Growth (%) :



* Source : World Bank data 2017

INVESTMENT INCENTIVES

The government offers a variety of grants and tax incentives, including the following:

Headquarter companies (HQC):

The headquarter company regime was introduced to encourage foreign companies to use South Africa as their base for investing in Africa.

Headquarter companies are exempt from withholding taxes on dividend, interest and royalties.

Special Economic Zones (SEZs):

SEZs are designated areas for targeted economic activities, with specific benefits granted to companies within the zone. Benefits include 15% corporate tax rate (rather than the standard 28% rate), an employment tax incentive, and additional VAT and duties reliefs.

Research and Development: an allowance of **150%** of expenditure incurred directly for R&D purposes may be granted.

Business Process Services (BPS): The primary objective of the BPS incentive is to attract investment and create employment in South Africa through offshoring activities

ATTRACTIVE INDUSTRIES

South Africa's most attractive industries include mining (world's largest producer of platinum, gold, chromium), manufacturing and agriculture.

TOP 5 COMPANIES :

Steinhoff International
Sasol
Sanlam
Naspers
Standard Bank

WORK PERMIT

Any person who is not a citizen of South Africa and who wishes to work in the country needs to apply for a Work Visa.



There are four other types of visas that allow a foreign national to work in South Africa: Intra-Company Transfer Work Visa, Critical Skills Work Visa, General Work Visa and corporate Worker Visa.

INTEREST AND CURRENCY EXCHANGE

Prime Overdraft rate

Prime lending rate: 10,25% (March 2018) (Source: South African Reserve Bank SARB)

Interest Rate

Repo rate: 6. 50% (March 2018) (Source: South African Reserve Bank SARB)

Currency: South Africa's currency is the Rand (ZAR).

GBP 1 = ZAR 17. 22 (April 2018) (Source: SARB)

USD 1 = ZAR 12.06 (April 2018) (Source: SARB)

EUR 1 = ZAR 14.90 (April 2018) (Source: SARB)

CORPORATE TAXES

Corporate tax rate : The basis corporate tax rate is **28%**. Branch profits tax at a rate of **28%** is imposed on South African –source profits of nonresident companies.

Special rates apply to qualifying companies in a special economic zone (**SEZ**) (*companies that carry on business within SEZ are subject to corporate income tax at the special rate of 15% on taxable income derived from business within that SEZ*), **small business corporations**, gold mining companies and insurers.

Capital Gains Tax :Capital gains derived by resident companies are subject to capital gains tax (CGT) at an effective rate of **22, 4%**.

Withholding Tax (WHT)

Dividends - Dividends tax is levied at a rate of **20%** on dividends declared by domestic companies and in respect of shares of nonresident companies that are listed on the Johannesburg Stock Exchange (JSE).

Dividend tax does not apply to Headquarter companies (HQC).

Interest - a **15%** withholding tax is levied on interest paid to, or for the benefit of, a nonresident, to the extent such interest accrues from a source within South Africa. The rate may be reduced or eliminated under a tax treaty.

Interest paid by an HQC is exempt.

Royalties: a 15% withholding tax applies to royalties that arise from a source within South Africa and are paid to a nonresident, unless the rate is reduced under a tax treaty. The rate does that apply to royalties paid by an HQC in certain circumstances.

Value-Added Tax (VAT)

VAT is levied on the supply of goods and services in South Africa, on the importation of goods and on the supply of imported services in certain circumstances.

The standard VAT rate is 14%. Certain supplies qualify for a zero rating.

Headquarter companies (HQC): The **HQC regime** is an initiative designed to promote South Africa as a jurisdiction of choice for investments into Africa. The regime aims to eliminate fiscal and other regulatory barriers that have discouraged foreign investors from using South Africa as a holding company location.

An HQC is subject to South African corporate income tax of 28%, but is exempt from the dividends tax and capital gains tax.

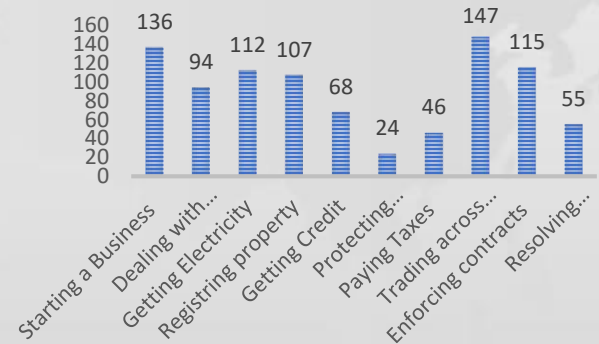
Starting a Business – Rank 136 out of 189

Steps To start a Business :

1. Reserve the company name
2. Register at the companies and Intellectual property commission (CIPC)

3. Open a Bank account
4. Register for income tax and withholding taxes
5. Register for VAT
6. Register the company with the Unemployment Insurance Fund (UIF)
7. Register with the commissioner in deference to the compensation for occupational injuries and diseases Act

DOING BUSINESS 2018 – 82 out of 190



USEFUL LINKS / SOURCES :

- [Deloitte - Taxation and investment in South Africa](#)
- [South Africa Reserve Bank](#)
- [Deloitte Guide to Fiscal Information 2017](#)
- [EY Worldwide Corporate Tax Guide](#)
- [Euromonitor International](#)
- [Trading Economics](#)
- [CIA - The World Factbook](#)
- [The department of trade and industry of the Republic of South Africa](#)