



Investing in South Africa

2010 Edition



Cover Illustration

Courtesy:

South African Tourism
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Description:

uKhahlamba / Drakensberg Park

Description:

The uKhahlamba Drakensberg Park has exceptional natural beauty in its soaring basaltic buttresses, incisive dramatic cutbacks, and golden sandstone ramparts. Rolling high altitude grasslands, the pristine steep-sided river valleys and rocky gorges also contribute to the beauty of the site. The site's diversity of habitats protects a high level of endemic and globally threatened species, especially birds and plants. This spectacular natural site also contains many caves and rock-shelters with the largest and most concentrated group of paintings in Africa south of the Sahara, made by the San people over a period of 4 000 years. The rock paintings are outstanding in quality and diversity of subject and in their depiction of animals and human beings. They represent the spiritual life of the now extinct San people.

Statement of Significance:

- *Criterion (i)*: The rock art of the Drakensberg is the largest and most concentrated group of rock paintings in Africa south of the Sahara and is outstanding both in quality and diversity of subject.
- *Criterion (iii)*: The San people lived in the mountainous Drakensberg area for more than four millennia, leaving behind a corpus of outstanding rock art which throws much light on their way of life and their beliefs.
- *Natural criteria (vii) and (x)*: The site has exceptional natural beauty with soaring basaltic buttresses, incisive dramatic cutbacks and golden sandstone ramparts. Rolling high altitude grasslands, the pristine steep-sided river valleys and rocky gorges also contribute to the beauty of the site. The site's diversity of habitats protects a high level of endemic and globally threatened species, especially of birds and plants.

Other South African World Heritage Sites

- Mapungubwe Cultural Landscape
- uKhahlamba Drakensberg Park
- Vredefort Dome
- Richtersveld Cultural and Botanical Landscape
- Robben Island
- iSimangaliso Wetland Park
- Cape Floral Region Protected Areas
- Fossil Hominid Sites of Sterkfontein, Swartkrans, Kromdraai, and Environs.

National Anthem

Nkosi sikelel' iAfrika,
Maluphakanyisw' uphondo lwayo,
Yizwa imithandazo yethu,
Nkosi sikelela, thina lusapho lwayo.

Morena boloka setjhaba sa heso,
O fedise dintwa la matshwenyeho,
O se boloke, O se boloke setjhaba sa heso,
Setjhaba sa South Afrika - South Afrika.

Uit die blou van onse hemel,
Uit die diepte van ons see,
Oor ons ewige gebergtes,
Waar die kranse antwoord gee.

Sounds the call to come together,
And united we shall stand,
Let us live and strive for freedom,
In South Africa our land.

Foreword

Companies today operate in a challenging and competitive global marketplace. Globalisation efforts by companies are frequently hindered by an array of factors other than the conventional business challenges, such as the social, cultural and political climates that differ greatly between countries. South Africa is ideally placed to be a launch pad into Africa.

Developing a global strategy and optimising the global footprint is a complex exercise. However, companies can suffer from fragmented visibility of total costs and benefits of international expansion. Companies have come to realise that they need to define a strategy for global expansion. This strategy must span business objectives, assessment of market forces, and an evaluation of the total cost of doing business in a new country.

Deloitte South Africa is well aware of these challenges and through the Global Expansion Optimisation service (GEO), provides a holistic, multi-disciplinary service offering that assists foreign organisations establish operations in South Africa and Africa. The comprehensive solution incorporates and consolidates all the strategic services offered by Deloitte. The service ranges from assistance with site selection strategies through to the everyday issues, including immigration assistance and tax planning. GEO not only assists clients to mitigate against the risks and costs associated with such expansion initiatives, but enables companies to capitalise on government incentives.

GEO is positioned to help companies in the process of expanding into unfamiliar international markets by providing expert and independent advice that is practical, proactive, and designed to help companies achieve their objectives in the most effective way possible.

2010 is a historic year for South Africa and the continent of Africa. We look forward to welcome all during the World Cup and beyond. Deloitte is ideally placed to help you with your expansion.

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Contents

Foreword	2	South African Taxation	66
General Information about South Africa	6	VAT	66
Welcome to South Africa	6	Income Tax	66
South Africa at a Glance	14	Capital Gains Tax	66
Overview	14	Exempt Entities and Public Benefit Organisations (PBOs)	67
Economic Policy Outlook	14	Tax Features	67
Economic Forecast	14	Calculating Taxable Income	69
Country Forecast Overview: South Africa's Business Environment at a Glance	15	Current Rates of Taxation	70
Outlook for 2010-11: International relations	18	Passive Holding Companies	71
Outlook for 2010-11: Policy trends	18	Provisional Taxes	71
Outlook for 2010-11: The Accelerated and Shared Growth Initiatives for South Africa	19	Double Taxation Agreements	72
Outlook for 2010-11: Fiscal policy	20	Current List of Customs Agreements on Mutual Administrative Assistance	74
Outlook for 2010-11: Monetary policy	20	Current List of VAT Agreements on Mutual Administrative Assistance	75
Outlook for 2010-11: International assumptions	21	Tax Information Exchange Agreements	75
Outlook for 2010-11: Economic growth	21	Preferential Trade Agreements/Preferences	75
Outlook for 2010-11: Inflation	22	Incentives - 2010 Year of Assessment	78
Outlook for 2010-11: Exchange rates	22	Investment Incentives	83
Outlook for 2010-11: External sector	23	Investment and Enterprise Development Incentives	86
Country Forecast Overview: Key indicators	23	Competitive Enhancement Incentives	93
Foreign Direct Investment	24	Export Incentives - Non-Industry Specific	94
Exchange Controls	25	Export Incentives - Industry Specific	97
Inward Investment	27	Industrial Financing	102
Stock Exchange	27	Industrial Participation	107
Repatriation of Funds	28	Social responsibility	108
Reporting Requirements	32	Tax	110
Introduction	32	Customs Duty Planning for Businesses	110
Different Forms of Companies	32	Transfer Pricing	113
Transparency and Accountability	33	VAT Planning	114
Enhanced Transparency and Accountability	33	Customs Accreditation	115
Company Finance	34	Intellectual Property	120
Capital Adequacy	34	Introduction	120
Governance	34	Patents	120
Standards of Director's Conduct	35	Trade Marks	120
Director Liability	35	Counterfeit Goods	121
Takeovers and Fundamental Transactions	35	Copyright	121
Business Rescue	36	Designs	121
Enforcement	37	Plant Breeder's Rights Act 15 of 1976	122
King III	38	Trade Secrets	122
Retention of Records	46	General	123
Foreign Trade	48	Contacts in South Africa	126
Total Imports and Exports	48	Business Information Services	126
Top 10 Imported and Exported Commodities – 2009	48	Chambers of Commerce and Industry	126
Membership to International Organisations	49	Investment Promotion Agencies	127
South Africa's Bilateral Trade Agreements	50	Government Departments	128
South Africa's Multilateral Trade Agreements	50	Deloitte Services	130
Black Economic Empowerment	52	Audit	130
National Empowerment Fund	54	Risk Advisory	132
NEPAD	56	Corporate Finance	139
Overview of the dti	58	Tax & Legal	140
Purpose	58	Consulting	153
Key Strategic Objectives	58	Deloitte of Tomorrow	161
National Industrial Policy Framework (NIPF)	59	Transformation in Deloitte	164
South Africa's Response to Climate Change	62	Introduction	164
National Carbon Reduction Commitments	62	Achievements	164
Climate Change Policy, Regulation and Incentives	62	Empowerdex Rating	166
The Clean Development Mechanism	63	Deloitte Contacts	168
		Acronyms	172

General Information about South Africa

Welcome to South Africa!

Head of State

Mr Jacob Gedleyihlekisa Zuma – elected President of South Africa in 2009.

Measures

Metric system

Electricity Current

220/230 volts AC50HZ

Time

GMT +2 Hours

Corporate Information

(Business hours – a broadly based guideline)

Monday to Friday 08h00 to 17h00

Saturday 08h30 to 13h00

In metropolitan areas many large department stores are open until 17h00 and sometimes later on weekdays and Saturdays and on Sundays from 09h00 to 13h00 (sometimes later).

Fiscal Year

March 1 to February 28

Banking Hours

Monday to Friday 08h30 to 15h30

Saturday 08h00 to 11h00

The last working day of each month 08h30 to 15h30

Cash is readily available from autoteller machines (ATM's) 24 hours a day.

Currency

The monetary unit is the South African Rand (Rand), equivalent to 100 cents (international symbol ZAR).

Bank note denominations:

R200, R100, R50, R20, R10

Coin denominations:

R5, R2, R1, 50c, 20c, 10c, 5c

The information in this guide is not exhaustive and is based on conditions that existed in April 2010. Readers are advised to consult with relevant professionals before taking any formal action. Deloitte accepts no responsibility for any errors this guide may contain, whether caused by negligence or otherwise, or for any loss, however caused, sustained by any person that relies on information herein.

Public Holidays 2010/2011

- 16 June (Youth Day)
- 9 August (National Women's Day)
- 24 September (Heritage Day)
- 16 December (Day of Reconciliation)
- 25 December (Christmas Day)
- 26 December (Day of Goodwill) ¹
- 1 January 2011 (New Year's Day)
- 21 March 2011 (Human Rights' Day)
- 22 April 2011 (Good Friday)
- 25 April 2011 (Family Day) ¹
- 27 April 2011 (Freedom Day)
- 1 May 2011 (Workers' Day) ¹



Geography

South Africa is divided into nine provinces covering 1 220 000km² (471 000 miles).

The main industrial and commercial areas are centred in Cape Town, Durban, Johannesburg and Pretoria.

Pretoria serves as the administrative capital, Cape Town as the legislative capital, and Bloemfontein as the judicial capital.

¹ The Public Holidays Act (Act No 36 of 1994) determines whenever any public holiday falls on a Sunday, the Monday following on it shall be a public holiday

² Statistics South Africa website



Rock Art
© South African Tourism

Climate

Temperate, warm and sunny.
Summer 15°C to 35°C
Winter 0°C to 20°C

Official Languages

Afrikaans, English, Ndebele, Sepedi, Sesotho, Seswati, Setswana, Tsonga, Venda, Xhosa and Zulu.
English is the business language.

Population²

Population 44.8m (2001 census)
(mid-2009 estimate 49.32m)

Population of working age (15-64)

	October - December 2009 ('000)
Employed	12 974
Unemployed	4 165
Labour force	17 138
Not economically active	14 123
Working age	31 261

² Statistics South Africa website

Law

South African law is founded on the Roman-Dutch law, although aspects of our law (particularly the company laws and the law of evidence) have been heavily influenced by English law. General commercial legal practices relating to transactions and the drafting of commercial agreements are generally globally applicable and in line with developed countries. There is a world-class and modern Constitution (including a Bill of Rights) in place which regulates human rights and all legislation.

There are a number of legal restrictive and protective rules impacting on doing business in South Africa. Trade and industry is undertaken within the framework of a free enterprise economy. The courts are open to foreigners on exactly the same terms and conditions as South African citizens, although many commercial disputes are resolved through arbitration by agreement between the parties.

The Immigration Act specifically provides for foreigners intending to establish or invest in, or who have established or invested in, a business in South Africa.

Industrial Relations

Foreign employees working in South Africa for a South African employer will be protected by South African employment laws. Trade unions are active in most industries and collective bargaining is regulated by the Labour Relations Act. Most collective bargaining occurs at employer level, but some industries are regulated by industry level Bargaining Councils. Termination of employment must be both substantively and procedurally fair as regulated by the Labour Relations Act. Minimum conditions of employment are regulated by the Basic Conditions of Employment Act.

Immigration

South Africa's immigration system is regulated by the Immigration Act. This Act ensures that access to foreigners is granted in order to promote economic growth, while at the same time ensuring that security considerations are fully satisfied.

This Act sets out the categories of permits available - there are three basic components to the South African system: visas, temporary residence permits and permanent residence permits.

Visas

Some countries are exempted from visas, others not. Nationals from countries that are exempt from visas can enter South Africa and obtain a visitor's temporary residence permit at the port of entry (up to the limit of their visa exemption for visits that justify this form of entry, such as business meetings and holidays). Once in South Africa this temporary residence permit can be renewed or changed to a more appropriate category, if you show good reasons to the authorities. (An important point to note is that changes in the purpose of entry will only be considered by the Department of Home Affairs if the individual can show that he or she did not wilfully misrepresent their purpose of entry when they originally entered). Persons who have entered on a visa and then obtain the temporary residence permit at the airport are treated strictly since they should have applied for the correct visa and permit before they entered.

Temporary Residence Permits

There are various categories of temporary residence permits, ranging from visitor's permits for tourism to work permits. These permits are valid for periods of between three months and 24 or 36 months. Generally, the principle is to apply for the permit that most closely applies to your circumstances before coming to South Africa, at the relevant South African Embassy.

The Immigration Act specifically provides for foreigners intending to establish or invest in, or who have established or invested in, a business in South Africa. Foreigners can obtain the appropriate permits for the members of their families.

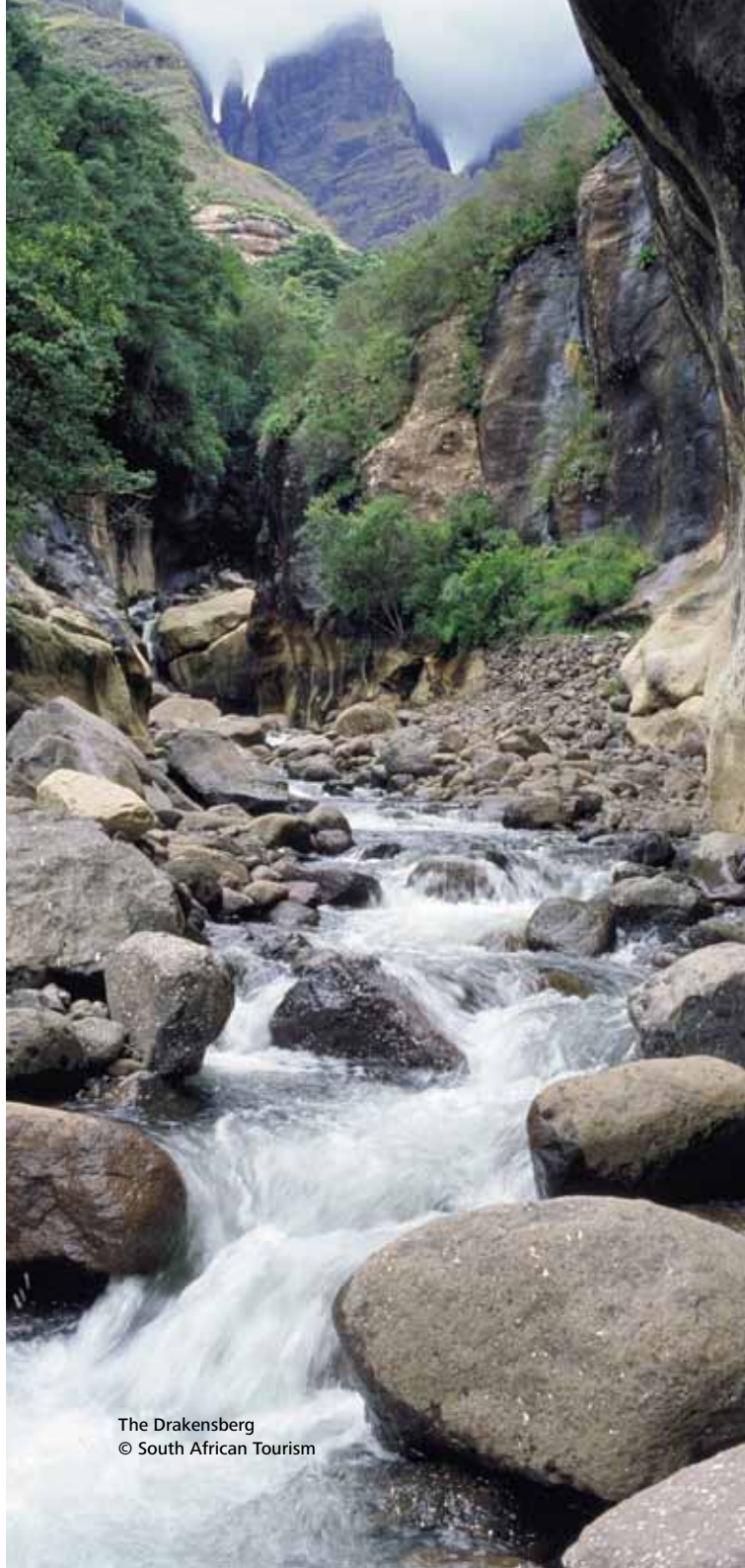
Work Permits

For individuals who wish to apply for a work permit, four options are available. Making application for these at the Embassy or Consulate will avoid questions regarding wilful misrepresentation of your purpose of entry. We have found the regional offices of the Department of Home Affairs to be reasonable when considering these applications, if sufficient reasons for lodgement in South Africa are provided.

An employer can apply for an **intra-company temporary residence work permit** if the employee is only required to work in South Africa for less than 24 months and is being transferred from a branch, subsidiary or affiliate abroad. It is important to note that this permit cannot be renewed. However, the Department of Home Affairs is currently looking at extending this two-year period to four years. Another option is the **general temporary residence work permit** if the employer has advertised the position in the format prescribed by law, or the **quota temporary residence work permit** if the post was not advertised but the individual falls within one of the categories of permits as determined by the critical skills list. The final permit for employment is the **exceptional skills permit** for those individuals whose qualifications or experience can be termed exceptional. It is important for employers to note that it could be a time-consuming task to apply for a South African work permit. An employer should therefore obtain advice from the Department of Home Affairs or qualified immigration practitioners in order for them to be able to plan ahead.

Permanent Residence Permits

The permanent residence permits are, as the name implies, permanent in nature. A worker can thus apply for a temporary residence permit or a permanent residence permit, if they qualify for the requirements set out in each class of application. A permanent residence application takes between one to two years to process. An important point to note: It is advisable to seek council from Deloitte before applying for permanent residence as there could be tax and reserve bank implications. The categories of permanent residence applications can be divided into those for workers and those who are not workers. It is important to ensure that the individual qualifies for a permanent residence permit before applying.



The Drakensberg
© South African Tourism

South Africa at a Glance

This is based on the "Country Forecast", compiled by the Economist Intelligence Unit. Please note that the views expressed in this section do not necessarily reflect the views of Deloitte.

Overview

The South African president, Jacob Zuma, will focus on jobs, healthcare, education, crime and rural development. No major economic policy shifts are envisaged. Boosting economic growth and investment in order to generate employment will remain the primary focus. Inflation is expected to subside from an estimated 7.1% in 2009 to 5.9% in 2010, and to 5.5% in 2011. This will be helped by the introduction of a new, reweighted consumer price index in January 2009, and weaker commodity prices. The current-account deficit is expected to rise to 5.4% of GDP in 2010 and 5.6% of GDP in 2011 as economic recovery draws in imports.

Economic Policy Outlook

The finance minister, Pravin Gordhan, unveiled a prudent and cautious budget for 2010/11 that maintains a fiscal stimulus but envisages a steady decline in the budget deficit, from 7.3% of GDP in 2009/10 to 6.2% of GDP in 2010/11.

Mr Gordhan also cemented his commitment to policy continuity by retaining inflation targeting (and the current 3-6% target band), and a market-determined exchange rate.

Economic Forecast

The recession will be short-lived with growth resuming at 2.8% in 2010, spurred by the hosting of the football World Cup and a modest global rebound, and gaining momentum to reach 3.7% in 2011.

Country forecast overview: Highlights

- South Africa's president, Jacob Zuma, will attempt to strengthen the African National Congress (ANC) and deliver socio-economic development, but popular impatience and a shrinking economy will make this a formidable challenge.
- Mr Zuma will need all his skills as a conciliator to balance the demands of his left-wing allies with those of the ANC centre, although the moderate viewpoint is likely to prevail.
- No major economic policy shifts are envisaged. Boosting economic growth and investment in order to generate employment will remain the primary focus. The ANC promises to maintain fiscal and monetary discipline.

- The spotlight will remain on building infrastructure, nurturing industry, improving skills, accelerating black economic empowerment and reducing crime. Skills shortages, in particular, will remain a serious constraint.
- The authorities do not have a target exchange rate and are not expected to intervene in the foreign-exchange market or to use interest rates to influence the value of the Rand in 2010-14. Official assurances over policy continuity and relatively solid fundamentals should preclude major instability, although sharp daily swings will remain commonplace, as the Rand is widely traded.
- Rising demand from 2010 onwards and higher commodity prices will help to boost exports, but owing to rising imports the current account is forecast to remain in deficit over the forecast period. The overall deficit is forecast to rise from 5.4% of GDP in 2010 to 6% of GDP in 2012, and to fall to 4% of GDP in 2014.

Country Forecast Overview: South Africa's Business Environment at a Glance

Policy towards private enterprise and competition

2010-11	The government will maintain business-friendly policies to help to expedite recovery from recession, although competition rules will become stricter.
2012-14	Regulatory reforms may allow for the expansion of public-private partnerships.

Policy towards foreign investment

2010-11	Policy will remain accommodating to foreign investors, but selling state assets to non-residents will remain controversial.
2012-14	The creation of new parastatals and stricter land laws could inhibit foreign investment.

Foreign trade and exchange controls

2010-11	The liberalisation of exchange controls on capital flows will stall. Some trade tariffs may be raised to protect vulnerable industries. Efforts to build trade ties with key emerging markets will continue.
2012-14	Progress towards regional economic integration in Southern Africa will remain slow.

Taxes

2010-11	The secondary tax on companies will be phased out and replaced by a dividend tax at shareholder level in 2010, but tight fiscal conditions will preclude any further cuts in the corporation tax rate (now 28%).
2012-14	Efforts to streamline taxes will continue. It is government's intention to impose a "carbon tax". The government may revisit windfall taxes on fuels and minerals.

Financing

2010-11	Financing will become easier as the global and local economies bounce back from recession. Bank lending will rise and the availability of external funding will improve. The Johannesburg Stock Exchange (JSE) will remain a key source of capital.
2012-14	South Africa will remain reliant on external sources of financing and will therefore try to preserve policy credibility.

The labour market

2010-11	Labour policy will become more interventionist, under pressure from the Congress of South African Trade Unions to preserve jobs, wages and benefits, but union demands will not be met in full, potentially sparking a new wave of strikes.
2012-14	The labour market will remain challenging owing to persistent skills shortages and black economic empowerment targets.

Infrastructure

2010-11	Investment to boost capacity in the transport and electricity networks will continue but power tariffs will rise sharply. South Africa will connect to new submarine fibre-optic cables, boosting services and cutting costs.
2012-14	New base-load electricity-generating plants, due on stream in 2012-13, will greatly cut the risk of power shortages.

Background

South Africa became a full democracy in 1994, when it first held all-race elections. The ANC won with over 63% of the vote and has dominated all of the subsequent elections—in 1999, 2004 and 2009—by even larger margins. However, from a high-water mark of nearly 70% in 2004, support ebbed a little, to just under 66%, in the latest ballot in April 2009. Jacob Zuma replaced Thabo Mbeki as ANC leader at a key conference in December 2007 and was sworn in as president on May 9th 2009, ushering in a further five years of ANC rule.

Political structure

South Africa is a constitutional democracy with a bicameral parliament and an executive president elected by parliament. The constitution is the supreme law of the land. The 400-member National Assembly is elected by proportional representation; the Senate consists of indirectly elected representatives of the nine provinces. The judiciary is fully independent and includes a nine-member Constitutional Court. The constitution provides for an independent corruption watchdog, the public protector, and for independent commissions on human rights, gender equality and the restitution of land rights.

Policy issues

Faster growth, job creation, black economic empowerment (BEE) and correcting social imbalances—within the context of fiscal and monetary discipline—are the main aims of the government's medium-term economic policy. However, the global and local recession in 2009 will make these objectives harder to attain and some sectors may be given emergency support. There will be divisions in the new cabinet between left-wingers who seek greater state intervention in the economy and moderates who believe the current policy mix to be the most appropriate. Although there will be some intense debates, the Economist Intelligence Unit does not expect any significant shifts in economy policy (as the ANC has promised) because key moderates remain in powerful positions. Combating HIV/AIDS is a priority: South Africa is among the countries most badly affected by the disease, which has cut life expectancy and population growth.

Taxation

Value-added tax is levied at a flat rate of 14% with very few exceptions. The corporation tax rate was cut from 29% to 28% on April 1st 2008. The secondary tax on companies (to be replaced by a dividend tax at shareholder level) is likely to be scrapped in the second half of 2010. The highest (marginal) rate of personal income tax is 40%.

Foreign trade

The current-account deficit is estimated to have fallen to 4.4% of GDP in 2009. Merchandise exports are estimated to have fallen to US\$66.8bn and imports to US\$64.7bn in 2009, resulting in a reduced trade deficit of US\$2.1bn.

Outlook for 2010-11: International relations

South Africa will continue to play an important role in world affairs but will enter a more introspective phase under Mr Zuma: his primary mandate is to tackle domestic challenges (such as poverty and jobs). The country will remain deeply engaged with Africa, particularly southern Africa and especially Zimbabwe. A forced new power-sharing agreement between Zimbabwe's president, Robert Mugabe, and his main rival, Morgan Tsvangirai, the leader of the main faction of the opposition Movement for Democratic Change, appears to be holding, but significant tensions remain. An enduring settlement in Zimbabwe would give a substantial boost both to Mr Zuma's credibility and to regional integration.

Outlook for 2010-11: Policy trends

The main challenge facing policymakers in 2010-11 will be to find a balance between the conflicting aims of expediting the country's recovery from its first recession since independence, by maintaining stimulus measures (including a budget deficit), while guarding against macroeconomic imbalances and the return of high inflation. Fiscal policy will remain loose in 2010 (before tightening a little in 2011), although there is little scope for further monetary easing after this year's interest-rate reductions. To help to deal with the impact of recession the government will release some funds for initiatives to create and protect jobs, but there will be no major corporate bail-outs, especially given the large funding needs of key infrastructure parastatals and the relative strength of the banking system. The expected completion of major infrastructure projects during the forecast period will facilitate business activity, but there will be challenges in the form of stricter anti-competition laws and the steep increases in electricity costs.

Outlook for 2010-11: The Accelerated and Shared Growth Initiatives for South Africa

The re-election of the ANC in 2009 represents policy continuity for the medium term, especially as key moderates are in powerful positions, although the influence of the left wing will increase. The Accelerated and Shared Growth Initiative for South Africa (ASGISA) will continue to provide the framework for medium-term policymaking, but it is likely that the new government will, over the next couple of years, reformulate the programme. ASGISA aims to raise the average growth rate from 4.5% in 2004-09 to at least 6% in 2010-14, with the objective of halving poverty and unemployment by 2014 (although these targets may be difficult to achieve because of the slow rebound from recession). Building infrastructure, expanding the skills base and nurturing local industry will remain key elements of ASGISA.

There will be pressure from the left wing of the ANC to abandon fiscal prudence and inflation targeting. However, with moderates, such as Pravin Gordhan, at the Ministry of Finance in control of key economic ministries, the Economist Intelligence Unit expects the centrist view to prevail, especially given the country's reliance on foreign capital. Policy towards private enterprise will remain accommodating but parastatals will continue to play a key role in the economy. Privatisation opportunities will be limited and public-private partnerships will continue to confront regulatory hurdles. There is a risk of heightened state intervention in the form of new parastatals (possibly in mining), which will need to be closely monitored. The new government's intention to give greater priority to tackling high levels of crime and AIDS is welcome, but land reform will need to be handled carefully in order to avoid damaging agricultural potential and scaring investors. Black economic empowerment will remain a key policy objective, although there will probably be a greater emphasis on broad-based deals that spread the benefits more widely.

Black economic empowerment will remain a key policy objective...

Outlook for 2010-11: Fiscal policy

The budget deficit is officially expected to jump sharply in the 2009/10 fiscal year (ending March 31st), to an estimated 7.6% of GDP, as the sharp economic contraction undermines revenue while the government continues to push ahead with planned spending, especially on infrastructure. The government will maintain the fiscal stimulus in 2010/11, as the recovery from recession will be fragile, leading to a projected deficit of 6.2% of GDP. The two consecutive deficits will push up public-sector borrowing, to be filled largely by domestic debt, although several years of prudence mean that South Africa's public debt ratio is relatively low and can tolerate the increase without threatening the country's credit-worthiness: the government says that it will not allow the public debt burden to exceed 50% of GDP. The 2011/12 fiscal year will be particularly challenging, however, because fiscal consolidation will be needed after two years of recession-busting spending, in order to stem the rise in debt-service costs and protect investor confidence. The government will therefore need to make some tough spending choices in the face of persistent pressure to spend more on infrastructure, social welfare and wages. The Treasury, nevertheless, hopes to make significant savings by overhauling public spending management, and promises to maintain fiscal discipline. On a calendar-year basis, the Economist Intelligence Unit forecasts that the budget deficit will average 6.6% of GDP in 2010, before dipping to 5.3% of GDP in 2011.

Outlook for 2010-11: Monetary policy

Monetary policy will remain focused on trying to keep inflation, as measured by the consumer price index (CPI), within the official target range of 3-6% a year, which is set by the Ministry of Finance and anchors the activities of the South African Reserve Bank (SARB, the central bank). The SARB's monetary policy committee cut rates aggressively in 2009 (especially in the first half of the year) to 7%, in response to the recession and falling inflation, but its room for manoeuvre has narrowed. Inflation dipped just below 6% in October and November for the first time since 2007. The SARB will revert to meeting on a two-monthly basis in 2010-11, after switching temporarily to a monthly cycle during 2009. The arrival of the new SARB governor, Gill Marcus, in November 2009 heralds continuity, and although the inflation-targeting regime will be subject to debate (possibly leading to minor changes, such as widening the target band to 3-7%) there are no major changes in prospect. A gradual decline in inflation during 2010-11 is expected to lead to a period of relatively stable interest rates.

Outlook for 2010-11: International assumptions

Global GDP, after falling by an estimated 0.9% in 2009 (on a purchasing power parity basis), is expected to rebound during the forecast period, growing by 3.7% in 2010 and 3.5% in 2011. The key US, EU and Japanese economies will emerge from recession in 2010-11 but the recovery is likely to be fragile and uneven, and downside risks persist. The expected pick-up in global demand, in both OECD and non-OECD markets, will boost South Africa's exports, while more stable commodity prices during the period (including oil) will help to contain inflation.

Outlook for 2010-11: Economic growth

South Africa's economy, after contracting by 1.8% in 2009 because of the global recession (its first decline since 1992), is forecast to rebound moderately in 2010, growing by 2.8%, helped by the global recovery. Following a weak recovery in the second half of 2009, growth will quicken in 2010, supported by a rise in global demand (especially for minerals) and a recovery in domestic demand following a sharp decline in interest rates in 2009. The rebound will be relatively fragile, however, because the jobs lost in 2009 (about 870,000) will not be fully replaced in 2010, and private investment is likely to remain subdued until there is solid evidence of a more sustained global recovery. Helping to offset this, public investment and consumption are expected to remain fairly strong as the government persists with its fiscal stimulus. Growth in 2010 will also benefit from preparations for and the hosting of the football World Cup in mid-year, which will give a major boost to tourism and related services, and could add between 0.5 and 1 percentage point to GDP growth. The country expects an extra 500,000 visitors, but there are lingering concerns that a global flu pandemic, high costs or fears about crime could dent numbers.

We expect real GDP growth to accelerate to 3.7% in 2011, helped by a more favourable global environment, the spin-offs from the World Cup, ongoing public investment and a rebound in private investment. Household consumption will benefit from faster jobs, growth, better credit availability and an expanding black middle class (bolstered by the roll-out of black economic empowerment initiatives). However, structural constraints (such as skills shortages) and a hesitant global revival mean that growth will not be sufficient to bring about a marked decline in unemployment. There is a risk that electricity shortages will re-emerge in 2010-11, constraining energy-intensive sectors, as new base-load power stations are not expected to come on stream until 2012-13. Electricity prices are likely to rise sharply, raising costs and fostering energy efficiency.

The roll-out of new submarine fibre-optic cables in 2010-11 will improve South Africa's connectivity and boost the telecommunications sector. The net external balance will be a drag on growth in 2010-11 as imports of goods and services will recover more quickly from recession than exports.

Outlook for 2010-11: Inflation

Inflation, measured by the new CPI benchmark, edged up to average 7.1% in 2009. Inflation fell to just within the SARB's 3-6% target range in October and November 2009—for the first time in two-and-a-half years—and, despite December's jump to 6.3%, is expected to dip below 6% again by the second quarter. Sound monetary and fiscal policy and weak consumer demand will reinforce the relaxation in price pressures. However, the pending sharp rise in electricity tariffs in April 2010 (by an expected 25-35%, for the second year running) will stoke inflation across the price spectrum. The World Cup in mid-2010 will lead to temporary price rises in some market segments. We continue to forecast that inflation will subside to 5.9% in 2010 and 5.5% in 2011, helped by more stable global commodity prices during the period and the maintenance of the SARB's inflation-targeting regime, although the gradual weakening of the Rand and further increases in power costs will contribute to price pressures.

Outlook for 2010-11: Exchange rates

The Rand averaged R7.5:US\$1 in January 2010 - 25% stronger year on year—having remained at this level for the fourth consecutive month. The Rand has recovered strongly from a low of R10:US\$1 in the first quarter of 2009—and averaged R8.4:US\$1 for 2009 as a whole—making it one of the better-performing emerging-market currencies in 2009, although it may now be at the height of its rebound. The Rand will continue to be supported by a favourable perception of emerging-market risk, government pledges of policy continuity and stronger foreign-exchange reserves. However, the current-account deficit will weigh on the currency. Moreover, the Rand, being widely traded and market-determined, will remain prone to significant short-term swings. We expect the Rand to weaken from R8.42US\$1 in 2009 to R8.6:US\$1 in 2010 and R9.6:US\$1 in 2011.

Outlook for 2010-11: External sector

It is estimated that South Africa's current-account deficit declined sharply in 2009, to 4.4% of GDP, as the recession caused imports of goods and services to fall more quickly than exports. The reverse is likely to be true during 2010-11 as the acceleration in domestic and global growth fuels faster import demand, producing a gradual rise in the merchandise trade deficit. The non-merchandise, invisible deficit on services, income and current transfers will remain large throughout the forecast period, although the pick-up in trade-related payments and income outflows to foreign investors will be counterbalanced by higher tourism-related inflows spurred by the World Cup. Current transfers will remain negative because of payments to fellow members of the Southern African Customs Union. On balance, we expect the current-account deficit to widen over the outlook period, to 5.4% of GDP in 2010 and 5.6% of GDP in 2011.

Country Forecast Overview: Key indicators

Key indicators	2009	2010	2011	2012	2013	2014
Real GDP growth (%)	-1.8	2.8	3.7	4.1	3.6	3.0
Consumer price inflation (av; %)	7.1	5.9	5.5	4.8	4.0	4.0
Budget balance (% of GDP)	-5.8	-6.6	-5.3	-3.3	-3.0	-2.5
Current-account balance (% of GDP)	-4.4	-5.4	-5.6	-5.5	-4.1	-3.2
Commercial banks' prime rate (av; %)	11.7	10.5	11.0	11.5	12.0	12.0
Exchange rate R:US\$ (av)	8.42	8.60	9.60	10.05	9.90	9.70

Source: Economist Intelligence Unit 2010

Foreign Direct Investment

	2005a	2006a	2007a	2008a	2009b	2010c	2011c	2012c	2013c	2014c
Foreign direct investment (US\$ bn)										
Inward direct investment	6.5	-0.2	5.7	9.6	5.7	7.5	8.7	9.4	9.2	10.1
Inward direct investment (% of GDP)	2.6	-0.1	2.0	3.5	2.0	2.5	3.1	3.4	3.0	3.1
Inward direct investment (% of gross fixed investment)	15.7	-0.4	9.9	15.5	9.7	12.6	15.5	16.9	15.5	15.9
Outward direct investment	-0.9	-5.9	-3.0	2.1	-1.5	-1.0	-1.5	-1.8	-2.0	-2.3
Net foreign direct investment	5.6	-6.1	2.8	11.8	4.2	6.5	7.2	7.6	7.2	7.8
Stock of inward direct investment										
	79.0	87.8	110.4	68.0	73.7	81.2	89.8	99.3	108.5	118.5
Stock of inward direct investment per head (US\$)										
	1,663	1,831	2,283	1,394	1,502	1,652	1,833	2,034	2,232	2,451
Stock of inward direct investment (% of GDP)										
	32.0	33.6	38.6	24.6	25.9	27.6	32.1	35.4	36.0	36.8
Memorandum items										
Share of world inward direct investment flows (%)										
	0.69	-0.01	0.30	0.63	0.63	0.69	0.69	0.67	0.59	0.65
Share of inward direct investment stock (%)										
	0.83	0.75	0.75	0.47	0.48	0.49	0.51	0.52	0.52	0.54
Monetary indicators										
Exchange rate R:US\$ (av)										
	6.36	6.76	7.05	8.26	8.42	8.60	9.60	10.05	9.90	9.70
Exchange rate R:US\$ (year-end)										
	6.33	7.04	6.86	9.30	7.36	8.30	9.75	9.90	9.10	8.20
Exchange rate R:€ (av)										
	7.92	8.49	9.64	12.14	11.73	12.23	13.42	14.27	14.26	14.07
Real effective exchange rate (av), CPI-based										
	88.1	83.2	78.9	74.0	88.5c	88.1	81.9	78.8	80.2	82.9
Purchasing power parity R:US\$ (av)										
	3,872	3,995	4,202	4,492	4,741c	4,828	4,883	4,847	4,844	4,816
Money supply (M2) growth (%)										
	19.9	21.2	20.2	15.2	4.8c	6.3	6.4	5.5	5.9	5.2
Domestic credit growth (%)										
	13.5	21.2	21.1	15.2	4.8c	6.3	6.4	5.5	5.9	5.2
Commercial banks' prime rate (av; %)										
	10.6	11.2	13.2	15.1	11.7	10.5	11.0	11.5	12.0	12.0
Deposit rate (av; %)										
	6.0	7.1	9.2	11.6	8.2	6.1	5.5	5.8	6.0	6.0

a Actual

b Economist Intelligence Unit estimates

c Economist Intelligence Unit forecasts

Exchange Controls

Exchange control is administered by the South African Reserve Bank (SARB) which has delegated powers to Authorised Dealers (banks licensed to deal in foreign exchange). South Africa does not impose exchange controls on non-residents, but exercises exchange controls over residents and transactions entered into between residents and non-residents.

For exchange control purposes, a resident is a person (a natural person or legal entity) whether of South African or any other nationality who has taken up residence, is domiciled or registered in South Africa.

There are, in principle, no restrictions on foreign investors acquiring companies or businesses in South Africa. The introduction of capital or the acquisition of shares does not require SARB approval, but the acceptance of foreign loans by South African residents (including a South African subsidiary or branch of a foreign company) is subject to prior approval being obtained. Approval is required for the repayment of foreign loans by South African residents.

The sale or redemption proceeds of assets owned by non-residents may be freely transferred from South Africa.

There are no thin capitalisation rules imposed in terms of exchange controls, but the rate of interest payable on foreign loans will be limited in terms of SARB policies, although, after approval has been granted, interest is freely transferable from South Africa. The extent to which non-residents and entities in which non-residents have an interest of 75% or more, may avail of local financial assistance in South Africa for local working capital purposes is unrestricted, however local financial assistance for financial transactions is restricted in terms of exchange controls.

Dividends declared by South African subsidiaries of foreign companies and profits distributed by a branch of a foreign company operating in South Africa may be remitted abroad, provided that the dividend has been declared out of (or the branch profits distributed from) realised reserves. Residents, including resident entities, may affect payment for services actually rendered by non-residents, provided that the fees payable are not calculated on the basis of a percentage of turnover, income, sales or purchases, nor may payments be made in respect of cost sharing or cost allocation arrangements.

The remittance of licence fees/royalties is subject to approval being granted by the SARB and/or Department of Trade and Industry (dti).

Payment for imports may be made through an Authorised Dealer, against the submission of customs stamped documentation evidencing the receipt of the merchandise in South Africa. The receipt of export proceeds by residents is controlled.

Foreign currency export proceeds must be repatriated and offered for sale to an Authorised Dealer within 30 days of receipt. Exporters may grant credit of up to 180 days where it is the norm and on application to the Authorised Dealer credit terms may be extended.

Residents (natural persons) over the age of 18 years may avail of a single discretionary allowance of up to R750 000 per calendar year which may be utilised for any one or all of the following categories of allowances: travel, (both holiday and business travel), maintenance payments, gifts or loans to non-residents. Residents (natural persons) under the age of 18 years, may avail of travel facilities within a limit of R160 000 per calendar year. Individuals resident in South Africa, who are taxpayers of good standing and over the age of 18 years, are permitted to remit capital abroad to invest within a limit of R4m in aggregate, or alternatively hold foreign currency deposits with an Authorised Dealer.

Foreign nationals temporarily resident in South Africa may, subject to completing formalities through an Authorised Dealer, conduct their affairs on a resident basis while resident in South Africa and may expatriate accumulated earnings or capital introduced.

Investment	Comments
Listed securities	No restrictions
Real estate	No restrictions
Equity investment	No restrictions
Loans	All foreign loans subject to approval

Note: Local borrowing, including normal trade credit or financial assistance availed of for local working capital purposes, of a South African company in which non-residents have at least 75% ownership or controls, is not limited.

Local financial assistance granted to emigrants and companies in which non-residents have an interest of 75% or more is restricted. The acquisition of residential properties by non-residents or affected persons, and any other financial transaction, such as portfolio investments by non-residents, securities lending, hedging, repurchase agreements etc. In these cases a ratio of 100% of invested or shareholder funds applies.

Inward Investment

	2004	2005	2006	2007	2008
US\$m	56 257	78 551	90 358	106 656	76 783
Rm	362 858	499 586	611 722	751 925	632 619

Source: SARB Quarterly Bulletin March 2009

Stock Exchange

The JSE is licensed as an exchange under the Securities Services Act, 2004 and is Africa's premier exchange. It has operated as a market place for the trading of financial products for nearly 120 years. In this time, the JSE has evolved from a traditional floor-based equities trading market to a modern securities exchange providing fully electronic trading, clearing and settlement in equities, financial and agricultural derivatives and other associated instruments and has extensive surveillance capabilities. The JSE is also a major provider of financial information. In everything it does, the JSE strives to be a responsible corporate citizen.

The JSE is a valuable commodity in South Africa's economic landscape. As South Africa's only full service securities exchange, it connects buyers and sellers in five different markets: equities, which includes a primary and secondary board equity derivatives; agricultural derivatives; and interest rate instruments. The JSE holds a treasured position as one of the top 20 exchanges in the world in terms of market capitalisation.

The JSE provides companies with the opportunity to raise capital in a highly regulated environment through its markets: the Main Board and the Alternative Exchange (AltX). (The Main Board is for established larger companies, and the AltX is the breeding ground for vigorous younger companies that are to become the powerhouses of the future.) Listing on the JSE can provide a company many benefits including: Access to capital to grow your business; an enhanced public profile; an ability to attach a value to your company; black economic empowerment deals are facilitated; and if you're an international company a listing can be used as a springboard into the rest of Africa.

The JSE is regarded as a mature, efficient, secure market with world class regulation, trading, clearing, settlement assurance and risk management. It has harmonised its listing requirements, disclosure and continuing obligations with those of the London Stock Exchange (LSE) and offers superb investor protection.

JSE Market Capitalisation (Rbn at period end)

2005	2006	2007	2008	2009
3 586.1	5 041.5	5 696.8	4 541.9	5 929.1

Repatriation of Funds

Type	Comments
Dividends	No restrictions
Interest	No restrictions **
Royalties	12% withholding tax *
Equity Investments	No restriction **
Loans subject to approval	Readily granted **

* Assumes no double tax treaty relief exists.

** Provided exchange control approval was obtained on initial investment.

Dividends

Dividends are freely remittable (provided the shares are endorsed "non-resident" and the dividend will not cause the business to be "over borrowed". The remitting bank may call for an auditor's report.

Interest

Provided exchange control approval has been obtained in advance in respect of the loan and the interest payable (i.e. approval is required for the receipt of the loan; if prior approval for the loan has been obtained, interest may be paid without separate approval; repayment of capital is subject to separate approval).

Royalties

Provided the royalty agreement has been approved by the SARB and/or the dti and provided the application for approval to remit the royalty is supported by the auditor's certificate.

Management Fees

For exchange control purposes management fees are freely remittable, provided the fee is not based on a percentage of sales, turnover, purchases, etc. A detailed invoice specifying the services and the basis of the fee must be submitted to the entity's bankers when effecting payment.

Choice of Business Entity

The principal methods of doing business in South Africa are by using a:

- Company (public or private) incorporated under the Companies Act of 1973 (soon to be replaced by the Companies Act 71 of 2008)
- Close Corporation (CC) incorporated under the Close Corporation Act of 1984 until such time as the Companies Act 71 of 2008 comes into force whereafter it will no longer be possible to register a CC. We expect this to happen during or about July 2010. Existing CC's will be phased out over time by way of conversion into companies
- Personal Liability Company
- Partnership
- Sole Proprietorship or
- External Company (branch of a foreign company).

Companies and CCs operate on the basis of limited liability which refers to the liability of the entity's members for the debts of the entity. As a general rule, members are not liable for the debts of a company and/or CC, however, there are exceptions to this rule. Branches of foreign companies are accorded legal status in South Africa by virtue of registration as external companies but are not recognised as separate legal entities (except for exchange control purposes). Tax and other considerations affect the choice of a particular form of business entity. The most commonly adopted forms of doing business by foreign investors are private companies and branches.



South Africa's National Flower -
the Protea

Reporting Requirements

Introduction

The Companies Act, 2008 (the Act) constitutes a completely new corporate law for South Africa, and will replace the current Companies Act, 1973 (as amended by the Corporate Laws Amendment Act) and amend the Close Corporation Act, 1984.

The Act is characterised by flexibility, simplicity, transparency, corporate efficiency and regulatory certainty. It is drafted in plain language, and is not as detailed and prescriptive as the current Act. Companies are allowed flexibility to change certain requirements to suit their specific circumstances. The Act will likely take effect from towards the end of 2010.

Different Forms of Companies

The Act provides for the classification of companies into either profit companies or non profit companies.

Non profit companies, which are the successors to the current section 21 companies, have to comply with a set of principles that relate mainly to the purpose or objects and policies of the company, matters related to directors and members, fundamental transactions and the winding up of non profit companies. Also, the Act exempts non profit companies from certain provisions of the Act.

With regard to profit companies, the Act distinguishes between four different types of companies, namely:

Private company	Personal liability company
A company that is not a state owned company, and its Memorandum of Incorporation prohibits it offering any of its securities to the public, and restricts the transferability of its securities.	The company and the directors are jointly and severally liable for any debts and liabilities of the company.
State-owned company	Public company
An enterprise, registered as a company, which falls within the meaning of 'state-owned enterprise' in terms of the Public Finance Management Act, or is owned by a municipality.	A company that is not a state-owned company, private company or personal liability company.

Transparency and Accountability

The Act requires companies to adhere to a number of measures to ensure transparency and accountability.

Among others, all companies are required to:

Have at least one office in the Republic, and to register the address of such office (or its principal office) with the Commission

Keep certain records in written or electronic form for a period of seven years

Keep accurate and complete accounting records

Prepare annual financial statements

Submit an annual return, including a copy of its annual financial statements and any other prescribed information. The content of this report will be prescribed in Regulations to the Act.

The Act requires public companies and state-owned companies to have audited financial statements. Certain categories of other companies may be required by the Minister in Regulations to have their annual financial statement audited. All companies that are not required (either in terms of the Act, or by Regulations) to have their financial statements audited may opt to either have their annual financial statements audited voluntarily or to have it independently reviewed. Regulations will set out exactly what is meant by independent review, what standards should be used, what professional qualifications are required for reviewers, etc.

Enhanced Transparency and Accountability

Although all companies are subject to transparency and accountability requirements as set out above, public companies, state-owned companies and certain categories of private companies (as determined by the Minister in Regulations) are obliged to appoint a company secretary, audit committee (comprising at least three members) and an independent auditor. All other private companies, personal liability companies and non-profit companies may choose to include these enhanced transparency and accountability requirements in their respective Memoranda of Incorporation.

Company Finance

The authorisation and classification of shares, the numbers of authorised shares of each class, and the preferences, rights, limitations and other terms associated with each class of shares, must be set out in the company's Memorandum of Incorporation, and may only be changed by special resolution of the shareholders.

However, directors are given special powers in that the board of the company may (except if the Memorandum of Incorporation provides otherwise) change the number of authorised shares of any class of shares or to classify or reclassify any shares.

The interests of minority shareholders are protected by requiring shareholder approval for shares and options issued to directors and other specified persons, or financial assistance for share purchases.

Capital Adequacy

The Act introduces a new arrangement for capital adequacy. This arrangement abolishes the concept of par value shares and nominal value shares, and requires a solvency and liquidity test. In terms of this test, when one considers all reasonably foreseeable financial circumstance of the company at a particular point in time, the company's total assets fairly valued should equal or exceed its total liabilities (including contingent liabilities) fairly valued and it should be clear that the company will be able to pay its debts as they become due in the course of business for a period of 12 months thereafter.

A new framework for debentures provides companies with significant freedom to create financial instruments.

Governance

A range of matters are dealt with, including a shareholder's right to be represented by proxy, notice for and conduct at meetings, election of directors, disqualification of persons to be directors, removal of directors, board committees and board meetings, director's personal financial interests, standards of directors' conduct, liability of directors and prescribed officers, and the indemnification of directors.

Standards of Director's Conduct

Directors of all types of companies are required to meet the same standards of conduct and behaviour as defined in the Act.

A person, acting in the capacity of director, must exercise his powers and perform his/her functions:

In good faith and for a proper purpose

In the best interest of the company and

With the degree of care, skill and diligence that may reasonably be expected of a person carrying out the same functions and having the general knowledge, skill and experience of that director.

Director Liability

Directors of a company may be held jointly and severally liable for any loss, damage or costs sustained by the company as a result of a breach of the director's fiduciary duty or the duty to act with care, skill and diligence. In addition, a director may also be held liable where he or she:

- Acts in the name of the company without the necessary authority
- Is part of an act or omission while knowing that the intention was to defraud shareholders, employees or creditors
- Signs financial statements that was false or misleading in a material respect or
- Issues a prospectus that contains an untrue statement.

The strict standards of directors conduct and liability is somewhat tempered by the fact that companies are allowed to advance funds to cover the expense of litigation against directors, to indemnify directors in certain circumstances or to purchase insurance to protect either the director or the company. Directors may never be indemnified for liability resulting from wilful misconduct or wilful breach of trust.

Takeovers and Fundamental Transactions

Fundamental transactions are transactions that would fundamentally alter a company, including the disposal of substantially all of its assets or undertaking, a scheme of arrangement, or a merger or amalgamation.

The Takeover Regulation Panel is tasked with regulating affected transactions. The Minister will publish Takeover Regulations to regulate the detail requirements for fundamental transactions.

The Act provides detailed rules pertaining to notification and the process for share purchases, and includes provision for the compulsory acquisition of minority shareholding in a takeover. The current regime with regard to mandatory offers and "squeeze out" have, for the most part, been retained (with some adjustments), while the rules pertaining to mergers and amalgamations have been clarified and amended significantly.

The process for approval of transactions that would fundamentally alter a company is set out in the Act. Fundamental transactions require approval by special resolution adopted by shareholders. In any fundamental transaction, dissenting minority shareholders are given a remedy in that they may demand that they be paid fair value for their shares (appraisal rights).

Business Rescue

The Act provides for a process to rescue companies that are financially distressed. A company is in financial distress when it is likely to be insolvent in the near future.

Business rescue proceedings may be initiated either by ordinary company resolution, or failing that, a court order.

Business rescue proceedings entail the appointment of a business rescue practitioner to supervise the company and its management on a temporary basis. During this time a moratorium is placed on the rights of claimants against the company. The business rescue practitioner is tasked with the development and implementation of a plan to rescue the company by restructuring its affairs, business, property, debt and other liabilities, and equity in a manner that maximises the likelihood of the company continuing to exist on a solvent basis.

The Act recognises the interests of all affected persons (which might be either a shareholder, a creditor, trade union or the employees of the company), and provides for their respective participation in the development and eventual approval of a business rescue plan.

The business rescue plan is either adopted or rejected by all parties with voting interests (which include creditors, employees and shareholders, depending on the circumstances). A business rescue plan that has been adopted is binding on the company, the creditors and every holder of the company's securities. Where the plan is rejected, the company will be liquidated.

Enforcement

A number of statutory bodies are established to enforce the provisions of the Act:

Companies and Intellectual Property Commission is responsible for:

- Monitoring proper compliance with this Act by companies and directors
- Receiving and investigating complaints concerning alleged contraventions of this Act
- Promoting the reliability of financial reports by investigating non-compliance with financial reporting standards and
- Registering and de-registering companies, directors, business names and intellectual property rights.

Companies Tribunal is responsible for assisting in the resolution of disputes where any person applies to the Companies Tribunal for relief as an alternative to applying to a court. An arbitration decision by the Companies Tribunal is binding on the Commission or the Takeover Regulation Panel.

Takeover Regulation Panel is responsible for regulating fundamental transactions.

Financial Reporting Standards Council is responsible for consulting with the Minister of Trade and Industry on the making of Regulations establishing financial reporting standards.



Accommodation in the Drakensberg
© South African Tourism

King III

Introduction

Boards of directors are confronted with many difficult decisions on a regular basis. The right choice is not always obvious. The King Report on Governance for South Africa 2009 (King III) provides a list of best practice principles to assist and guide directors to make the right choice for their company. Although King III refers to 'companies' and 'directors', the principles apply to all institutions, including public sector institutions.

The best practise principles have become an indispensable guide on Corporate Governance to directors, executives and regulators alike. King III provides guidance to all corporate entities on various governance related aspects, including:

- Ethical leadership and corporate citizenship
- Boards and directors
- Audit committees
- The governance of risk
- The governance of information technology (IT)
- Compliance with laws, rules, codes and standards
- Internal audit
- Governing stakeholder relationship and
- Integrated reporting and disclosure.

King III and the Companies Act

The new Companies Act codifies the standard for directors' conduct and regulates the liability of directors where the standard is not met. Directors are obliged to act in good faith, in the best interest of the company and with the required level of skill and diligence. These standards will be enforced by the Companies and Intellectual Property Commission, and shareholders and other stakeholders of a company will hold the company and its directors accountable.

In contrast, there is no statutory obligation on companies to comply with King III. The underlying intention of King III is not to force companies to comply with recommended practice (King II required companies to 'comply or explain'), but rather for companies to 'apply or explain'. Directors are accountable for the governance and wellbeing of the company, and to the body of shareholders. Where directors opt not to implement the recommended practices as set out in King III, they should be able to explain their reasoning and motivation to the shareholders.

As directors can be held personally liable for non-compliance with their statutory duties as set out in the Companies Act, they need to ensure that each and every decision is taken with care. Indeed, every decision counts. Most, if not all of the recommended best practice principles set out in King III relate to the legislative duties of directors to exercise powers to perform their functions in good faith and for a proper purpose in the best interest of the company. In addition, they should do it with the degree of care, skill and diligence that may reasonably be expected of a director. As such, King III constitutes a valuable guide to directors and other office bearers to ensure compliance with the provisions of the Companies Act. It is recommended that directors pay close attention to the enumerated principles, and aim to apply all such principles. Of course, where they choose not to apply a particular principle, they should be able to explain that decision to shareholders.

Focus of King III

King II highlighted corporate citizenship and integrated sustainability, the so-called triple bottom line, in terms of which companies needed to account not only for economic and financial issues, but also for social and environmental issues. King III builds on this principle by emphasising sustainability. Directors have accountability to shareholders and an obligation to all stakeholders (including shareholders) to ensure that the company's resources are utilised so as to ensure the continuing viability of the company. This involves not only environmental sustainability (resource management with an eye on future needs), but also issues such as social responsibility (ensuring a positive impact on the community within which the company operates), respect for human rights, and the effective management of stakeholder relationships (including the utilisation of alternative dispute resolution mechanisms to resolve potential disputes efficiently, expeditiously and inexpensively).

A focus on sustainability will not only positively impact a company's risk management, but also its strategic planning processes. Governance, strategy, risk, performance and sustainability have become intrinsically linked, and directors should ensure that the company's strategy accounts for sustainability issues. Directors also need to ensure adequate sustainability reporting to all stakeholders.

King III also points out that the economic value of a company can no longer be based on the balance sheet only. Rather, the economic value will be impacted by a range of non-financial issues such as brand and reputation, stakeholder relations and goodwill, an evolving and forward looking strategy, environmental sustainability, social responsibility, quality of governance, etc.

What's New in King III

Although the King III Report builds on the pertinent issues as raised in King I and King II, the promulgation of the Companies Act, as well as the focus on sustainability, necessitated the inclusion of or renewed emphasis on a number of issues.

These include:

- Integration of strategy, sustainability and governance
- A number of matters concerning the board and directors, such as the composition of the board, duties for the chairperson and the CEO, the board appointment process, director development, remuneration, and performance assessment of directors
- Clearly defined role and functions of the audit committee
- While not a new concept, emphasis on the risk based approach to internal audit and the strategic positioning of the internal audit function within the company
- Inter-relation between risk management and the company's strategic and business processes
- The concept of combined assurance
- Alternative dispute resolution and stakeholder relationships
- IT governance and IT risk management
- Compliance with laws and regulations and
- Integrated reporting and disclosure.

A number of issues discussed in King II have subsequently been incorporated in the Companies Act, and since these matters are now legislated, they are no longer expressly dealt with in King III. These matters include the business judgment rule, distinction between audit and non-audit services, enforcement of financial reporting standards, and the need for enforcement of the recommended principles.

Boards and Directors

King III confirms the role of the Board as the focal point for corporate governance. The Board has collective responsibility to provide and ensure good governance. As such, it is the responsibility of the directors to ensure, among others, that the company:

- Operates ethically and with integrity, and as a responsible corporate citizen
- Considers the interests of the community within which it operates
- Integrates governance, strategy, risk, performance and sustainability
- Complies with laws and regulations
- Identifies and manages risks and
- Employs structures and processes to ensure the integrity of its integrated reporting.

Although the directors are ultimately accountable for adherence to appropriate best practice principles, the direct responsibility of the Board is focused on the design and adoption of adequate policies, inculcating the required culture to adhere to such policies, and the subsequent oversight of the implementation of such policies. Management bears responsibility for the implementation of policies, strategy, business plans and the like.

In order to ensure the effective functioning of the Board, King III proposes a unitary Board structure comprising executive, non-executive and independent non-executive members. The majority should be non-executives, of whom the majority should be independent. The Board should be chaired by an independent non-executive director. The CEO of the company should not also fulfil the role of the Chair of the Board.

King III further proposes a formal election and induction process for new Board members, ongoing director development, and emphasises the importance of effective Board performance. It also provides guidance on remuneration of directors and executives, and the composition and responsibility of Board committees.

King III proposes that the Boards of all companies establish audit, risk, remuneration and nominations committees, and be assisted by a competent company secretary.

Audit Committee

Although the Companies Act prescribes the composition and functions of the audit committee for certain categories of companies, King III proposes that all companies should appoint an audit committee. The audit committee should comprise at least three members and all members should be independent non-executive directors. The committee as a whole should have sufficient qualifications and experience to fulfil its duties, and should be permitted to consult with specialists or consultants after following an agreed process. The terms of reference of the audit committee should be approved by the Board.

The functions of the audit committee in relation to the external auditor include:

- The nomination of the external auditor for appointment and to verify the independence of the auditor
- Determining the audit fee and the scope of the appointment
- Ensuring that the appointment complies with the requirements of the Companies Act
- Determining the nature and extent of non-audit services and
- Pre-approving any contract for non-audit services.

The Board may delegate certain aspects of risk management and sustainability to the audit committee. King III introduces the concept of integrated reporting (which combines financial and sustainability reporting) and allows for the Board to delegate the review of integrated reporting to the audit committee. In this regard, the audit committee should recommend to the Board the need to engage external assurance providers to provide assurance on the accuracy and completeness of material elements of integrated reporting.

King III adopts a wide approach to the audit committee's responsibility for financial risk and reporting to include:

- Financial risks and reporting
- Review of internal financial controls and
- Fraud risks and IT risks as it relates to financial reporting.

King III further introduces the combined assurance model. In terms of this model, assurance should be done on three levels, i.e. management, internal assurance providers and external assurance providers. The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.

Internal Audit

King III advocates a risk based approach to internal audit. In order for internal audit to contribute to the attainment of strategic goals, the internal audit function should be positioned at a level within the company to understand the strategic direction and goals of the company. It should develop a programme to test the internal controls vis-a-vis specific risks. The internal audit function should provide assurance with reference to the adequacy of controls to identify risks that may impair the realisation of specific goals as well as opportunities that will promote the achievement of the company's strategic goals.

As an internal assurance provider internal audit should form an integral part of the combined assurance model. It should provide a written assessment of internal controls and risk management to the Board, and specifically on internal financial controls to the audit committee.

Governance of Risk

King III emphasises the fact that risk management should be seen as an integral part of the company's strategic and business processes. The Board's responsibility for governance of risk should be set out in a risk management policy and plan. The Board should consider the risk policy and plan, and should monitor the whole risk management process.

While the Board remains responsible for the risk management policy and the determination of the company's risk appetite and risk tolerance, management is responsible for the design, implementation and effectiveness of risk management.

The Board should receive combined assurance regarding the effectiveness of the risk management process.

The Board may assign its responsibility for risk management to the risk committee. Membership of this committee should include executive and non-executive directors. Where the company decides to assign this function to the audit committee, careful consideration should be given to the resources available to the audit committee to adequately deal with governance of risk in addition to its audit responsibilities.

Stakeholder Management and Alternative Dispute Resolution

King III proposes that companies institute measures to ensure that they are able to proactively manage the relationships with all their stakeholders, including shareholders. The company should encourage constructive stakeholder engagement. The Board should strive to achieve the correct balance between the interests of all its various stakeholder groupings and promote mutual respect between the company and its stakeholders.

Alternative dispute resolution has become a trend worldwide, and not merely an alternative to the judicial system. Rather, alternative dispute resolution can be used as a management tool to manage and preserve stakeholder relationships and to resolve disputes expeditiously and inexpensively. This approach is in line with the directors' duty to act in the best interest of the company and their duty of care. The inclusion of dispute resolution clauses in contracts, as well as the utilisation of formalised alternative dispute resolution channels, is recommended.

IT Governance

As information and technology systems have become such an integral part of doing business, King III provides specific guidelines to ensure effective IT governance. It is necessary for directors to ensure proper IT governance, the proper alignment of IT with the performance and sustainability objectives of the company, and the proper management of operational IT risk, including security. The risk committee may be assigned responsibility to oversee the management of IT risk. In addition, the audit committee should consider IT as it relates to financial risk and reporting.

Compliance with Laws, Rules, Codes and Standards

The Board is responsible for overseeing the management of the company's compliance risk. The Board should ensure awareness of and compliance with laws, rules, codes and standards throughout the business. In turn, management is responsible for the implementation of an effective compliance framework and processes, and for the effective management of the company's compliance risk. The Board may mandate management to establish a compliance function to implement measures and procedures to ensure that the Board's policy on compliance is implemented.



Wild Dogs
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Integrated reporting and disclosure

King III proposes integrated reporting to ensure that all stakeholders are able to assess the economic value of the company. This entails the integration of the company's financial reporting with sustainability reporting and disclosure. The Board should ensure that the positive and negative impacts of the company's operations, as well as plans to improve the positives and eradicate the negatives, are conveyed in the integrated report. King III suggests that the Board may delegate oversight of the integrated report to an appropriate committee (either the audit committee or a sustainability committee). The audit committee should oversee the provision of independent assurance over sustainability issues and should assist the Board by reviewing the integrated reporting and disclosure to ensure that it does not contradict financial reporting.

Timeline for implementation

King III was effective from 1 March 2010.

Retention of Records

Record Type	Retention Period (years) Originals
Accounting Records	
Books of prime entry	15 (Originals if microfilmed - 5 years)
<ul style="list-style-type: none"> Cash books, creditors ledgers, fixed asset registers, general ledgers, journals, petty cash books, purchase journals, sales journals, subsidiary journals and ledgers, as well as supporting schedules to such books of account, etc. 	
<ul style="list-style-type: none"> Vouchers, working papers, bank statements, costing records, creditors invoices and statements, debtors invoices and statements, goods received notes, journal vouchers, payrolls, purchase orders and invoices, railage documents, salary and wage registers, sales tax records, tax returns and assessments, etc. 	5
Employee Records	
<ul style="list-style-type: none"> Expense accounts, payrolls, employee tax returns etc. 	5
Statutory and Share Registration Records	
<ul style="list-style-type: none"> Annual returns, certificates of change of name, incorporation and to commence business, founding statements, amended founding statements, memorandum and articles of association, minute books, notices of meetings etc. 	Indefinitely
<ul style="list-style-type: none"> Branch registers, registers of directors' attendance, debenture holders, directors and officers, directors' interests, members, pledges and bonds, etc. 	15
<ul style="list-style-type: none"> Cancelled share transfer forms. 	12

Other Documents	
Customs and Excise Act	
• Import and export documentation.	5
Compensation for Occupational Injuries and Diseases Act	
• Records of wages paid, time worked and payment for piece work and overtime, and of any particulars prescribed for at least four years after the date of last entry in those records.	4
Insolvency Act	
• The insolvent's record of his transactions.	3
Occupational Health and Safety Act	
The following records must be kept in terms of OHS Act:	5
• A copy of the Act (if there are more than 19 employees)	
• An incident register	
• Certificate of compliance and	
• First aid certificate (valid for three years).	
Value Added Tax Act	
• Books of account, recording the supply of goods to or by the vendor, invoices, tax invoices, credit and debit notes, bank statements, deposit slips, stock lists and paid cheques.	5
- Information in book form – five years from last entry	
- Computerised records must be kept in printout form, not just on disk or tape.	
Capital Gains Tax	
• All records pertaining to capital transactions:	
- Where a taxpayer was never required to register	5
- Where a taxpayer determined a taxable gain or assessed capital loss, the retention period starts from the date on which the Commissioner received the return.	4

Foreign Trade

Total Imports and Exports

	Imports	Exports
2005	R351.66bn	R331.41bn
2006	R465.04bn	R396.53bn
2007	R563.45bn	R494.36bn
2008	R749.42bn	R661.74bn
2009	R539.97bn	R523.58bn

Top 10 Imported and Exported Commodities – 2009 (by Rand value)

Major Imports	
1	Petroleum oils and oils obtained from bituminous minerals, crude
2	Original equipment components – motor vehicles
3	Petroleum oils: light oils and preparations
4	Motor vehicles (of a cylinder capacity >1 500cm ³ but <3 000cm ³)
5	Cell phones
6	Medicaments - other
7	Machines for the reception, conversion and transmission of voice, images or other data
8	Aeroplanes and other aircraft, of an unladen mass >2 000kg but <15 000kg
9	Semi-milled or wholly milled rice
10	Portable automatic data processing machines, of a mass <10kg

Major Exports

1	Monetary Gold
2	Bituminous Coal
3	Platinum, other
4	Iron ores and concentrates: agglomerated
5	Ferro-chromium: containing by mass more than 4% of carbon
6	Motor vehicles (of a cylinder capacity >1 500cm ³ but <3 000cm ³)
7	Platinum, unwrought or in powder form
8	842139 Filtering or purifying machinery and apparatus for gases - other
9	Petroleum oils: light oils and preparations
10	Unwrought Aluminium, not alloyed

Membership to International Organisations

- African Union
- Common Monetary Area (CMA)
- Commonwealth
- Cotonou Convention
- International Monetary Fund (IMF)
- Multilateral Investment Guarantee Agency (MIGA)
- Non-Aligned Movement
- United Nations (UN)
- United Nations Cooperation for Trade and Development (UNCTAD)
- World Bank
- World Customs Organisation (WCO) and
- World Trade Organisation (WTO).

South Africa's Bilateral Trade Agreements

- Malawi, Mozambique, Zimbabwe, China, and India
- Africa Growth and Opportunity Act (AGOA)
- South African products also qualify for preferential market access (i.e. no or substantially reduced customs duty) to 30 countries under the Generalised System of Preferences (GSP) and
- Currently considering bilateral deals with Kenya, Nigeria, Singapore and South Korea.

South Africa's Multilateral Trade Agreements

- Southern African Customs Union (SACU)
- Southern African Development Community (SADC)
- Indian Ocean Rim Association for Regional Cooperation (IOR-ARC)
- European Union/South Africa Free Trade Agreement (EU/SA FTA)
- MERCOSUR
- European Free Trade Area (EFTA) and
- Trade and Investment Development Corporation agreement in place with the USA and talks to expand into a full trade agreement are currently taking place.



The B-BBEE process is a holistic one, including human resource development, the implementation of employment equity and enterprise development practices, preferential procurement, and true and measurable, ownership, management and control of enterprises and economic assets by black persons.

Broad Based Black Economic Empowerment

Addressing the inequalities of the past, inter alia, by way of a focused B-BBEE strategy designed to achieve broad-based economic empowerment, is essential to facilitate stable economic development in South Africa.

B-BBEE is defined in Government's document setting out its strategy for broad-based B-BBEE as "an integrated, coherent socio-economic process which contributes directly to the economic transformation of South Africa, bringing about significant increases in the number of black people who manage, own and control the country's economy as well as significant decreases in income inequalities." The B-BBEE process is a holistic one, including human resource development, the implementation of employment equity and enterprise development practices, preferential procurement, and true and measurable, ownership, management and control of enterprises and economic assets by black persons.

To be successful the process must be underpinned by certain key principles: it must be broad-based and inclusive, linked to good governance, and form an intrinsic part of South Africa's overall growth strategy. It is this link to corporate governance, which defines it as a moral and ethical business practice. The B-BBEE process is driven primarily by legislation, regulation and contractual undertaking. Among the Acts which promote it and provide the legislative framework for the transformation of the economy are: The Skills Development Act, the Employment Equity Act, the Preferential Procurement Act and the recently promulgated Broad Based Black Economic Empowerment Act and the highly developed and detailed Codes promulgated pursuant thereto. At this stage the B-BBEE Act seeks only to bind organs of state, however in doing so, private enterprise is of necessity required to comply should it wish to do business with Government or persons who do business with Government.

An integral part of the B-BBEE Act is the balanced scorecard published in the Codes which measures an enterprise's current status and progress in achieving B-BBEE in the different core areas referred to above. It provides methodologies for measuring these core elements of B-BBEE namely:

- Direct empowerment through ownership and control of enterprises and assets
- Management at senior level
- Human resource development and employment equity and
- Indirect empowerment through:
 - Preferential procurement
 - Enterprise development and
 - Corporate social investment i.e. discretionary.

At this stage, the scorecard requires government departments, state-owned enterprises and other public agencies to align their own procurement practice and individual B-BBEE strategies within these parameters and facilitates the process of setting measurable targets for B-BBEE.

The B-BBEE Act as stated above is given substance by the Codes of Good Practice released in December 2004 and 2005. On 9 February 2007 the Codes were released in their final form. These Codes do anticipate a certain measure of flexibility so that an enterprise's B-BBEE strategy can be adapted to the particular business imperatives of specific sectors or enterprises, within the parameters of the scorecard, while retaining certainty in the definition and measurement of B-BBEE.

The Government is acutely aware that B-BBEE must be implemented in the context of the global economy and in such a way that South Africa does not suffer any deleterious effects. Private enterprise has responded by executing charters in consultation with Government and each other which undertake to comply with certain B-BBEE milestones.

The Government, by way of the B-BBEE Act, has provided that sectoral B-BBEE charters shall be executed so that specific industries too can commit to and adopt a uniform and measurable commitment and approach to B-BBEE. Charters executed or developed, or in the process of development, to date include Financial Services, Transport, Medical Funding, Health, Accounting, Information and Communication Technology, Liquid Fuels, Mining, and Freight Services.

We have in fact seen the promulgation of a new mining and petroleum resources act, which places all mineral resources back into the hands of Government, and forces all companies in this industry to convert the mining/mineral licences which for so long have been held exclusively by the mining houses, into 'new order' licences, which now can be refused. One of the criteria for the granting of the new licences is the level of social responsibility undertaken by the mining houses.

Over the past two to three years, the level of B-BBEE activity has increased and is expected to increase in terms of its impact on business activity in South Africa. Business is actively seeking to engage with B-BBEE partners and it is anticipated that procurement will become one of the major business drivers over the next few years.

An initiative such as B-BBEE is considered essential if South Africa is to develop its socio-economic resources to the full and stimulate the growth of a potentially powerful and dynamic economy. Aggressive action needs to be taken in closing the significant divide between rich and poor – according to the Global Economic Monitor, South Africa ranks 116 on a scale of 123 on this issue, which is unacceptable if the country is to exploit its potential effectively and play its rightful role in the global economy. Business has recognised this fact and is responding proactively to Government initiatives.

National Empowerment Fund

Overview

The National Empowerment Fund (NEF) was established by the National Empowerment Fund Act No 105 of 1998 (NEF Act), to promote and facilitate black economic equality and transformation. Its mandate and mission is to be the catalyst of Broad-based Black Economic Empowerment (B-BBEE).

The NEF's role is to support B-BBEE. As the debate concerning what constitutes meaningful and sustainable B-BBEE evolves, the NEF anticipates future funding and investment requirements to help black individuals, communities and businesses achieve each element of the Codes of Good Practice. These include a focus on preferential procurement, broadening the reach of black equity ownership, transformation in management and staff and preventing the dilution of black shareholding.

The NEF differentiates itself not only with a focused mandate for B-BBEE, but by also assuming a predominantly equity-based risk to maximise the Empowerment Dividend. Reward should balance the risk with the application of sound commercial decisions to support national priorities and government policy such as the Accelerated and Shared Growth Initiative for South Africa (AsgiSA) or targeted investments through the dti's Industrial Policy Framework. The work of the NEF therefore straddles and complements other Development Finance Institutions (DFIs) by allowing the organisations to work in close collaboration.

With them, the NEF can enhance other DFIs and their mandates by sharing its specialist sector expertise and knowledge.

Products and Services

The iMbewu Fund

This fund is designed to promote the creation of new businesses and the provision of expansion capital to early stage businesses. The iMbewu Fund aims to cultivate a culture of entrepreneurship by offering debt, quasi-equity and equity finance of up to R20m comprising:

- Entrepreneurship Finance
- Procurement Finance
- Franchise Finance and
- Rural & Community Development Projects.

The Corporate Fund

This fund is designed to improve access to B-BBEE capital and has three products - Acquisition Finance, Project Finance and Expansion Finance. These products provides capital to black-owned and managed enterprise, black entrepreneurs who are buying equity shares in established white-owned enterprises, project finance and B-BBEE businesses that are or going to be listed on the JSE. Funding ranges from R5m to R100m and details of the three products are provided below:

- a. Acquisition Finance
- b. Project Finance
- c. Expansion Capital
- d. Capital Markets
- e. Liquidity & Warehousing and
- f. Strategic Projects Finance.

Non-financial Business Support

Pre-Investment Business Support Unit

Applications for funding may be submitted by excellent entrepreneurs who, however, may struggle to navigate the necessary application procedures and manage their businesses. The NEF therefore assists with funding advice, business planning and general assistance to help ensure that applications are of sufficient quality to complete all steps in the application process.

Post-Investments Business Support Unit

Black businesses need to be robust and self-sustaining for B-BBEE to succeed. Recognising this fact, the NEF established structures to monitor its clients for risk and provide advice when needed. Although start-ups are inherently higher risk, the rewards for success are job creation and increased capital for further start-ups.

Legal Services Unit

The LSU provides legal services to the entire NEF and drafts legal agreements, assists with due diligence reviews and registers necessary documents.

NEPAD

What is NEPAD?

The New Partnership for Africa's Development (NEPAD) is a vision and strategic framework for Africa's renewal. The NEPAD strategic framework document arises from a mandate given to the five initiating Heads of State (Algeria, Egypt, Nigeria, Senegal and South Africa) by the Organisation of African Unity (OAU) to develop an integrated socioeconomic development framework for Africa. The 37th Summit of the OAU in July 2001 formally adopted the strategic framework document.

NEPAD is designed to address the current challenges facing the African continent. Issues such as the escalating poverty levels, underdevelopment and the continued marginalisation of Africa needed a new radical intervention, spearheaded by African leaders, to develop a new Vision that would guarantee Africa's Renewal.

Structure for Implementing NEPAD

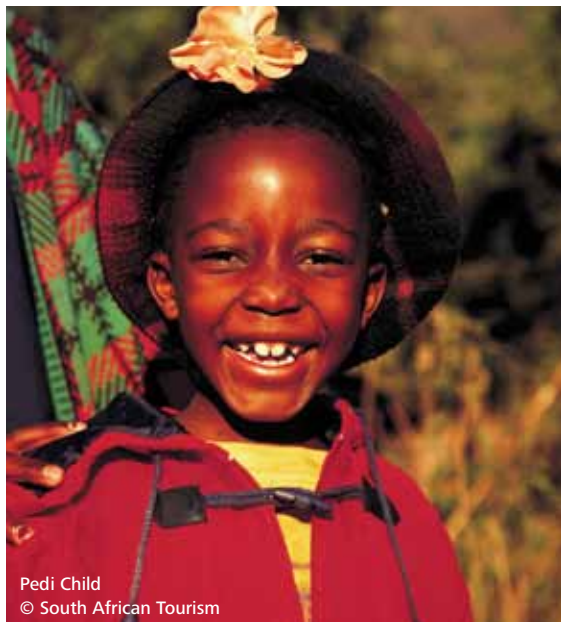
NEPAD is a programme of the African Union designed to meet its development objectives. The highest authority of the NEPAD implementation process is the Heads of State and Government Summit of the African Union, formerly known as the OAU. The Heads of State and Government Implementation Committee (HSIC) comprises three states per AU region as mandated by the OAU Summit of July 2001 and ratified by the AU Summit of July 2002. The HSIC reports to the AU Summit on an annual basis.

The Steering Committee of NEPAD comprises the Personal Representatives of the NEPAD Heads of State and Government. This Committee oversees projects and programme development.

The NEPAD Secretariat coordinates implementation of projects and programmes approved by the HSIC.

Primary Objectives

- To eradicate poverty
- To place African countries, both individually and collectively, on a path of sustainable growth and development
- To halt the marginalisation of Africa in the globalisation process and enhance its full and beneficial integration into the global economy and
- To accelerate the empowerment of women.



Pedi Child
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Overview of the dti

The Department of Trade and Industry's (dti) vision is of a South Africa that has a vibrant economy, characterised by growth, employment and equity, built on the full potential of all citizens. To achieve this, the dti has become an outwardly focused, customer-centric organisation.

Purpose

- Provide leadership to the South African economy through its understanding of the economy, its knowledge of economic opportunities and potential, and its contribution to the Accelerated and Shared Growth Initiative for South Africa (ASGISA)
- Act as a catalyst for the transformation and development of the economy and respond to the challenges and opportunities of the economic citizens, in order to support the government's economic goals of growth, employment and equity
- Respond to the challenges and opportunities in the economy and society and
- Provide a predictable, competitive, equitable and socially responsible environment for investment, enterprise and trade.

Key Strategic Objectives

One of the most important policy documents for the dti is the key medium-term strategic objectives over the period 2006 to 2009. These objectives were revised and a new Medium-Term Strategic Framework for 2010 to 2013 was released. The objectives are to:

- Promote coordinated implementation of the accelerated and shared growth initiative
- Promote direct investment and growth in the industrial and services economy, with particular focus on employment creation
- Contribute towards the development and regional integration of the African continent within the Nepad framework
- Promote broader participation, equity and redress in the economy and
- Raise the level of exports and promote equitable global trade.

These five strategic objectives will be achieved through the collective effort of the dti's divisions and agencies, which are linked through a value chain to generate public value for economic citizens and to deliver products and services for their clients and stakeholders. These products and services include policy, legislation and regulation, finance and incentives, information and advice, and partnerships. The dti will also achieve its objectives through the pursuit of a more targeted investment strategy; improved competitiveness of the economy; broadened economic participation of previously disadvantaged individuals to the mainstream economy; and policy coherence.

National Industrial Policy Framework (NIPF)

In January 2007 Cabinet adopted the National Industrial Policy Framework (NIPF) which sets out Government's broad approach to industrialisation with the following core objectives:

- To facilitate diversification beyond our current reliance on traditional commodities and non-tradable services. This requires the promotion of increased value-addition characterised particularly by movement into non-traditional tradable goods and services that compete in export markets as well as against imports
- The long-term intensification of South Africa's industrialisation process and movement towards a knowledge economy
- The promotion of a more labour-absorbing industrialisation path with a particular emphasis on tradable labour-absorbing goods and services and economic linkages that catalyse employment creation
- The promotion of a broader-based industrialisation path characterised by the increased participation of historically disadvantaged people and marginalised regions in the mainstream of the industrial economy and
- Contributing to industrial development on the African continent, with a strong emphasis on building its productive capacity.

Guided by the NIPF, the implementation of industrial policy is to be set out in an Industrial Policy Action Plan (IPAP). In August 2007 Cabinet approved the first: 2007/8 IPAP which reflected chiefly 'easy-to-do' actions. The 2007/8 IPAP has largely been implemented.



However, there has been a growing recognition that industrial policy needs to be scaled up from 'easy-to-do' actions to interventions that we 'need-to-do' to generate a structurally new path of industrialisation.

A process of intensive consultation and analysis – led by the Minister of Trade and Industry – has culminated in a revised second version of IPAP for the 2010/11 – 2012/13 Financial Years. It was recognised that a one-year IPAP is too short a period and that future IPAPs will be for a three-year rolling period, updated annually and with a 10-year outlook on desired economic outcomes. The 2010/11 – 2012/13 IPAP represents a significant step forward in our industrial policy efforts. As it is reviewed and updated annually, it will be continuously strengthened and up-scaled.

South Africa's Response to Climate Change

National Carbon Reduction Commitments

At the UN Conference of the parties in Copenhagen (COP15) in December 2009, President Jacob Zuma announced the Government's commitment to combating global climate change. He announced South Africa's commitment to reduce national carbon emissions by 34% by 2020 and 42% by 2025 against a "business as usual" growth trajectory based on forecasts contained within the Government's "Long-Term Mitigation Scenarios".

Climate Change Policy, Regulation and Incentives

In his 2010 budget speech, the Minister of Finance, Pravin Gordhan, announced that climate change and concerns over energy supply present both challenges and opportunities for South Africa. He noted that industries must be helped to manage scarce resources more efficiently and to reduce greenhouse gas emissions through appropriate energy pricing. The Minister referred in his budget speech to further measures of environmental taxes to be implemented.

The Government has indicated its intention to introduce South Africa's first climate change legislation in 2010. The Climate Change Adaptation and Mitigation Policy & Incentives Green Paper is expected in mid-2010. It is likely to propose measures to implement carbon pricing in the form of either a carbon tax on emissions or a cap and trade system of carbon emission reductions. These measures will be designed to reduce South Africa's national carbon emissions in line with President Zuma's carbon reduction commitment.

In advance of national climate change legislation, the Government has begun to introduce incentives through the tax system which seek to promote energy efficiency and exempt the sale of carbon credits from income tax.

The Clean Development Mechanism

As a signatory to the United Nations Framework Convention on Climate Change (UNFCCC) and the associated Kyoto Protocol, South Africa is eligible to host projects registered under the Clean Development Mechanism (CDM). These greenhouse gas emission abatement projects earn Certified Emission Reductions (CER's) or 'carbon credits' which can be traded on the European Emissions Trading System (EU-ETS). This energy efficiency and renewable energy project investment-mechanism reduces the risk for foreign investors in developing countries since the carbon credits earned are denominated in Euros. The carbon credits provide a steady flow of currency hedging for the investor for a ten-year period of the project activity.

The CDM scheme was established under the Kyoto Protocol which is due to expire in 2012. Whilst it is expected that the CDM will continue to exist beyond 2012, details of the terms upon which the scheme will continue remain unknown. It is expected that the next Conference of the Parties (COP16) in Mexico in late 2010 will clarify the future of the CDM or in COP17 which will be held in South Africa.

South Africa's attraction for foreign investment in CDM projects lies largely in its legacy of coal-fired power stations. More than 90% of South Africa's power generation comes from coal, the dirtiest of all fossil fuels, with carbon dioxide emissions of approximately one kilogram per kilo-Watt-hour. As a result, South Africa's electricity emissions per kilo-Watt-hour are twice that, of say, the United Kingdom where their mix of power generation includes natural gas, nuclear, renewables and coal. Where a CDM project in South Africa displaces 1MW of grid electricity for every tonne of carbon dioxide abatement (earning 1 CER), it takes 2MW of UK grid electricity displacement to reduce carbon dioxide emissions by one tonne (earning 1 CER). This makes South Africa an attractive location for a CDM project.

A further reason for locating a CDM project in our country is that South Africa has the highest emissions of greenhouse gases in Africa, making up 40% of the continent's total emissions. As such, this unfavourable state of affairs means that the opportunity for large-scale greenhouse gas emission reductions is great. Overall, with a mere 19 registered CDM projects in South Africa to date, the potential for the CDM market has barely begun.



Soutpansberg Forest
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South African Taxation

VAT

Value Added Tax (VAT) of 14% is levied on goods and services, excluding certain basic foodstuffs. Exports are zero-rated, provided that certain regulations are complied with.

Income Tax

South Africa has a residence-based system of taxation:

- South African residents are therefore taxed on their worldwide income, subject to a number of exceptions
- Non-residents are taxed on income earned from a South African source
- The question of residency needs to be addressed in the light of any double taxation agreements
- Any company, which is either incorporated in, or effectively managed from, South Africa is deemed to be a South African resident for tax purposes and
- Individuals immigrating to South Africa or who have spent a specified period of time here as prescribed by the Income Tax Act, No 58 of 1962 (the Act), will be regarded as residents for tax purposes.

Capital Gains Tax

Residents of South Africa are liable for Capital Gains Tax (CGT) on capital gains made on the disposal of their worldwide capital assets:

- The inclusion rate for capital gains is 25% in respect of individuals and special trusts, and 50% in respect of companies and other trusts. The maximum effective tax rate is therefore 10% for individuals, 14% for companies and 20% for trusts
- Exposure to CGT for non-residents is largely limited to disposals of South African real estate or assets of a branch business and
- Where a change of residence status is brought about, that person/company will need to establish the market value of their assets at the date they are deemed to become South African residents for tax purposes. This market value becomes the base cost which is used to calculate the capital gains upon disposal of capital assets in future. The subsequent cessation as a South African tax resident, may result in a deemed disposal for CGT.

Exempt Entities and Public Benefit Organisations (PBOs)

Receipts and accruals of PBOs are exempt from income tax to the extent that the receipts and accruals are not from business or trading activities, or, are from central integral, occasional or approved business or trading activities:

- Certain trading activities are totally tax free. Certain trading activities are partially taxable
- The PBO can deduct the greater of R100 000 and 5% of its total receipts and accruals for the year
- PBOs may register as a vendor for VAT purposes in order to claim VAT inputs on supplies made to it
- Donations to PBOs are exempt from donations tax and bequests to PBOs are exempt from estate duty. Donations or bequests to PBOs are further not viewed as disposals for CGT purposes and
- Similar provisions exist for other exempt entities such as government departments, municipalities and the like.

Tax Features

Secondary Tax on Companies

- In addition to the normal corporate income tax at a rate of 28% as from 1 April 2008 (previously 29%) there is currently still a secondary tax on companies (STC).
- STC will be abolished on a date to be announced in the future (estimated to be during the first half of 2011) and is to be replaced with a shareholders dividend tax of 10%.
- This will bring the taxation of dividends in line with international practice.
- Currently, STC is calculated on the net amount of dividends declared at a rate of 10% (as from 1 October 2007).

Tax Losses

- A tax loss incurred by a company in any business activity may, generally, be carried forward and set off against future profits until exhausted, provided that the company continues to trade during each year of assessment.
- However, the losses earned by a foreign branch of a South African resident company cannot be set off against income from a South African source (i.e. ring-fencing applies).

Withholding Tax

- Profits remitted by a South African subsidiary or branch of a foreign company are not subject to withholding tax.
- No withholding taxes are levied on dividends and interest. A withholding tax of 12% applies to royalties.
- This rate may be reduced in terms of the relevant double tax treaties.
- A 15% withholding tax applies in respect of gross payments made to non-resident entertainers and sportspersons performing in South Africa.

Transfer Pricing

- South Africa has specific transfer pricing legislation and guidelines (Practice Note 7) requiring a South African taxpayer to follow arm's length principles in transactions with connected persons outside South Africa.
- South African transfer pricing legislation empowers the Commissioner for SARS to adjust prices to arm's length prices which would have been charged between independent parties dealing at arm's length.
- It is important to note that the application of transfer pricing legislation could result in substantial additional tax liabilities.
- Furthermore, adjustments and disallowances made in accordance with transfer pricing legislation will be regarded as a deemed dividend which will be subject to STC, until the date on which STC is set to be abolished, which date has not yet been promulgated but is expected to be during the first half of 2011. Great emphasis should be placed on the preparation of contemporaneous documentation to limit these potential liabilities.

Other

- Partnerships are not treated as separate taxable entities. Each partner is taxed only on his or her share of the partnership's taxable income.
- Special rules apply to mining, insurance companies and to farming activities.
- A mining royalty is levied on minerals disposed or exported from South Africa from the 1 March 2010. The royalty is calculated at a rate between 0.5% and 5% for refined minerals, and 0.5% to 7% for unrefined minerals, based on gross sales less allowable deductions.

Calculating Taxable Income

Gross Income	<ul style="list-style-type: none"> Receipts/accruals of a South African resident Receipts/accruals sourced or deemed to be sourced in South Africa accruing to a non-resident
Less: Exempt Income	<ul style="list-style-type: none"> For example Dividends**
Less: Allowable deductions	<ul style="list-style-type: none"> All non-capital expenses incurred in South Africa in the production of South Africa in the production of income
Less: Other tax allowances	<ul style="list-style-type: none"> Refer summary of tax incentives Other capital allowances on: <ul style="list-style-type: none"> Plant and machinery Buildings and improvements to buildings etc.
Plus: Taxable capital gain*	
Equals: Taxable income	

* Capital gains are taxed with effect from 1 October 2001.

**"Foreign" dividends (those derived from profits generated from non-South African sources) accruing or paid after 23 February 2000 are, subject to certain exceptions, no longer exempt from South African tax. "Local" dividends will continue to be exempt from tax.

Current Rates of Taxation

Current Central Government Taxes	Rates	
• Company Tax (non-mining)		28%
• Secondary Tax on Company (STC) on distributed profits/or Shareholders Tax		10%
• Micro businesses rate for entities with an annual turnover of \leq R1m (elective provision and conditions apply)	R0 - R100 000	0%
	R100 001 - R300 000	1% of each R1 above R100 000
	R300 001 - R500 000	R2 000 +3% of amount >R300 000
	R500 001 - R750 000	R8 000 +5% of amount >R500 000
	R750 001 and above	R20 500+ 7% of amount >R750 000
• Small business corporation rate for entities with an annual turnover of \leq R14m	R0 - R57 000	0%
	R57 000 - R300 000	10%
	R300 001 +	24 300 + 28%
• Branch Profit Tax	As from 1 April 2008	33% (previously 34%)
• Maximum individual tax rate for taxable income of R552 001+		R160 730 + 40% of the amount above
• Value Added Tax	On goods and services (exemptions apply)	14%

Current Central Government Taxes Rates

- Other taxes:
 - Capital Gains Tax (from 1 October 2001)
 - Customs and Excise
 - Donations Tax (20%)
 - Estate Duty/Tax (20%)
 - Transfer Duty on real estate transactions not subject to VAT
 - Various Stamp Duties
 - Fuel Levies
 - Motor Vehicle Licence
 - Electricity Levies
 - Plastic Bag Levies
 - Incandescent Light Bulb Levies
 - Municipal Taxes on owners of real estate
 - Skills Development Levy
 - Airport Taxes
 - Environmental Levy
 - Road Accident Fund Levy.

Passive Holding Companies

A new passive holding company tax regime has been introduced to eliminate perceived tax arbitrage opportunities relating to passive income between companies set up by individuals and the individual themselves, which to date has not yet been promulgated, but is expected to be during the first half of 2011.

Provisional Taxes

A first provisional tax payment is calculated using the basic amount, which is the taxable income per the last year of assessment in relation to which a notice of assessment was issued. With effect from the year of assessment ending on or after 1 March 2009, if the abovementioned assessment is in respect of a period that ends more than one year after the latest year of assessment in relation to such estimate, the basic amount determined shall be increased by an amount equal to 8% per annum of that amount, from the end of such year to the end of the year of assessment in respect of which the estimate is made.

With effect from the years of assessment ending on or after 1 March 2009:

- In the event that a provisional taxpayer's taxable income is more than R1m, a 20% penalty will be levied where a provisional taxpayer's second provisional tax payment is based on a taxable income that is less than 80% of the taxpayer's actual taxable income for that year and
- In the event that a provisional taxpayer's taxable income is equal to or less than R1m, a 20% penalty will be levied where a provisional taxpayer's second provisional tax payment is based on a taxable income that is less than 90% of the taxpayer's actual taxable income for that year.

It is important to note, however, that where the amount of any estimate is not within the abovementioned 80% or 90% of the taxpayer's actual taxable income for that year and the Commissioner is satisfied that the amount of any estimate was seriously calculated with due regard to the factors having a bearing thereon and was not deliberately or negligently understated, or if the Commissioner is partly so satisfied, the Commissioner may in his or her discretion remit the additional tax or part thereof.

Double Taxation Agreements

Existing comprehensive agreements

Algeria	India	Poland
Australia	Indonesia	Portugal
Australia Protocol (2008)		
Austria	Iran	Romania
Belarus	Ireland	Russian Federation
Belgium	Israel	Saudi Arabia
Botswana	Italy	Seychelles
Brazil	Japan	Singapore
Bulgaria	Korea	Slovak Republic
Canada	Kuwait	Spain
China (People's Republic of)	Lesotho	Swaziland
Croatia	Luxembourg	Sweden
Cyprus	Malawi	Switzerland (new treaty - entry into force 27 January 2009)
Czech Republic	Malaysia	Taiwan
Denmark	Malta	Tanzania
Egypt	Mauritius	Thailand

Existing comprehensive agreements

Ethiopia	Mozambique	Tunisia
Finland	Namibia	Turkey
France	Netherlands (Netherlands Protocol 2008)	Uganda
Germany	New Zealand	Ukraine
Ghana	Nigeria	United Kingdom*
Greece	Norway	United States of America
Hungary	Oman	Zambia
	Pakistan	Zimbabwe

* The United Kingdom treaty was extended to Grenada and Sierra Leone.

Ratified by South Africa but not by treaty partner

Democratic Republic of Congo, Gabon, Germany, Mexico, Rwanda, Sudan

Treaties signed but not ratified

There are currently no treaties in this category

Treaties in the process of negotiation or finalised but not signed

Austria**	Latvia	Seychelles**
Bangladesh	Lesotho*	Serbia
Belgium**	Lithuania	Singapore*
Cameroon	Malawi*	Sri Lanka
Chile	Malaysia**	Sweden**
Cuba	Madagascar	Switzerland
Cyprus**	Malta**	Syria
Estonia	Morocco	United Arab Emirates
Germany**	Namibia	United Kingdom**
Ireland**	Oman**	Vietnam
Kenya	Qatar	Zambia*
Kuwait**	Senegal	Zimbabwe*

Notes:

* Indicates that a Treaty is already in existence which is currently under negotiation to be renewed or updated. The existing agreements remain effective until the new agreements enter into force.

** Protocol still to be finalised.

Current List of Customs Agreements on Mutual Administrative Assistance

Agreements ratified in both countries

Date of Entry into Force

Algeria	05 March 2003
China (PRC)	01 February 2007
France	01 July 2000
India	01 October 2008
Mozambique	12 January 2006
Netherlands	01 April 2003
United Kingdom	01 June 2000
United States of America	01 August 2001

Agreements ratified in South Africa only

Brazil

Czech Republic

Democratic Republic of Congo

Iran

Norway

Sudan

Turkey

Zambia

Agreements signed but not ratified:

Canada

Treaties in the process of negotiation or finalised but not signed

Angola

Australia

Israel

Japan

Malawi

Nigeria

Tanzania

Uganda

Zimbabwe

Current List of VAT Agreements on Mutual Administrative Assistance

Agreements negotiated/in the process of being finalised but not signed

Botswana

Lesotho

Lesotho on Exchange of Information; Refund and Assessing System

Malawi

Namibia

Swaziland

Zambia

Zimbabwe

Other international agreements

Date of Entry into Force

IBSA (India/Brazil/South Africa) 17 October 2007

Tax Information Exchange Agreements

Agreements in process of negotiation or finalised but not signed

Bahamas Guernsey

Bermudas Jersey

British Virgin Islands Liechtenstein

Cayman Islands Monaco

Channel Islands Netherlands Antilles

Gibraltar San Marino

Preferential Trade Agreements/Preferences

Generalised System of Preferences (GSP)

Objective Provide preferential access (i.e. at reduced customs duty or duty free), for exported products.

Applicability The exported products must be of South African origin as defined in the rules of origin (RoO) provisions.

Benefit 30 countries presently provide preferential market access for South African products to their markets.

The African Growth and Opportunity Act (AGOA)

Objective Provide exported products with customs duty free and quota free access to the United States of America (USA).

Applicability The exported products must be of South African origin as defined in the rules of origin (RoO) provisions.

Benefit Over 6 400 products currently qualify for customs duty free and quota free access to the USA.

African Growth and Opportunity Act (AGOA) The Africa Investment Incentive Act of 2006 (AGOA IV)

Objective To extend the third country fabric provision for five years from September 2007 until September 2012. To add an abundant supply provision and designate certain denim articles as being in abundant supply and allow lesser developed beneficiary sub-Saharan African countries to export certain textile articles under AGOA.

Applicability Provides for special rules for fabrics or yarns produced in commercial quantities (or 'abundant supply') in any imports originating in the EFTA.

Trade Development and Co-operation Agreement (TDCA)

Objective To provide a Free Trade Area (FTA) between South Africa and the 27-member European Union (EU) by the year 2012.

Applicability Exports of South African origin and imports from the EU will gain preferential markets access to each other's market.

Benefit The customs duty on 95% of South African exports and EU imports will be phased down to be free of duty by the year 2012.

Southern African Development Community (SADC) Free Trade Area

Objective To provide a FTA between South Africa and the 15-member SADC by the year 2008.

Applicability All exports of South African origin and imports from the SADC will gain preferential markets access to each other's market.



Black Rhino
© South African Tourism

Incentives - 2010 Year of Assessment

Preferential Corporate Tax Rate for Small Business

Objective	To encourage small/medium business development in South Africa.
Applicability	Qualifying small/medium businesses whose turnover for the year of assessment does not exceed R14m are eligible. For years of assessment commencing on or after 1 April 2010.
Benefit	Taxable Income: <ul style="list-style-type: none">• R0 – R57 000 = 0%• R57 001 - R300 000 = 10%• Over R300 001 = R24 300 + 28% of amount greater than R300 000.

Research and Development

Objective	To stimulate scientific or technological research and development.
Applicability	Expenditure incurred in the discovery of novel, practical and non-obvious information or devising, developing or creating any invention, design or computer program or any knowledge essential to the use of the invention, design or computer program.
Benefit:	Deduction increased to 150% for expenditure incurred on or after 2 November 2006. Accelerated allowance on research and development assets.

Depreciation

Objective	To stimulate investment in capital assets.
Applicability	<ul style="list-style-type: none">• Plant and machinery: Manufacturing or similar process (new or unused)• Hotel equipment• Farming• Buildings:<ul style="list-style-type: none">- Industrial (manufacturing or similar process)- Hotels- Hotel refurbishments.
Benefit	<ul style="list-style-type: none">• New or unused (Plant & Machinery):<ul style="list-style-type: none">- 40% p.a. 1st year- 20% p.a. 2nd to 4th year• Used (Plant & Machinery):<ul style="list-style-type: none">- 20% p.a.• Hotel equipment:<ul style="list-style-type: none">- 20% p.a.• Farming and production of renewable energy:<ul style="list-style-type: none">- 50% 1st year- 30% 2nd year- 20% 3rd year• Hotel refurbishment:<ul style="list-style-type: none">- 5% p.a. for external refurbishments- 20% p.a. for internal refurbishments.

Special depreciation allowances on manufacturing buildings vary between 2% per annum and 10% per annum.

Wear and Tear rates vary for assets not used as part of the manufacturing process.

Urban Development Allowances

Objective	To counter decay and stimulate urban regeneration.
Applicability	All taxpayers refurbishing a building within a designated urban development zone or taxpayers constructing a new commercial or residential building in such a zone.
Benefit	The following allowances are available: <ul style="list-style-type: none">• In the case of the erection of new buildings or extensions or additions thereto, the allowance is equal to 20% of the cost incurred, which is deductible in the year of assessment the building is brought into use solely for the purposes of the taxpayer's trade; and 8% of that cost in each of the sixteen succeeding years of assessment.

The total cost can therefore be claimed over 11 years.

In the case of improving an existing building, the allowance is equal to 20% of the cost incurred; deductible for the first time in the year of assessment the improved part is brought into use solely for the purposes of the taxpayer's trade, and 20% for each succeeding year of assessment.

The total cost can therefore be claimed over five years.

Infrastructural Development

Objective	To encourage investment in infrastructure.
Applicability	Taxpayers involved in the erection of pipelines, transmission lines and railway lines.
Benefit	A tax deduction is granted in respect of any new or unused affected assets owned by the taxpayer. The allowances are as follows: <ul style="list-style-type: none">• Pipelines used to transport natural oil - 10% of the cost p.a.• All other affected assets - 5% of the cost p.a.

Public Private Partnerships

Objective	Encouragement of the private sector to invest in infrastructure in partnership with the public sector.
Applicability	Grants received by the government and utilised by the taxpayer to effect improvements to state owned property, in pursuance of the terms of the relevant lease agreement with the state.
Benefit	The receipt of qualifying government grants is exempt from tax. In addition, a tax allowance is available in respect of such improvements actually effected by the taxpayer. The allowances are as follows: <ul style="list-style-type: none">• 25 years or• Spread over the period of the lease, whichever is shorter.

Rolling Stock Depreciation

Objective	Encouragement of infrastructural development of rail transportation.
Applicability	Rolling stock, this is understood to mean trains, carriages and the like.
Benefit	Deduction of 20% per annum of the cost incurred in respect of rolling stock brought into use on or after 1 January 2008.

Environmental Expenditure Deductions

Objective	Provide relief for the depreciation of environmental expenditure.
Applicability	Environmental treatment and recycling assets and environmental waste disposal assets ancillary to a manufacturing process.
Benefit	<ul style="list-style-type: none">• Environmental treatment and recycling assets:<ul style="list-style-type: none">- 40% p.a. 1st year- 20% p.a. 2nd to 4th year• Environmental waste disposal assets:<ul style="list-style-type: none">- 5% per annum.

Commercial Buildings Depreciation

Objective	Provide relief in respect of commercial buildings.
Applicability	Buildings (and improvements) used wholly or mainly in the production of income, where building is owned by the taxpayer.
Benefit	<ul style="list-style-type: none">• 5% depreciation per annum on new or unused buildings (and improvements)• Specifically excludes buildings used in the provision of residential accommodation.

Carbon-reducing Changes

Objective	To take advantage of the Clean Development Mechanism (CDM) opportunities of the Kyoto Protocol.
Applicability	Companies who receive revenue from Certified Emission Reductions (CERs).
Benefit	Revenue derived from primary CERs (from CDM projects) is tax exempt. This applies to all revenue received in respect of disposals on or after 11 February 2009.

Energy Efficiency Allowances

Objective	To encourage energy efficiency.
Applicability	Any tax-payer implementing energy efficiency measures.
Benefit	A tax deduction of 45c/kw hour saved. Not in operation yet.

Oil and Gas Income Tax Incentives

Objective	To provide tax incentives to oil and gas companies involved in incidental trades in South Africa.
Applicability	Oil and gas companies.
Benefit	Tax incentives to be provided to oil and gas companies which are involved in incidental trades inside South Africa.

Underwater Telecommunication Cable Allowances

Objective	To provide relief for the depreciation of underwater telecommunication cables.
Applicability	Underwater telecommunication cables.
Benefit	5% depreciation allowance over 20 years.

Film Allowance	
Objective	To provide tax deductions to investor-owner film producers.
Applicability	Investor- owner film producers.
Benefit	Tax deductions to be granted to investor-owner film producers.

Investment Incentives

Research & Development Incentives

Support Programme for Industrial Innovation (SPII)

Objective	Promote technology development in South Africa through provision of financial assistance to all South African registered enterprises in manufacturing or software development that engage in development of innovative, competitive products and/ or processes.
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SPII Matching Scheme

Applicability	<ul style="list-style-type: none"> The Matching Scheme is available to all South African registered Small and Medium Enterprises (SME): (employees <200, turnover <R51m, assets <R19m) in the private sector that are engaged in a manufacturing or an information technology related project. The Matching Scheme is also available to large companies. A large company is as defined in the Small Business Act of 2003.
Benefit	<ul style="list-style-type: none"> For SME's: A grant of between 50% to 75% of the qualifying cost incurred during the technical development stage up to a maximum of R3m per project. For enterprises with <25% black shareholding – the grant amount is 50%, for enterprises with >25% ≤50% black shareholding or women/physically challenged shareholding – the grant amount is 65%, and for enterprises with black shareholding >50% - the grant amount is 75%. For large companies: 50% of the qualifying cost incurred during the technical development stage up to a maximum grant of R3m per project. The incentives for BEE and women participation provided under both the Product Process Development (PPD) and Matching Schemes do not apply to large companies.

SPII - Partnership Scheme

Applicability	All private sector enterprises engaged in a manufacturing or an information technology related project.
Benefit	A conditional repayable grant of 50% of the qualifying cost incurred during development activity with a minimum grant amount of R3m per project, repayable on successful commercialisation of the project.

SPII - Product Process Development Scheme

Applicability	All small and micro private sector enterprises (employees less than 50, turnover less than R13m, total gross assets less than R5m) whose members are actively involved in the management of a business that is engaged in a manufacturing or an information technology related project.
Benefit	A grant of between 50% and 85% of the qualifying cost incurred during the technical development stage with a maximum grant amount of R1m per project. For enterprises with <25% black shareholding - the grant amount is 50%, for enterprises with >25% ≤50% black shareholding or women/ physically challenged shareholding - the grant amount is 75%, and for enterprises with black shareholding >50% - the grant amount is 85%.

Technology and Human Resources for Industry Programme (THRIP)

Objective	To boost South African industry by supporting research and technology development, and by enhancing the quality and quantity of appropriately skilled people.
Applicability	THRIP supports all companies undertaking science, engineering and technology (SET) research in collaboration with educational institutions and will consider the support of projects in which the primary aim is to promote and facilitate scientific research, technology development, and technology diffusion, or any combination of these.
Benefit	THRIP will contribute between 30% and 50% of the funds invested by a company in research projects. For all SMME and all SMME and BEE partners the THRIP funding will contribute between 100% and 200% of the funds invested. The maximum level of THRIP funding per grant holder will be set at R8m across any number of projects per annum.

Innovation Fund (IF)

Objective	To promote technological innovation through investing in novel South African technology development and commercialisation.
Applicability	<p>The IF provides funding through the following different programmes</p> <ul style="list-style-type: none">• Technology Advancement Programme (TAP): invests in research and development from proof-of-idea/science to proof-of-concept, and is open to publicly funded institutions (including higher education institutions and science councils), small and medium sized businesses, and any consortia consisting of these.• Missions in Technology Programme (MiTech): a public-private partnership programme for the development of technology platforms.• Seed Fund: Invests in early commercialisation/start-up activities to take a technology that is at proof-of-concept/prototype to the market.• Patent Support Fund for SMEs: To assist in absorbing the cost of protecting their intellectual property through patent registration.• Patent Support Fund-Technopreneur: This fund supports the filing of at least a South African provisional patent application in respect of technological inventions by individuals, so-called techno-entrepreneurs, where such inventions have commercial merit and a prototype can be developed in under twelve months.• Patent Support Fund for Research Institutions: Provides subsidy to publicly funded institutions (higher education institutions and science councils) for costs incurred in filing and prosecuting patent applications, and maintaining patents.• Patent Incentive Scheme: A scheme to encourage patent protection through cash incentives to inventors in publicly funded institutions (higher education institutions and science councils) who obtain patents for their inventions.
Benefit	The IF uses a flexible returns structure of royalty, equity, convertible loans or combinations thereof, structured as appropriate for each investment.

Research and Development (R&D) - Tax Incentives (Section 11D of the Income Tax Act)

Objective	To stimulate scientific research or technological research and development.
Applicability	Expenditure incurred in the discovery of novel, practical and non-obvious information or devising, developing or creating any patent, design or computer program or any knowledge essential to the use of the invention, design or computer program.
Benefit	Deduction increased to 150% for expenditure incurred on or after 2 November 2006. Accelerated allowance on R&D assets (50/30/20).

Investment and Enterprise Development Incentives

Critical Infrastructure Programme (CIP)

Objective	Support the competitiveness of South African industries by lowering business costs and risks and to provide targeted financial support for physical infrastructure that will leverage strategic investment with a positive impact on the economy.
Applicability	New or expanding enterprises investing in infrastructure such as roads, railways, electricity transmission and distribution, water pipelines, telecommunication networks, sewage systems etc. Available to municipalities, public sector enterprises and private enterprises.
Benefit	Cash grant incentive that covers between 10% and 30% of the infrastructure development costs.

Public Transport Infrastructure and Systems Grant (PTIF)

Objective	To provide for accelerated planning, establishment, construction and improvement of new and existing public transport, priority transport and non-motorised transport infrastructure and systems.
Applicability	Projects that meet the dual objective of long-term mobility and support for 2010 FIFA World Cup, that prioritise public over private transport and reinforce public transport policies.
Benefit	Specific purpose grant with certain specific distribution criteria.

National Electrification Programme (Municipal)

Objective	To provide capital subsidies to municipalities to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation of electrification infrastructure.
Applicability	All metro, district and local municipalities in South Africa.
Benefit	Conditional grant allocations are made to municipalities each year and are published in the Division of Revenue Act.

Municipal Infrastructure Grant (MIG)

Objective	To supplement municipal capital budgets through the funding of basic municipal infrastructure backlogs for the provision of basic services to primarily service poor households. This infrastructure must be provided in such a way that employment is maximised and opportunities are created to support enterprise development.
Applicability	All metro-, district- and local municipalities in South Africa.
Benefit	Conditional grant allocations are made to municipalities each year and are published in the Division of Revenue Act.

Neighbourhood Development Partnership Grant (NDPG)

Objective	To create enabling economic infrastructure in dormitory townships across South Africa that will attract private sector investment.
Applicability	All metro-, district-, and local municipalities in South Africa.
Benefit	Benefits are in the form of the technical assistance grant and the capital assistance grant, to assist municipalities in implementing community facility projects that are not presently funded through the equitable share or other grants.

Local Economic Development (LED) Programme

Objective	Creating an enabling environment for investment into the area and encouraging the development of the market to facilitate linkages between established and emerging sectors.
Applicability	Local government, private sector enterprises, enterprises forming partnerships with government agencies, donors and other enterprises aiming to develop clusters to strengthen their sector.
Benefit	Up to 70% grant-based funding available for certain identified areas.

Business Process Outsourcing and Offshoring Investment Incentive (BPO&O)

Objective	To attract investment in the BPO&O sector that creates employment opportunities.
Applicability	Local projects located in certain designated areas and foreign investors (new and expanding projects) that aim to serve offshore clients (offshore revenue >90%).
Benefit	The investment grant ranges between R37 000 and R60 000 per seat, depending on the level of qualifying investment costs and employment creation. The grant is disbursed in four stages (25% in each stage) subject to achieving the performance requirements at each claim stage.

Business Process Outsourcing and Offshoring Training and Skills Support Grant

Objective	To assist the company's costs for specific training, costs of in-house trainer development, costs for the development of learning materials, costs for trainer secondment into South Africa as well as costs of purchasing and installing training equipment and facilities.
Applicability	Approved BPO&O investment projects.

Benefit	50% of qualifying training and skills development expenditure limited to a maximum of R12 000 per agent.
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Manufacturing Investment Programme (MIP)

Objective	To encourage local and foreign capital investment in productive qualifying assets (plant and machinery, land and buildings (owned or rented), commercial vehicles).
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Applicability	Enterprises investing capital in new projects or expanding an existing project.
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Benefit	A tax exempt cash grant of between 15% - 30% of the qualifying investment cost up to a maximum grant of R30m.
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Foreign Investment Grant

Objective	To encourage foreign businesses to invest in manufacturing companies by assisting in the cost of transporting productive qualifying assets to South Africa.
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Applicability	South African incorporated companies with a foreign direct shareholding of at least 50%. Qualifying costs associated with transporting new plant and machinery (excluding vehicles) from abroad. FIG is conditional on the approval of a project under the MIP.
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Benefit	The lower of the actual qualifying transportation costs or 15% of the cost of new plant and machinery acquired abroad, limited to R10m.
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Tourism Support Programme

Objective	To stimulate growth within the tourism industry.
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Applicability	The establishment of new or the expansion of existing tourism facilities.
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Benefits	A tax exempt cash grant of between 15% - 30% of the qualifying investment cost up to a maximum grant of R30m.
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Industrial Policy Projects

A tax incentive was launched in early 2009 by the government which is intended to promote local and foreign direct investment in industrial policy projects in South Africa. The proposed new tax incentive programme is regulated in terms of section 12I of the Income Tax Act (the Act). The new programme is intended to replace the former Strategic Industrial Project Programme (SIP) under section 12G of the Act.

R20bn has been allocated for additional tax deductions under this new incentive, with a focus on large industrial projects.

Manufacturing assets must be used in South Africa and qualify for a deduction in terms of section 12C(1)(a), 13 or 13quat which covers plant or machinery that will be brought into use for the first time by the taxpayer and will be used in a process of manufacture and the cost for the construction or refurbishment of buildings if certain conditions are met.

A project will be allocated points based on the following criteria if:

- It upgrades an industry within the Republic by:
 - Utilising innovative processes or
 - Utilising new technology that results in improved environmental protection as a result of:
 - Improved energy efficiency
 - Cleaner production technology
- Generates general business linkages by acquiring goods or services from small, medium and micro enterprises
- Creates direct employment
- Provides skills development in the Republic or
- Is located in an IDZ.

Benefit	<p>Additional tax allowance of:</p> <ul style="list-style-type: none"> • 55% of the cost of any manufacturing asset used in a qualifying industrial policy project determined to have preferred status or • 35% of the cost of any manufacturing asset used in any other qualifying industrial policy project limited to: <ul style="list-style-type: none"> - R900m in the case of any Greenfield project with preferred status - R550m in the case of any other Greenfield project - R550m in the case of any Brownfield project with preferred status - R350m in the case of any other Brownfield project - Cost of training provided to employees in the furtherance of the Industrial Policy Project. The training allowance may not exceed R36 000 per employee and R20m in the case of projects with qualifying status or R30m in the case of projects with preferred status. • Minimum investment required to qualify for this incentive: <ul style="list-style-type: none"> - R200m in the instance of a Greenfield project - The higher of R30m or 25% of the value of the manufacturing assets in the case of Brownfield projects.
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Staple Food Fortification Incentive Scheme (SFFP)

Objective	To assist with the compliance needed for staple food fortification of the food fortification regulations by offering a once-off subsidy for the purchase and installation of fortification equipment.
Applicability	Private sector enterprises in the grain milling industry.
Benefits	The grant of between 50% and 100% up to a maximum of R40 000 per fortification unit.

Location Film and Television Production Incentive

Objective	To encourage and attract large budget films and television productions that will contribute towards South Africa's economic development and international profile and increase foreign direct investment.
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Applicability	Foreign-owned qualifying productions with Qualifying South African Production Expenditure (QSAPE) of R12m and above.
Benefit	Rebate of 15% of the QSAPE to qualifying productions and the benefit is capped at R10m.

South African Film and Television Production and Co-Production Incentive

Objective	To support the local film industry and to contribute towards employment opportunities in South Africa.
Applicability	Local productions and official treaty co-productions with a total production budget of R2,5m and above.
Benefit	Rebate of 35% for the first R6m, and 25% for the remainder of the qualifying production expenditure capped at a maximum rebate of R10m.

The Tourism Enterprise Support Programme (TEP)

Objective	To encourage and facilitate the growth and expansion of tourism enterprises.
Applicability	Large operators, investors, SMME's and historically disadvantaged entrepreneurs and enterprises (HDE's).
Benefit	The programme assists in obtaining the requisite professional services such as ISO/ SABS quality certification, debt and equity finance, proper business planning, packaging, legal advice, technology needs and marketing. The TEP also provides aftercare to SMME's to be sure they have the planning, production and management capacity to deliver as per the contract or market demand.

PSOM Business Incentive: Dutch Programme for Cooperation with Emerging Markets

Objective	To provide opportunities for Dutch companies to expand investments and trade relations with South Africa.
Applicability	Dutch companies who wish to invest in South Africa in partnership with a local South African company. The grant is also available for companies based in emerging markets (such as South Africa) investing into Mozambique and Uganda.
Benefit	Grants contributing up to 50% of total project costs up to a maximum of €1,5m.

Competitive Enhancement Incentives

Black Business Supplier Development Programme (BBSDP)

Objective To provide business enterprises with access to business development services for improving their core competencies, upgrading managerial capabilities and restructuring so as to become more competitive.

Applicability Companies that are majority black-owned (51% or more), have an annual turnover of less than R12m and have a significant representation of black managers on their management team. The entity must have a minimum trading history of one year.

Benefit The maximum grant amount is limited to R100 000. The requested amount should not exceed 25% of the entity's previous year's turnover.

The Co-operative Incentive Scheme (CIS)

Objective To promote co-operatives by improving the viability and competitiveness of the co-operative enterprises by lowering the cost of doing business.

Applicability Any entity incorporated and registered in South Africa in terms of the Co-operatives Act.

Benefits Matching grant of 90% up to a maximum of R300 000 for costs relating to business development services, business profile development, feasibility studies/market research, start-up requirements etc.

Export Incentives - Non-Industry Specific

Export Marketing and Investment Assistance (EMIA) Scheme

Objective To assist South African exporters in establishing export markets for their products and to attract foreign investment into South Africa through the following schemes: National Pavilions, Individual Participation in Exhibitions, Outward Investment and Selling Missions, Inward Buying and Investment Missions, Individual Inward Missions, Foreign Direct Investment and Primary Market Research.

Applicability Available to all enterprises registered with the Commissioner of Customs and Excise with special terms for SMME's.

Benefit A portion of specified costs relating to:

- Travel (Economy class)
- Daily subsistence
- Transportation of samples for specific events
- Development of marketing materials for specific events
- Exhibition costs relating to stand rental, stand design and set up costs and
- Costs of brochures.

Sector Specific Assistance Scheme

Objective Develop new export markets, broaden the specific industry export base, increase participation of BEE and SMME companies in the export process.

Applicability Approved export councils, registered industry associations and joint actions groups.

Benefit A matching grant of between 50% and 80% of the cost to support the development of the partnerships.

Capital Projects Feasibility Programme (previously SA Capital Goods Feasibility Study Fund)

Objective To facilitate feasibility studies that are likely to lead to projects that will increase South African exports and stimulate growth for local capital goods and services.

Applicability South African registered companies.

Benefit An advance up to a maximum of 50% of study costs for projects outside Africa and 55% for projects in Africa.

Steel Rebate

Objective To promote the development of the value added steel-processing industry in South Africa as an expanding market for locally produced primary steel products, to enhance South Africa's foreign currency earnings and increase employment opportunities.

Applicability Exporters (situated in SACU) of fabricated steel products where 20% value has been added.

Benefit Rebates based on the value of exports, currently at R135 per ton of net steel content (VAT exclusive) provided by steel suppliers.

Customs Rebate and Drawback Provisions

Objective Promote manufacturing and exporting of South African goods.

Applicability Importers, exporters and manufacturers.

Benefit Rebate or drawback of customs duties on imported goods, raw materials and components used in manufacturing or processing of goods for export and/or domestic sale.

Industrial Development Zones (IDZs)

Objective To promote manufacturing and increase the competitiveness of South African exports.

Applicability All manufacturers and exporters located in the Customs Controlled Area (CCA) designated zones.

Benefit Rebate of customs duties and exemption of Value Added Tax on imported goods, raw materials and components used in manufacturing, processing for export.

Value Added Tax (VAT) - Export Incentives

Objective To encourage exports from and investment in South Africa.

Applicability Exporters, registered as VAT vendors in South Africa.

Benefit

- A vendor may supply movable goods at the zero rate, where the vendor consigns or delivers the goods to an address outside South Africa.
- Requirements as outlined in VAT Interpretation Notes 30 (Issue 2), 31 or the Export Incentive Scheme (1998) should be complied with.
- Alternatively the "qualifying purchaser" may claim a refund of the VAT from the VAT refund administrator upon the exit of the goods from South Africa.

Value Added Tax (VAT) - Industrial Development Zone Industrial Development Zones (IDZs)

IDZ's are purpose-built industrial sites in South Africa which have been specifically designated to be developed and operated by the private sector.

Objective To encourage Industrial development and investment in South Africa and to stimulate trade and job creation.

Benefit The South African VAT Act allows a vendor to charge VAT at the zero rate on various types of supplies of goods or services to a customs controlled area (CCA) enterprise or an IDZ operator. VAT Interpretation Note 40 which was released by SARS clarifies the VAT treatment of the supply of goods and/or services to and/from a CCA enterprise or IDZ operator in an IDZ.

Value Added Tax - Licensed Customs and Excise storage warehouse

The supply of goods by a non-resident of the Republic which have been entered for storage into a licensed Customs and Excise storage warehouse but not yet cleared for home consumption is exempt from VAT unless the non-resident applies in writing to the South African Revenue Service to be allowed to zero-rate the supply.

Objective To limit the VAT registration and administrative burden for non residents in South Africa.

Benefit Non-residents do not have to register and charge VAT on supplies within such storage warehouses. Non-residents applying to be registered and zero-rating their supplies will be able to claim back any VAT incurred in relation to such zero-rated supplies.

Export Incentives - Industry Specific

Textile and Clothing Industry Development Programme (TCIDP)

Objective	Aimed at assisting the textile and clothing manufacture industry in South Africa to obtain efficiency of international standard.
Applicability	Manufacturers and exporters of qualifying textiles and clothing/apparel products.
Benefit	Reduction of overall customs duty liability through Duty Credit Certificates earned from exports of qualifying goods.

Note: The programme was applicable for the period ended 31 March 2009. No further extension has been announced by government

Clothing and Textile Competitiveness Improvement Programme (CTCIP)

Objective	To build capacity in manufacturers and in other areas of the apparel value chain in South Africa to effectively supply to the major retailers, as well as to grow South African-based clothing and textile manufacturers to be globally competitive.
Applicability	Small and large to medium-sized companies in clothing and textile manufacturing or support, supplier and/or customer organisations to these entities. The effective date for receipt of applications under this programme is 1 April 2009, for a period of five years, ending in 2014.

Benefit	Investment support to both local- and foreign-owned entities: <ul style="list-style-type: none">• A matching grant incentive of 75% of project cost on cluster projects and 65% of project cost for company-level projects.• Excludes costs in machinery, equipment, commercial vehicles, land and buildings in an existing clothing and textile production facility.• The extent of the incentive for projects on company level will be 65% of eligible project cost up to a maximum of R2,5m over five years.• The cluster grant will support the development of such clusters through the provision of 75:25 matching grants: 75% from the CTCIP grant and 25% from the cluster participants.• Grant support for each approved partnership will be limited to a cumulative ceiling of R25m.• Grants made by the programme will be made exclusive of VAT.
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Note: This programme is in addition to the Textile and Clothing Industry Development Programme (TCIDP).

Motor Industry Development Programme (MIDP)

The MIDP is a voluntary incentive scheme designed to save motor vehicle industry participants money, in the form of a reduction on import duties payable to SARS Customs. This programme is to be replaced in full by the automotive production and development programme (APDP) on 1 January 2013.

Objective	To increase local economic productivity by encouraging fewer model productions. To increase international competitiveness of the South African motor industry by assisting in reducing the cost of goods in the form of import duty savings, encouraging foreign currency earnings through increased exports and promoting foreign investment with the aim of creating and retaining jobs.
Applicability	Motor vehicle assemblers, component manufacturers and associated exporters.

Benefit	<p>There are three import duty reducing incentives currently available.</p> <ul style="list-style-type: none"> • Duty Free Allowance (DFA) - exclusive to motor vehicle assemblers on production of motor vehicles for the domestic market • Import Rebate Credit Certificates (IRCCs) - Export performance based incentive to be used against imported motor vehicles and components and • Production Asset Allowance (PAA) - investment based incentive linked to investments in buildings, machinery, equipment and tooling to be used in manufacturing of motor vehicles and related components. Valid until June 2009.
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Automotive Production and Development Programme (APDP)

From the 1 January 2013, the APDP is to replace the MIDP as South Africa's motor vehicle sector production and investment incentive programme.

Objective	To encourage expansion and long term development in the motor industry section with the aim of producing 1.2 million vehicles by 2020, and to encourage the use of local components and tooling by incentivising motor vehicle and component manufacturers for improved and cost efficient production levels.
Applicability	Motor vehicle assemblers and component manufacturers.
Benefit	<ul style="list-style-type: none"> • Local Assembly Allowance: exclusive to motor vehicle assemblers which can produce 50 000 or more vehicles per annum. The incentive is based on 20% to 18% of the value of light motor vehicles produced domestically from 2013, regardless of whether the vehicles are for local consumption or for the export market. • Production Incentive: is a sales value-added incentive available to both motor vehicle assemblers and component manufacturers which is based on a sliding scale percentage of 55% to 50% on the local value-added amount.

MIDP - Productive Asset Allowance (PAA): Valid until June 2009

Objective	To encourage investment in the motor industry sector with the aim of reducing the proliferation of model ranges produced by manufacturers of specified light motor vehicles, for the domestic and the global market; and to encourage the localisation of components fitted to these motor vehicle models and for export.
Applicability	Motor vehicle assemblers and contracted component manufacturers.
Benefit	20% of the value of the investment in productive assets, approved by the International Trade Administration Commission of South Africa (ITAC), spread equally over a five-year period at 4% per annum, to be rebated against the duty on imported light motor vehicles.

Automotive Investment Scheme (AIS): Valid from 1 July 2009

Objective	To encourage investment in the motor industry sector with the aim of reducing the proliferation of model ranges produced by manufacturers of specified light motor vehicles, for the domestic and the global market; and to encourage the localisation of components fitted to these motor vehicle models and for export.
Applicability	Motor vehicle assemblers and contracted component manufacturers.
Benefit	20% to 30% of the value of the investment in productive assets, approved by the International Trade Administration Commission of South Africa (ITAC).



Industrial Financing

2010 Soccer World Cup Finance

Objective	To facilitate the investment activities of all entrepreneurs in 2010-related businesses.
Applicability	Entrepreneurs with economically-viable business proposals related to the 2010 Soccer World Cup, which include: tourism, information technology, media and motion pictures, bridging finance and revolving credit and guarantees for a variety of service providers.
Benefit	A variety of funding mechanisms ranging from equity and quasi-equity to secured loans and guarantees, structured accordingly depending on the business need and in agreement with the entrepreneur.

Agro Industries Finance

Objective	Promote the establishment of permanent infrastructure in the agricultural and aquaculture sectors and establish new or expand existing undertakings in the food and beverages sector.
Applicability	Entrepreneurs in the agricultural, food, beverage and marine sectors wanting to expand or develop their business. Medium term finance in the form of loans, suspensive sales, equity and quasi-equity. Minimum financing requirement is R1m. An economically viable business plan must be submitted.
Benefit	Competitive, risk-related interest rates are based on the prime bank overdraft rate.

Chemicals, Textiles and Allied Industries Finance

Objective To stimulate development and sustainable global competitiveness.

Applicability Focus areas are:

- Ceramics, concrete and stone products
- Glass products
- Leather and footwear
- Conversion of natural fibres into fabrics
- Conversion of fabrics into clothing
- Primary and secondary chemical manufacturing
- Plastic and rubber conversion
- Waste purification and
- Water recycling.

Minimum investment requirements:

- For textiles, leather and footwear - minimum loan of R500 000.
- For chemicals and allied industries - minimum loan of R1m.

Minimum equity amount is R5m.

Benefit Competitive, risk-related interest rates are based on the prime bank overdraft rate.

Mining and Jewellery Finance

Objective Assistance for small- and medium-sized mining and beneficiation activities and jewellery manufacturing.

Applicability Establish or expand junior mining houses, acquisition of mining assets by Historically Disadvantaged Individuals (HDIs), undertaking mining related activities such as contract mining, establish or expand jewellery manufacturing activities. Minimum financing requirement is R1m. An economically viable business plan must be submitted.

Benefit Competitive risk-related interest rates are based on the prime bank overdraft rate.

Forest Products Finance

Objective To be the key player in the generation of a balanced, integrated and internationally competitive forest products sector within the Southern African region.

Applicability Focus areas are projects in the forestry, pulp, paper, furniture and wood-related and renewable energy industries.

Benefit: Competitive risk-related interest rates are based on the prime bank overdraft rate.

Franchising (Wholesale) Finance

Objective To provide finance to franchised businesses.

Applicability Focus areas are:

- Fast food
- Bakery
- Cellular
- Sit-down restaurants
- Real estate
- Speciality stores
- Travel
- Retail
- Petroleum
- Waste management depots
- Manufacturing concerns and
- Corporate distribution centres.

It is required that the applicant submits a good record of business development and has a strong financial position. The applicant should have an established franchised network with a proven franchised concept. He/she should have developed and/or acquired a training and mentorship programme to assist emerging entrepreneurs to attain the knowledge and skills required to become competent business people. The applicant should have a minimum of at least ten franchised projects to promote.

Benefit: Competitive, risk-related interest rates are based on the prime bank overdraft rate.

Healthcare and Education Finance

Objective To support and develop businesses in both the healthcare and education sectors in South Africa and the rest of the continent. These include the financing of greenfield projects, expansions and acquisitions and combinations thereof.

Applicability Greenfield projects, expansions and rehabilitations; projects exhibiting economic merit in terms of profitability and sustainability; projects which have a significant development impact (e.g. rural development, empowerment, job creation); financing of fixed assets and the fixed portion of growth in working capital, buy-ins or take-overs by HDIs and businesses led by competent management team members. Minimum financing requirement is R1m.

Benefit	Competitive, risk-related interest rates are based on the prime bank overdraft rate.
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Metal Industry Finance

Objective	To develop and support viable downstream metal producers with a focus on the automotive, other transport, structural and fabricated metal, as well as the machinery sectors.
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Applicability	Focus areas are projects in ceramic, concrete and stone products, basic iron, steel and non-ferrous fabricated metal products, plant machinery and equipment, motor vehicles, components and accessories. Financing of fixed assets and the fixed portion of growth in working capital requirements: projects/businesses which have a significant developmental impact (e.g. rural development, empowerment, job creation) and BEE buy-in or buy-out of existing businesses. Minimum financing requirement is R1m. Minimum equity amount is R5m. Businesses and products should comply with international environmental standards.
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Benefit	Competitive, risk-related interest rates are based on the prime bank overdraft rate.
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Technology Industry Finance

Objective	Development and expansion of technology intensive businesses in information technology (IT), telecommunication, electronic and electrical industries.
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Applicability	Entrepreneurs in the IT, telecommunication, electronic and electrical industries wanting to develop or expand their businesses. New technology ventures with strong local or foreign technology partners and proven technology. Minimum financing requirement is R1m. Finance is in the form of equity, equity-related and loan finance. An economically viable business plan must be submitted.
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Benefit	Competitive risk related interest rates are based on the prime bank overdraft rate.
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Tourism Finance

Objective	Development and expansion of the tourism industry by providing finance for commercial projects in the medium to large sectors of the tourism industry.
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Applicability	Medium-term finance in the form of loans, suspensive sale agreements, equity and quasi-equity for the creation of new, or the upgrading and renovation of tourism facilities including hotels, guest houses, lodges, cultural villages, conference and convention centres.
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Benefit	Competitive risk-related interest rates are based on the prime bank overdraft rate. Minimum financing requirement is R1m.
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Transportation and Financial Services Finance

Objective	To facilitate the provision of finance for sustainable service related projects and investments in South Africa and the rest of the continent.
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Applicability	Focus areas are: <ul style="list-style-type: none"> • Transport services (road, freight, logistics, maritime, aviation and bus sector) • Financial services (retail banking, acquisitions and commercial micro-finance) and • Other (security services, listed retail acquisitions and catering services).
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Benefit	Competitive risk-related interest rates are based on the prime bank overdraft rate.
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Special funding/Risk Capital

Objective	The programme aims to develop entrepreneurial skills, particularly in small and medium-sized businesses.
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Applicability	BEE-owned businesses with a minimum ownership of 25,1% by HDIs in the SME sector as well as investments that show high developmental impact, e.g. job creation, regional reach and rural development.
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Benefit	Clients receive business support to solve short-term problems and are provided with long-term assistance. The IDC pays part of the cost of business support and structures a loan facility for clients to pay the balance of the costs when they are in a financially sound position.
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Industrial Participation

The National Industrial Participation Programme (NIP)

Objective	To leverage economic benefits and to support the development of the South African industry by effectively using the instrument of Government Procurement. This is not an incentive but an obligation created when contracting with the Government.
Applicability	All Government and parastatal purchases or lease contracts with an imported content equal to or exceeding US\$10m.
Benefit	Suppliers to the Government will be subject to an industrial participation obligation of 30% of the imported content.

Note: The Department of Public Enterprises has introduced a Supplier Development Programme (SDP) as an alternative offset programme to the National Industrial Participation Programme (NIPP). The SDP requires that companies supplying goods to state-owned enterprises (SOE) enter an alternative offset programme aimed at developing national supplier industries. This policy focuses on enhancing the competitiveness of national industries rather than providing price premiums for local content.

The SOE has to develop a Supplier Development Plan that looks at the capacity and competitiveness of the local supply base; an analysis of the strengths and weaknesses of supplier industries; capital and operational expenditure projections, etc. These plans inform the procurement strategies of the SOE.

The SDP, NIPP and BEE programmes all need to be aligned.

Defence Industrial Participation Programme (DIP)

Objective	The process where purchases of the Department of Defence are used as a leverage to oblige a foreign seller of defence commodities/services to do defence-related business in South Africa on a reciprocal basis in order to advance military strategic and defence-related industrial imperatives.
Applicability	All Government and parastatal purchases or lease contracts with an imported content equal to or exceeding US\$10m.
Requirements	Defence purchases: <ul style="list-style-type: none">• Exceeding US\$2m but less than US\$10m - require a Defence Industrial Participation obligation of up to 50%.• Exceeding US\$10m - require a Defence Industrial Participation obligation of at least 50% and a National Industrial Participation obligation of at least 30%.

Social responsibility

DANIDA Business to Business Programme

Objective	To develop and strengthen business opportunities and create jobs for eligible entrepreneurs from previously disadvantaged communities.
Applicability	Development support is provided to commercially viable businesses, based on the formation of business partnerships between black-owned/controlled South African companies and Danish business enterprises.
Benefit	Support for expenses relating to the transfer of management and business skills, technology from Danish to South African companies and to provide access to financing for the South African company. Khula may issue up to 100% guarantee to the financial institution that will issue a loan for the procurement of shares, purchase of machinery and capital equipment for the business.

DEG Public Private Partnership (PPP)

Objective	Provides co-financing for private sector activities in developing countries that positively affect sustainable development and social upliftment.
Applicability	Projects that lead up to or accompany investment, the transfer of technology and entrepreneurial know-how, training of employees and raising social and environmental standards. Companies partnering with, or related to, companies of the European Union, Norway and Switzerland.
Benefit	Up to a maximum of 50% of the costs of an individual activity not exceeding €200 000 per project.

Tax

Customs Duty Planning for Businesses

Customs duty planning can provide significant savings for businesses locating to South Africa whether through immediate reduction in amounts of customs duty payable, improved cash flow, or by streamlining procedures and reducing overhead costs.

It is essential that businesses locating to South Africa consider specialist advice at an early stage to ensure that suitable planning opportunities are identified and maximum savings are achieved; especially since certain provisions are dependent on pre-approval from the authorities concerned.

Listed below are brief outlines of the main areas in which businesses locating to South Africa may obtain savings through customs duty planning:

Stage Consignment Procedures

This can benefit businesses importing capital equipment in separate consignments. Instead of classifying all the goods separately, and completing full customs entries for each consignment, they may be classified as component parts of one functional unit. The customs duty applicable to the functional unit will therefore be applied, that could result in one, low customs duty, instead of many different customs duty rates, several of which might be quite high. Import documentation would also be reduced.

Customs Valuation

The South African Customs & Excise Act provides for a range of additions to, and deductions from, the transaction value of goods used to determine the value for customs duty purposes of imported goods. Careful planning will ensure that the lowest legal value can be used, thus reducing the overall duty bill. Where there is trade between related parties, SARS Customs will often argue that the transfer price is too low for duty purposes and could uplift it. It is therefore important to ensure that the correct Customs Value be agreed with SARS.

Tariff Classification

Tariff classification of imported goods is the responsibility of the importer, even if entrusted to a clearing agent.

Classification determines the rate of duty payable, permit and licensing requirements, and entitlement to preferential customs duty rates or rebates of duty. Customs planning enables businesses to identify lower duty liabilities and avoid import restrictions that should not apply to his product.

Inward Processing Relief

A full rebate of the customs duty and VAT exemption is provided for goods for processing and re-exportation. Processing includes from simple repacking of goods, to the most complicated manufacturing process. Certain accounting requirements have to be followed but careful planning can reduce these requirements to a minimum.

Industrial Development Zones (IDZ)

Following the publication of the Industrial Development Zone (IDZ) Regulations in December 2000, the Coega (near Port Elizabeth), East London, Richards Bay and Johannesburg International Airport IDZs have been designated.

The intention of IDZs is to provide investors in the zone with direct links to an international port and the facility to import inputs and goods into the zone customs duty free and exempt from value-added tax (VAT). Each zone will have dedicated customs support for faster processing of customs documentation. IDZs are suitable for export orientated production. Finished goods sold into South Africa could have import status, i.e. it could be subject to the same duties and taxes applicable to any other imports.

Investors will qualify for all incentives available to South African companies (other than the Export Marketing and Investment Assistance Programme).

Customs and Excise Warehouses

These warehouses allow the deferment of the payment of customs duties and import VAT on goods subject to customs duty. Payment is only due at the time the goods are removed from the warehouse. Certain manufacturing operations may also be undertaken in these warehouses subject to special prior approval being received from the Customs authorities.

Special dispensations are applicable to exporters if the goods are not subject to customs duty.

Anti-dumping, Countervailing and Safeguard Measures

ITAC conducts anti-dumping, countervailing and safeguard investigations in terms of the International Trade Administration Act. Anti-dumping, countervailing and safeguard duties can be imposed in addition to the prevailing rate of customs duty applicable to the product being imported. Safeguard quotas can be imposed in the case of safeguard investigations.

A product is considered dumped when it is exported to the SACU at a price that is less than its normal value. The normal value is defined as the domestic selling price of a product in the country of export or, in the absence of domestic sales, exports to another country or a constructed normal value.

Countervailing duties are imposed in the case of subsidies by a foreign Government in an effort to make their exports more competitive. Safeguard measures are imposed when there is a surge in imports of a specific product. In all three instances it must be shown that it has caused injury to the relevant South African industry before final measures can be introduced. The antidumping and countervailing duties can be country and/or company specific and are imposed for a period of five years. Safeguard measures will apply to imports from all countries, although least developed countries can be excluded. Proper planning can ensure that the product is not subject to anti-dumping, countervailing or safeguard investigation. When being party to an anti-dumping, countervailing or safeguard investigation, it is essential that exporters, importers and manufacturers (South African and foreign) cooperate with the investigating authority in order to get the best dispensation.

Interpretation of Trade Agreements and Rules of Origin

It is important to constantly monitor the changing trading environment and to develop informed marketing strategies. Companies are advised on compliance with the Rules of Origin provisions of the various trade agreements and assisted in the mitigating of risks in this area. South Africa is a beneficiary to various trade agreements such as the free trade agreements with the European Union (EU) and European Free Trade Area (EFTA), Mercosur and the Africa Growth and Opportunity Act (AGOA) which makes it an ideal location to target large, developed markets.

Transfer Pricing

South Africa's transfer pricing legislation is set out in Section 31 of the Income Tax Act no 58 of 1962 (the Income Tax Act) and is supported by Practice Note 7 and Practice Note 2 setting out the principles and guidelines taxpayers should follow in determining an arm's length price. Although not a member country of the OECD, South Africa has in essence accepted and used the OECD Guidelines in setting their transfer pricing guidelines. If Practice Note 7 and Practice Note 2 are silent on a specific issue, the OECD Guidelines should be referred to for guidance.

The major principles set forth by the OECD are that transactions between foreign related parties should be consistent with the arms' length standard. Practice Note 7 has adopted the internationally accepted arm's length principle as the basis for ensuring that the South African fiscus receives its fair share of tax. It does, however, state that the "determination of an arm's length consideration is not an exact science but requires judgment on the part of both the taxpayer and the Commissioner". Practice Note 2 provides guidance to ensure that financial assistance received from, or provided to, a foreign related party is compensated at arm's length. It also provides guidance on thin capitalisation. The legislation became effective on 19 July 1995.

Non-compliance may result in a transfer pricing adjustment and in additional tax penalties of up to 200% on the tax. Great emphasis is placed on the preparation of contemporaneous documentation to limit the exposure to adjustments. Previously SARS has stipulated on their information brochure which accompanies the Income Tax Return (IT14), that a transfer pricing document should be attached to the IT14 when it is submitted to SARS. When companies now use e-filing to submit their IT14 returns they do not need to submit the transfer pricing document to SARS. This document should however be available upon request.

An addendum to Practice Note 7 was issued in September 2005 stipulating that it is not a legal requirement that a taxpayer must have a transfer pricing policy document. The taxpayer must, however, still disclose in their tax returns whether they have such a policy. Where a policy exists, a copy of the policy must be kept on file so that if requested by SARS, the policy can be submitted. It further states that, where a taxpayer has significant cross border related party transactions, the absence of a policy would make it very difficult for the taxpayer to justify the arms' length nature of the pricing of those transactions.

It is likely that, should the taxpayer disclose that he/she has no transfer pricing policy, this will significantly increase the risk of a transfer pricing audit by SARS. In amending the Income Tax Act to introduce a residence based system, the Controlled Foreign Company (CFC) legislation as contained in Section 9D was amended to include the net income of a CFC in the South African taxpayer's taxable income. Section 9D excludes the net income of a CFC attributable to a business establishment in a country other than the Republic of South Africa subject to certain conditions being met, inter alia that the consideration in respect of transactions with connected persons has to reflect the arm's length price consistent with the provisions of Section 31. The arm's length principle therefore plays an important role in South Africa's CFC legislation.

Recently there has been increased need for taxpayers wanting to remit funds to have a transfer pricing policy in place. This is because before the South African Reserve Bank will allow payments to be made to foreign related parties in respect of management services, certain royalties and year-end adjustments, it needs to receive signoff from the taxpayer's auditors that the payments are made in accordance with arm's length principles. Where a transfer pricing policy is in place, and the taxpayer follows such a policy, the task of signoff is significantly easier.

VAT Planning

The compulsory VAT registration threshold in South African is currently when the total value of a person's taxable supplies exceeds or is expected to exceed R1 000 000 in any 12-month period. This is effective from 1 March 2009. This is in line with the introduction of a simplified tax package for very small businesses which was introduced at the same time.



Oliphants River

Therefore, a foreign business with/without a permanent establishment in South Africa, which makes taxable supplies of goods or services in South Africa and exceeds the above-mentioned registration threshold, must register for VAT in South Africa. Failure to apply for VAT registration by a person liable to register is an offence under the SA VAT laws. A foreign business, which is registered for VAT in South Africa, may recover VAT incurred in its enterprise in South Africa in its periodical VAT return.

The South African VAT Act contains certain advantageous VAT provisions relating to foreign donor funded projects, and supplies to and by certain vendors situated in an Industrial Development Zone.

The South African Revenue service is still considering relief from the current VAT registration liabilities for foreign investors with nominal or passive activities in South Africa on a case-by-case basis.

Based on the proposed amendments and the current ambiguous VAT legislation relating to foreign enterprises conducting business in South Africa it is suggested that professional advice should be obtained before making any final decisions in this regard.

Customs Accreditation

The SARS "accreditation initiative" was introduced in February 2002 and aimed to eradicate illegitimate trade and simultaneously facilitate legitimate trade within South Africa. Accreditation allows SARS to grant accredited status to those businesses registered under the Act and which meet defined criteria.

Benefits include:

- Simplified procedures such as electronic clearances support a paperless environment and lead to quicker turnaround times
- Consulting with business to improve customs processes and
- Less human intervention in customs transactions.

The local trading industry did not embrace this concept due to the lack of real benefits. SARS in turn has not started conducting customs compliance inspections to verify compliance declarations made by applicants and as a result the application process became somewhat of a "paper-exercise".

SARS subsequently amended the Accreditation programme and published two documents to aid applicants in understanding and assessing their compliance status with the accredited criteria namely:

- Request for information and self-assessment (document number SC-CF-06-A1) and
- Quick reference guide to Accreditation (document number SC-CF-07).

The documents were released due to the fact that the actual application for accreditation (the DA186) was very vague and did not provide any guidance as to what was required in order to qualify for accreditation.

The application process has hence been updated and applicants now need to complete the self-assessment prior to applying for accreditation on the DA186. If the self assessment reveals that the applicant is not in a position to apply for accreditation, SARS will, together with the applicant, draw up a "Compliance Improvement Plan" to assist the applicant to improve their compliance levels and hence meet the qualifying criteria for accreditation.

If the self-assessment reveals that the applicant meets the criteria for accreditation, the completed self-assessment together with the DA186 need to be submitted to SARS. SARS will verify the details and confirm whether or not accredited status has been granted. In the event that it is not granted, the applicant can participate in the Compliance Improvement Programme.

If SARS grant accredited status to the applicant, the applicant will be required to sign an Accreditation Agreement in order to complete the process and receive the benefits available under accreditation.

The applicant needs to be aware that ongoing compliance reviews by SARS will be conducted. Should the applicant's compliance levels fall, the accredited client status can be cancelled or suspended upon review.

Lastly, industry should be aware that SARS is currently looking at revising the Accreditation initiative to bring it in line with the Authorised Economic Operator (AEO) concept which was introduced by the World Customs Organisation (WCO). At this time, there is no indication from SARS as to when AEO will be implemented in South Africa and what changes will be made to the current Accreditation programme.

Re-write of the Customs Act

After nearly 10 years of behind the scenes planning, the South African Revenue Service ("SARS") on 30 October 2009 published the:

- Tax Administration Bill ("TAB")
- Customs Control Bill ("CCB") and
- Customs Duty Bill ("CDB")

for public comment before the end of February 2010.

The main aim of the re-write is to modernise customs systems in order to facilitate legitimate trade. The new Customs Bills are in line with international trends and compliant with SA's commitments. The new Bills are largely based on the Revised Kyoto Convention, which provides a "blueprint" for a modern Customs organisation.

Summary of Major Changes

While a few new concepts have been introduced, many of the changes see familiar concepts being revised with a lot of new terminology added to ensure that the Acts and their guidelines are in line with international protocols.

Some of the major changes include:

- SARS' ability to assess a duty liability has been lengthened from two to three years, which will make potential exposures much bigger than in the past
- Provision has been made for a "self assessment" by importers and exporters
- Provision has been made for the "fast tracking and simplified procedures" for Accredited traders
- Provision is made for Advanced rulings

- Goods now have to be cleared within three, not seven, days. Given that clearing agents are already accredited with SARS and communicate with them electronically, we don't see this causing any problems at our ports
- Period for goods to be stored in a Customs warehouse ("bond store") has been reduced from 24 to 12 months
- Accredited status holders now have to renew this status every three years
- In addition the benefits of Accreditation have been more clearly defined
- Companies registered with SARS will need to renew their registration every three years
- The administration procedures have been clarified, including which forms are necessary and what the time frames are
- SARS will have far greater powers in terms of recovering debt owed to the state, including powers to arrest, being able to use a certain level of force, and being able to carry firearms and
- The provisions for the classification and valuation of goods have been expanded upon

We anticipate the draft Excise Bill as well as Rules and Regulations to these new Bills to be released for public comment during 2010. Lastly, we understand that SARS is aiming to have all the new Bills enacted into Law by the end of the 2010 calendar year.



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Intellectual Property

Introduction

South Africa is a signatory, member state of all of the major international intellectual property treaties and conventions, including:

- The Paris Convention
- The Paris Cooperation Treaty
- The Berne Convention
- International Convention for the Protection of New Varieties of Plants (UPOV)
- The WIPO Copyright Treaty.

Patents

(Patent Act 57 of 1978)

- Section 46 provides that the maximum duration of a patent is 20 years from the date of the application, subject to payment of the prescribed renewal fees by the patentee concerned or an agent.
- Section 25 (1) provides the following requirements for patentability:
 - New
 - Inventive step
 - Capable of being used or applied in the trade/industry or agriculture.
- Section 25(2) lists a number of automatic exclusions from patentability, including: methods of treatment on human or animals, and methods of conducting business.

Trade Marks

(Trade Marks Act 194 of 1993)

- Section 37 (1) provides that a trade mark is granted/ approved for a period of 10 years and thereafter in terms of Section 37 (2) be renewable from the date of expiration of the original registration for a further period of 10 years.
- Section 35 provides for the protection of well-known trade marks under the Paris convention.
- Take note that it presently can take in excess of two years, from the date of filing an application, before a trade mark application is examined by the Registrar of Trade Marks. For this reason, it is advisable that an availability search be undertaken prior to filing an application to avoid wasting time and costs.

Counterfeit Goods

(Counterfeit Goods Act 37 of 1997)

Provides remedies to the holder of intellectual property rights, notably owners of trade marks and copyright, from having (suspected) counterfeit goods channelled into commerce.

The Act authorises SA Police Services to enter premises, search for, and seize and remove (suspected) counterfeit goods for detention, pending the finalisation of civil or criminal proceedings.

Copyright

(Copyright Act 98 of 1978)

- Section 2 – Works eligible for copyright:
 - Literary
 - Musical
 - Artistic
 - Cinematography
 - Film
 - Sound recordings
 - Broadcasts
 - Programme-carrying signals
 - Computer programs and
 - Published editions.

The maximum duration of copyright protection varies according to the type of work – generally 50 years from the death of the author or creator. Currently, registration facilities are available only for cinematographic works, but not for any other type of work of copyright. In order for South African copyright to subsist in a work, it must be original, reduced to material format, and created by a South African author (based on residence).

Designs

(Designs Act 195 of 1993)

- Section 14 requires that:
 - Aesthetic designs must be new and original and
 - Functional designs must be new and not common place in the art in question.

- Section 22 provides that Aesthetic designs are granted for a maximum period of 15 years and functional designs are granted for a maximum period of 10 years from the date of registration thereof or from release date, whichever date is earlier, subject to the payment of the prescribed renewal fee.

Plant Breeder's Rights Act 15 of 1976

- South Africa is a member of the International Convention for the protection of new varieties of plants. The Act provides for a system whereunder 'Plant Breeder's' rights relating to varieties of certain kinds of plants may be granted and registered; for the requirements which have to be complied with for the grant of such rights; for the protection of such rights and the grant of licences in respect of the exercise thereof; and to provide for incidental matters.
- Section 2 (1) provides that the Act applies to any prescribed kind of plant if it is new, distinct, uniform and stable.
- Section 21 provides that plant breeder's rights shall be granted for a period of 25 years in the case of vines and trees and 20 years in all other cases.
- In terms of Section 23 a holders rights entails the following:
 - Production/reproduction
 - Conditioning for the purpose of propagation
 - Sale or any other form of marketing
 - Exporting and Importing and
 - Stocking.

Trade Secrets

Trade secrets are protected by common law which also contains remedies for passing-off and unlawful competition.

General

- Section 43 of the Companies Act provides for the registration of any name as a defensive company name and for the renewal of that registration. If the application is granted, the name shall be registered for a period not exceeding two years or to renew the registration of the name in question for a period not exceeding two years, as the case may be.
- Under certain circumstances it is possible to claim priority rights on the basis of certain previously filed applications for designs, patents, plant breeder's rights and trade marks.
- The holder of a patent, design, trademark or a plant breeder's right must pay an annual renewal fee.
- It is possible to enforce intellectual property rights by instituting appropriate legal proceedings. The type of remedies available include: interdicts (injunctive relief), orders of infringement, delivery-up of infringing goods, and damages, amongst others. The nature and extent of remedies available in each case will differ according to the type of intellectual property concerned and the identity of person instituting proceedings.
- It is also possible to license intellectual property rights. When this entails the payment of royalties to a non-resident licensor, exchange control approval for the royalty agreement may need to be obtained.
- Regulations were issued in 2006 to deal with .co.za domain name disputes through cost-effective online arbitration.



Debengeni Falls
© South African Tourism

Contacts in South Africa

Business Information Services

Development Bank of Southern Africa (DBSA)

P O Box 1234, Halfway House, 1685 Tel: (+27 11) 313 3911

Fax: (+27 11) 313 3086

www.dbsa.org

Industrial Development Corporation (IDC)

P O Box 784055, Sandton, 2146 Tel: (+27 11) 269 3000

Fax: (+27 11) 269 3116

www.idc.co.za

Khula Enterprise Finance Limited

P O Box 28423, Sunnyside, 0132

Tel: (+27 12) 394 5560/5900 Fax: (+27 12) 394 6560

Sharecall: 0860054852

www.khula.org.za

Small Enterprise Development Agency (SEDA)

P O Box 56714, Arcadia, 0007 Tel: (+27 12) 441 1000

www.seda.org.za

Business Leadership

P O Box 7006, Johannesburg, 2000 Tel: (+27 11) 356 4650

Fax: (+27 11) 726 4705

www.businessleadership.org.za

Chambers of Commerce and Industry

Afrikaanse Handelsinstituut (AHI)

P O Box 35100, Menlo Park, 0102 Tel: (+27 12) 348 5440

Fax: (+27 12) 348 8771

www.ahi.co.za

Business Unity South Africa (BUSAs)

PO Box 652807, Benmore, 2010

Tel: (+27 11) 784 8000/1/2/3 Fax: (+27 11) 784 8004/8

www.busas.org.za

Chambers of Commerce and Industry South Africa (CHAMSA)

P O Box 782927, Sandton, 2146 Tel: (+27 11) 446 3800

Fax: (+27 11) 482 2000

www.chamsa.org.za

Foundation for African Business and Consumer Services (FABCOS)

P O Box 8785, Johannesburg, 2000 Tel: (+27 11) 333 3701

Fax: (+27 11) 333 1009

www.fabcos.co.za

National African Federation of Chambers of Commerce (NAFCOC)

P O Box 784880, Sandton, 807 5063 Tel: (+27 11) 807 9816
Fax: (+27 11) 268 2942
www.nafcoc.org.za

South African Chamber of Commerce & Industry (SACCI)

P O Box 213, Saxonwold, 2132 Tel: (+27 11) 446 3800
Fax: (+27 11) 446 3804
www.sacci.org.za

Investment Promotion Agencies

Durban Investment Promotion Agency (DIPA)

PO Box 1203, Durban, 4000 Tel: (+27 31) 336 2516/40
Fax: (+27 31) 336 2641
www.dipa.co.za

Free State Development Corporation (FDC)

PO Box 989, Bloemfontein, 9301 Tel: (+27 51) 400 0800
Fax: (+27 51) 447 0929
www.fac.co.za

Gauteng Economic Development Agency (GEDA)

PO Box 61840, Marshalltown, 2107 Tel: (+27 11) 833 8750
Fax: (+27 11) 833 8930
www.geda.co.za

Investment North West

PO Box 6352, Rustenburg, 0300 Tel: (+27 14) 594 2570
Fax: (+27 14) 594 2575/6
www.inw.org.za

Mpumalanga Investment Initiative

PO Box 3881, Nelspruit, 1200 Tel: (+27 13) 766 2055
Fax: (+27 13) 752 5385
www.mii.co.za

Trade and Investment Limpopo

PO Box 3490, Polokwane, 0700 Tel: (+27 15) 295 5171
Fax: (+27 15) 295 5197
www.til.co.za

Trade and Investment KZN (TIK)

PO Box 4245, Durban, 4000 Tel: (+27 31) 368 9600
Fax: (+27 31) 368 5888
www.tikzn.co.za

Wesgro

PO Box 1678, Cape Town, 8000 Tel: (+27 21) 487 8600
Fax: (+27 21) 487 8700/5
www.wesgro.co.za

Government Departments

Department of Economic Development: Directorate for Investment Promotion

P O Box 1450, Johannesburg, 2000 Tel: (+27 11) 703 5502
Fax: (+27 11) 703 5264
www.joburg.co.za

Department of Foreign Affairs

Private Bag X152, Pretoria, 0001 Tel: (+27 12) 351 1000
Fax: (+27 12) 328 6004
www.dfa.gov.za

Department of Trade and Industry (dti)

Private Bag X84, Pretoria, 0001 Tel: 0861 843 384
Fax: 0861 843 888
www.thedti.gov.za

International Trade Administration Commission of South Africa (ITAC)

Private Bag X753, Pretoria, 0001 Tel: (+27 12) 394 3590
Fax: (+27 12) 394 0597
Customer Contact Centre: 0861 843 384
www.itac.org.za

South African Department of Home Affairs

Private Bag X114, Pretoria, 0001 Tel: (+27 12) 810 8911
Fax: (+27 12) 325 7361
www.home-affairs.gov.za

The Commissioner for the South African Revenue Service (SARS)

Private Bag X923, Pretoria, 0001 Tel: (+27 12) 422 4000
Fax: (+27 12) 422 5181
www.sars.gov.za

The South African Reserve Bank (SARB) (Exchange Control and Securities)

P O Box 427, Pretoria, 0001 Tel: (+27 12) 313 3911
Fax: (+27 12) 313 3197/3929
www.resbank.co.za

Further information can be obtained from the South African trade representatives at the South African Embassy, High Commission or Consulate in your country.

Deloitte Services

Audit

Within our global network of Deloitte member firms, we have robust audit tools, resources and procedures to provide the means for our professionals to deliver high-quality audit services. In delivering these services we adhere to the highest standards of independence, professional objectivity and technical excellence.

We strive to enhance credibility by helping our clients minimise the risk of material misstatements in financial statements. We offer a high degree of assurance efficiently and remain independent, yet accountable to your management, audit committee and capital markets.

Our international audit approach is applied consistently around the world, while providing the flexibility to serve the unique circumstances and complexities of our clients. Our audit approach focuses on understanding the clients' global business and control issues from the inside out. It combines a rigorous risk assessment, diagnostic processes and audit testing procedures, as well as a continuous assessment of our clients' service performance.

Technical Accounting Excellence

Deloitte is committed to the continued improvement of financial reporting through the development of accounting and auditing standards, practices and interpretations that meet and exceed the requirements of the users of financial statements. We believe in a philosophy of transparent, well-managed, financial reporting that reflects the substance of transactions and proactively discloses information about the reporting entity.

We have an active involvement with standard setters and the financial reporting community in the formulation of new thinking on reporting standards and requirements. This involvement includes input into the International Accounting Standards (IAS) Board, the International Auditing and Assurance Standards Board (IAASB), the South African Institute of Chartered Accountants (SAICA), the Accounting Practices Board and the Independent Regulatory Board for Auditors (IRBA). We also serve as members on various committees to support the development of accounting and auditing standards.

We hold regular workshops and programs internally to equip every professional within Deloitte with the necessary, up-to-date knowledge on the application of new standards. These programs ensure that clients receive service from people who are able to interpret and apply financial reporting standards within the context of each of our client's circumstances.

Financial Services Institutions

The Financial Institutions Services Team (FIST) of Deloitte is a leading provider of both audit and specialist advisory services to the financial services industry in Southern Africa and is a member of the Global Deloitte Financial Institutions Team. We provide a complete range of audit and specialist advisory services to leading organisations in the banking, insurance, securities and funds industries.

Our services to clients in these industries include statutory audit and assurance services, financial institutions restructuring services, FIST information technology services, securitisation services, regulatory services (Basel Accord, compliance, anti-money laundering, regulatory developments) and financial risk advisory services (credit risk, operational risk, market risk, asset liability management, performance benchmarking, and capital optimisation).

Actuarial & Insurance Services

Actuarial & Insurance Solutions at Deloitte is a specialist insurance and actuarial consulting group, with offices throughout Europe and in Africa. We are committed to providing the skills, expertise and experience that will help our clients transform themselves. Our emphasis is on providing the very best actuarial and consulting people, techniques and thinking applied with the right focus to the commercial imperatives of our clients, and the ability to analyse markets, to give data driven shape to their future and to translate these into the financial implications.

Although A&I is often appointed to fulfil the statutory or appointed actual function, this cannot be seen in isolation of the business environment. Professional standards require the actuary to monitor and comment on operational risk issues. In particular, we assist with the following:

- Ensuring the new business development is compliant, financially sound and appropriate for the target market
- Ensuring that internal business planning considers appropriate use of financial modelling including stochastic analysis and scenario testing where appropriate
- Ensuring that solvency is adequately measured and managed

- Ensuring that suitable levels of skills are maintained
- In line with corporate governance requirements, we can assist with the drawing of investment mandates and monitoring of their compliance.

As consultants, we recognise that while risk management is critical, companies are essentially in the business of making money. As such, our advice is always framed in the context of management's own plans of their business. The success of a good working relationship is often about striking the right balance while always ensuring that the essence of thought is clearly communicated, value for money provided and above all, appropriate standards maintained.

Risk Advisory

Our overall objective as an integrated Risk Advisory business is to help our clients manage risk in their processes, systems and people to ultimately help them achieve their business objectives. We have a broad range of skills that we deploy on a combined basis to achieve this, including deep experience and knowledge of leading corporate governance risk management, control practices.

Governance and Risk Management

We advise and assist our clients to practice effective corporate governance as well as assessing the effectiveness of existing governance structures and processes. This includes Boards of Directors, Board Committees, Directors' roles and responsibilities, Corporate Responsibility and Sustainability practices.

We have combined deep specialist skills and a flexible strategic model for managing risk and consult with clients in assessing the maturity of enterprise wide risk management frameworks, tools and processes to manage enterprise wide risk as well as specific risk areas including strategic and reputational risk; IT governance and risk; operational risk; regulatory compliance and legal risk; project and change risk; tax risk; people risk and other risks faced by the organisations we work with.

Our team works with our clients to identify risk, analyse its impact, and implement cost-effective controls to minimise it. We aim to introduce a risk management culture throughout the organisations we work with. Our services are provided by experienced professionals who work together with our clients throughout every phase of the risk management cycle.

We bring the required skills, experience and capacity in co-sourcing with or outsourcing your internal audit function. We draw on our firm-wide specialist skills to bring a comprehensive solution to our clients. In addition to providing independent assurance on critical business processes, we strive to be strategic business advisors by focusing on continuous business improvement and assist you to achieve your business objectives.

Our comprehensive array of services is designed to help you understand business risk and manage uncertainty from the boardroom to the network.

Internal Audit Outsourcing, Co-sourcing, Quality Assurance and Control Consulting

Deloitte has served internal audit clients for several decades. Our internal audit practice and professionals focus on helping organisations accomplish their strategic objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of the control environment in place to mitigate risk.

The role of internal auditors in identifying and quantifying risk across organisations is increasing. Using a risk-based approach, we help clients manage risk, improving performance and operating efficiency. Our team is comprised of former corporate auditors, industry specialists, research specialists and other professionals who understand the needs of both senior management and internal auditors. The benefit of this approach, combined with a highly technical team, is to focus internal audit planning and resources; clearly identifying and understanding the risk to the strategy of the business, and then executing in a consistent way.

As a global internal audit service provider, we would bring leading practice knowledge and capabilities that go beyond the basic traditional approach enabling us to identify ideas that strategically complement your unique business issues.

We offer our clients a varied array of assurance solutions from completely outsourced to the provision of specialist resources on a co-sourced basis, as well as the assessment of the effectiveness of an organisations internal audit function against leading global practices and professional standards.

Finally, our deep understanding of control means that we are well suited to assist clients in the design and implementation of appropriate control measures to effectively manage risk. We benchmark processes against leading industry and global controls to ensure the most effective control framework is in place and can help organisations adopt sound control as well as assist with the remediation of control breakdowns.

Technology Risk Advisory, Security/Privacy and Assurance

We provide a variety of services to provide assurance and implementation services for clients IT platforms and initiatives. Specific services include:

- *Application Integrity*: This involved defining and establishing control requirements, identifying points of exposure, and implementing controls related to the assessment, design, and implementation of enterprise- or web-based applications. Examples of such applications include enterprise application systems (SAP, PeopleSoft, Oracle, etc.), data warehouses, customer facing applications, extranets, B2B applications, and customer relationship management systems. Also appropriate where software systems are developed in-house.
- *Project Risk Services*: focus on evaluating risks and controls around large scale information technology projects. This includes evaluating project processes and practices, making recommendations for improvement, and providing remediation assistance.
- *Business Continuity Management*: We assist clients in developing and implementing strategies for continuity, availability and recoverability of operations in the event of a disruption to a company's critical operations. The service includes a readiness and risk assessment, strategy development, establishment of employee-specific procedures, training of personnel, and the testing and maintenance of plans over time.
- *Infrastructure & Operations security*: services address the ongoing security processes and operations that provide for enterprise-level security solutions, such as logging, monitoring and reporting, incident/event management, secure messaging, and encryption. These services employ a modular approach that relies on proven architectural building blocks to simplify security design, deployment, and ongoing management.

- *Information Governance*: services focus on helping organisations identify, understand, prioritise, and develop and implement appropriate responses to business risks resulting from their deployment of information technology. This includes establishing and implementing a framework for effective management of information throughout the organisation, including the development of an organisational structure, the definition of benchmarks and key risk and performance indicators, and strategies for investment and technology use. Typical frameworks and best practises used include: COBIT, ITIL, IS27001 etc.
- *Privacy and Data protection*: services help clients build a comprehensive Enterprise Privacy Programme, incorporating the necessary components to launch, implement, and sustain privacy controls by helping them understand privacy requirements in the various countries where they maintain large operations.
- *Security management*: services address the organisation's business security requirements and supporting strategies, architectures, organisation and investments for establishing an enterprise level security and risk management programme.
- *Vulnerability management*: services address an organisation's network perimeters and internal defences to identify vulnerabilities and control weaknesses within information systems, applications and networks. We typically identify specific technical, process and architectural improvements that can be implemented to minimise exposure to a successful attack, improve timeliness of detection and response, and embed related learning in on-going operations. Our team performs Vulnerability Assessments (also known as Penetration Testing, Ethical Hacking, and/or Code Review) using commercial and proprietary tools and a customised methodology. We address risk from different dimensions to ensure protection against both internal and external vulnerabilities.
- *Controls Assurance*: services include supporting external audit teams with technical IT skills during the performance of annual statutory audits as well as providing assurance on the general control environment over IT platforms.

Data Analytics

Data analytics is considered by today's leading organisations as the 'last frontier' in managing information overload and achieving strategic growth. The use of data analytics or predictive analytics allows organisations to efficiently extract, clean and standardise data from multiple operational and legacy systems, as well as data in the public domain, to deliver real insights to business stakeholders.

Deloitte has combined a range of competencies and technological capabilities across its business to develop a set of innovative data analytics solutions. These solutions are concerned with either assisting you to improve the quality of critical information in your business or helping you to leverage such information.

Improving the Quality of Data

Data Quality improvement is more than just cleaning data, it is about generating true benefits to an organisation through process, data and reporting quality improvements.

Most organisations recognise the strategic importance of their information, but few understand how to assess, improve and sustain the quality thereof. Deloitte has the people, tools and processes to assist your organisation to:

- Identify and assess the quality of important business information
- Design and implement information quality improvements and
- Monitor and improve the quality of this important information.

The information quality and integrity projects that our clients typically engage us in can be classified into one of two offerings - the first offering consists of short-term projects in which we only assess the quality of important information; while the second offering consists of longer-term projects in which we assist our clients to assess, improve and sustain the quality of important information.

Data quality should be viewed as an ongoing process, as opposed to a point-in-time solution. From the moment it is collected, data is potentially out-of-date. High quality data comes from continually measuring, assessing and refining the data quality process.

Leveraging Data

We utilise our deep knowledge and experience in the areas of data, processes and systems to develop innovative methods to assist your organisation leverage its information.

We are able to use your organisation's information to:

- Identify and quantify process and system weaknesses (design and operation)
- Detect, isolate and quantify fraud
- Test for regulatory compliance and quantify the extent of non-compliance
- Enable continuous monitoring
- Generate important management information
- Identify and quantify tax savings
- Improve the effectiveness and efficiency of external and internal audits and generate significant value-add (not obtainable through traditional auditing techniques)
- Assist in the investigation of any disputes in which the analysis of an organisation's information has the potential to provide clarity on the matter and
- Identification of business process inefficiencies and enterprise cost reduction opportunities.

Our solutions are either of a "packaged" or "customised" nature, depending on the nature of your requirements. The packaged solutions are used to deliver standard, routine assignments, while the customised solutions are used to deliver complex, specialised assignments.

Forensic Services

We specialise in all areas of commercial crime, with a broad focus on the prevention, detection and investigation of commercial crime, including fraud, theft, corruption, anti-money laundering and conflicts of interest. We also trace and assist in the recovery of misappropriated assets and provide experienced expert witness testimony and evidence in disciplinary, civil and criminal proceedings.

We offer a complete spectrum of forensic, accounting and related services, including some of our mainstream service lines:

- *Analytic & Forensic Technology (AFT) services:* Our AFT team of experts utilises the latest state-of-the-art technology to gather evidence and identify potential criminal activity hidden in huge volumes of data and transactions. Our technology experts can significantly lower your risk profile by proactively detecting fraud, reactively analyse transactions or activities that may seem suspicious, and appropriately gather digital evidence for use in disciplinary, civil and criminal proceedings. Our AFT services include both data analytics and cyberforensics. (Cyberforensics entails the unearthing of evidence from computing media to support legal proceedings).
- *Business Intelligence Services (BIS):* Our team may assist you in collecting and providing background information of an individual or an entity whether in support of the due diligence process, litigation, forensic investigations, as part of an organisation's expansion, or in the assessment of the suitability of key appointments. Verifying background information may greatly assist in the focusing of efforts, mitigating risk, and making informed decisions.
- *Fraud and Anti-corruption Investigations:* Working with our network of contacts and specialists, we provide a comprehensive set of skills for the investigation of commercial crime, from the identification of the crime and collection of evidence to advising on recovery strategies and the preparation of case dockets for submission to law enforcement authorities.
- *Fraud Risk Management Consulting:* Every organisation needs to protect itself from fraud and corruption and to minimise exposure to these risks. We offer a solution-based integrated fraud risk management methodology which is positioned to identify, evaluate, manage and monitor these risks.
- *Financial Dispute Resolution:* Resolving financial disputes "out of court" have become a recognised alternative to expensive and time-consuming litigation. We provide you with experienced and resourceful professionals when we undertake the role of arbitrator, mediator or expert determinator, acting independently of all parties to a dispute. We apply considerable business expertise to resolve financial disputes quickly and effectively, drawing on our experienced resources in accounting, taxation, audit, corporate law, and finance and information technology.

- *Litigation support*: We provide financial, business and accounting expertise in dealing with the often complex ramifications of a failed contract or relationship. We also provide valuable assistance in identifying the facts, unravelling complexities and providing the litigator and the court with clear, comprehensive arguments and reports. We regularly appear as expert witnesses in civil, labour and commercial matters.
- *Anti-money laundering*: Our team of specialists offers services that include; reviews of operational areas which may be exploited by money launderers and crime syndicates, advice on adopting controls and policy to reduce risk and the adoption of statutory compliance programmes.

Our multidisciplinary team of specialists include chartered accountants, advocates and attorneys, investigators, intelligence analysts and technology experts. We also utilise a network of specialists such as handwriting analysts, questioned document examiners, psychologists, polygraphers and security experts.

Corporate Finance

Corporate Finance is single-minded in its aim - to ensure that your deal is done at the most advantageous terms and executed within the stipulated timeframe. As our client, you can enjoy the security of our expertise, our global resources, and our ability to provide multidisciplinary solutions.

We provide an extensive range of lead advisory, valuation and transaction services to companies, private equity/venture capital firms, management buy-outs/management buy-in teams, entrepreneurs and government. We help our clients do business in Africa, with a focus on Southern Africa, and the rest of the world. There is no barrier, be it a time zone, culture, currency or language, which cannot be transcended.

Re-organisation Services

Deloitte provides services to underperforming companies and their stakeholders through our reorganisation services. We work throughout the world with our corporate clients, their shareholders, and lenders. We work with stakeholders of companies that are either in distress, under-performing/approaching insolvency. Our objective is to maximise stakeholders' recoveries through either exiting the business, turning the business around or a combination of both. Our services include:

- Independent business review
- Turnaround management and
- Exit management.

Tax & Legal

Our team of highly specialised lawyers and accountants, who comprise the Tax and Legal practice of Deloitte in South Africa, provide our clients with access to a synergistic combination of world class technical skills. Our emphasis is on providing clients with sound technical but practical advice, to assist them in making sound business decisions and to address complex tax matters.

It is this combined skill set - bringing two different perspectives to our clients' business challenges - which helps us to assist clients to meet their local and international tax and legal challenges successfully. Deloitte's Tax and Legal clients can be assured of receiving thorough, robust, reliable solutions.

VAT

This specialist tax service offers advice and consulting on a wide range VAT activities.

The VAT team is a specialised service offering in South Africa and provides, among others, the following services:

- Assurance reviews
- Compliance (Registrations and Returns)
- Savings reviews (finding of VAT savings – generally on a contingent fee basis)
- Assisting clients undergoing SARS Audits
- Opinions and related work (critical legal analyses, and, SARS directives)
- Planning and consulting and
- Training (tailor-made workshops/seminars).

The team also consults to various multinationals domestically and abroad and has established itself as what we believe to be the pre-eminent VAT practice in South Africa. Additionally, representation on national and global committees keeps the division on the cutting edge of best VAT practices and technical expertise.

Due to the complementary nature of the products and services being offered by the division we are able to assist companies in all aspects of their operations. To keep our clients informed on developments, the division produces several weekly electronic newsletters and publications.

Customs & Global Trade

Our national Customs & Global Trade team has proven experience in various industries ranging from Automotive to Petroleum. It is our combination of customs, law, accounting, auditing and industry knowledge which differentiates Deloitte in the market place

We have representation in Johannesburg, Durban, Port Elizabeth and Cape Town offices and we have access to a powerful global network offering the experience of approximately 140 customs teams worldwide.

We have key relationships with regulatory bodies such as the South African Revenue Service (SARS), the International Trade Administration Commission of South Africa (ITAC) and the Department of Trade and Industry (DTI). We participate in the national SARS Stakeholders Forum, where key customs policy related issues are discussed.

Our experience includes, amongst others, from customs valuation; tariff classification; origin and free trade agreements; customs compliance related audits and accounting matters; legal requirements, international trade, excise (Duty at source - DAS) and ad valorem duties, as well as experience with auditing and consultation on the Motor Industry Development Programme (MIDP).

In instances where our clients have been exposed to schedules and inspections from customs and excise we have been able to assist them with overall interactions with customs and excise thereby managing the risk to our clients, working on leniency and appeals, assisting with the volunteering of non-compliance, all of which significantly reduces the risk to our clients in terms of penal exposures.

Our team has assisted numerous clients in dealing with disputes regarding all aspects of customs and excise legislation with the South African Revenue Service (SARS). We have assisted clients with customs and excise planning and structuring and conducted numerous compliance reviews at clients to ensure that they comply with the Customs and Excise Act and its Rules.

Tax Management Consulting

(For more information please visit www.movetaxforward.co.za)

Our research in South Africa and overseas shows that over the last five years there has been a transformation in the practice of tax. Due to a number of factors - such as increased legislation, increased regulation, and more aggressive revenue authorities - the profile of tax in organisations has risen and the management of tax has

become a challenge. In addition, tax needs to support an organisation's growth agenda while ensuring that your company's is preserved and enhanced. Tax has become a business issue that is integral to strategic planning, business management and operations.

Deloitte has recognised this shift and has formed a new global service line called Tax Management Consulting to offer services to assist with the practice of tax.

Our Tax Management Consulting services provide clients with the confidence that:

- Tax is being handled in the best way possible
- Costs are minimised and opportunities maximised
- Risks are well understood and properly controlled and
- Tax processes are automated and systematised.

Government Growth Initiatives

Our Government Growth Initiatives (GGI) service line helps you to implement processes to optimise incentives offered by government in various forms. GGI focuses on grants and incentives that provide concrete benefits for you. Our service delivery is in line with government on large investments – therefore it focuses mainly on infrastructure, manufacturing, and research & development.

We strongly believe that our team of specialists should interact meaningfully with the right people in your organisation. We don't just use tax consultants to help you plan your GGI tax strategy – for example, we have dedicated R&D patent attorneys and engineers, who can talk your language. We are truly the only company that offers this kind of service, where we start by working at a strategic level with operational people in your company.

We work with you for the full project life-cycle, starting from the pre-feasibility study stage, and seeing it through for as long as five years after the project is up and running.

Climate Change

We have a comprehensive tax management service to assist you in managing your climate change responsibilities - from strategy to implementation - including the carbon credits process. Our climate change solutions are aimed at changing the mindset that carbon reduction is a business responsibility cost, to one where it is seen as a business imperative that can ultimately generate value for shareholders and money on the bottom line. For example, while carbon emission reduction is not rewarded in South Africa yet, a South African company can generate carbon credits in South Africa and sell them to

a company in Europe (which has an emissions target), thus generating a significant tax exempt revenue stream from reducing its carbon emissions in South Africa.

Tax Technology and systems integration

Our market leading tax technology solutions enable your organisation to systematise its tax processes. This will help you to achieve cost-effectiveness, operational savings, and best practice tax systems. Our tax technology solutions ensure that your organisation's tax processes are automated and compliant.

CorpSmart

This is an end-to-end software solution that automates and transforms the corporate tax process. It pulls data directly from the Enterprise Resource Planning (ERP) system, enabling you to work with accurate data, make correct decisions and get a clear, tax picture for your organisation at any time. CorpSmart is the "single source of truth" approach that will provide the kind of tax confidence your organisation needs.

ContractorSmart

A dedicated software solution that will help you to identify the tax and legal obligations associated with engaging all forms of personal services providers. If you employ a multitude of personal services providers, it's an invaluable resource in dealing with the tax and legal implications of managing a non-permanent workforce.

Abacus Enterprise Workflow

This is a software solution that assists you in tracking and managing your tax compliance affairs in South Africa or globally. All information is accessible in real time, delivered by technology that is secure, robust and scalable enough to meet all your current and future needs.

Tax Enabled ERP

We provide a methodology to ensure that your ERP system is correctly configured to deal with the VAT and other indirect tax complexities of your transactions. This is aimed at ensuring that you can accurately and efficiently extract the indirect tax information you require from your ERP system for management and filing purposes.

Tax Strategy and Risk Management

We will assist your organisation to formulate an appropriate tax strategy that is aligned with its overall business strategy. This includes assisting you with the development and implementation of a specific strategy for effectively and consistently managing tax risks and opportunities. We help

you move from a reactive tax approach to a proactive one that anticipates both tax liability and tax opportunity in a considered way.

Tax Risk Management

We provide you with methodologies that will help you to formalise a tax risk management strategy – so that you can effectively manage tax risks on a sustainable basis. We typically look at roles and responsibilities in your organisation, your risk appetite and the tax risks associated with all aspects of your business strategies. We formalise everything into a comprehensive tax risk management strategy and set up processes that allow you to proactively manage your tax risks.

Out of this tax risk management strategy will also flow opportunities that you perhaps haven't yet identified. We help you to identify these opportunities and find ways in which to benefit from them. This in turn feeds back into your overall business strategy – a clear example of how your tax management approach can continually inform your wider business approach.

Tax Strategy and Policy

We will assist you in setting up a cohesive tax strategy and policy, and align them with your wider organisational objectives. We provide gap analysis and help you to improve your organisational structures as they relate to tax. One of the main aims with this approach is to significantly increase the level of interaction between tax functions and the rest of your business. We can help your organisation break out of the silo mentality that has traditionally been applied to tax.

The idea is to bring tax into the mainstream of your organisation and into your decision-making - company-wide – so that when the rest of your business people are formulating business plans, making deals, and developing new products, tax considerations are woven into the process from the start. This ensures that all business development, projects and deals are undertaken from the most tax-efficient basis as possible.

Film and Television

We regularly advise producers, both local and international, on the dti's film incentive and the Section 24F tax allowance available to producers. Additionally, the Deloitte Media and Entertainment business unit, with whom we have close links, supplies a one-stop servicing solution to the film and television industry. Services range from business plan development through to capital-raising.

Global Employment Services

We offer the following employee focused services which is achieved by marshalling the best resources in the different disciplines of international assignment management, personal tax and financial planning:

- *Annual Tax Compliance:* The transition of business to a global platform has allowed organisations to achieve record revenue growth, a direct result being an increase in international assignments. This growth is often impeded by the increasing compliance burden imposed by a range of regulatory bodies. Deloitte's South African team simplifies the international assignment process by assisting with South African filing obligations on an annual basis. We provide representation and negotiation with tax authorities, assistance with settlement of tax liabilities or withholding obligations and the preparation of hypothetical tax calculations and year-end tax equalisation and/or reconciliation calculations.
- *Tax Consulting:* The key to developing a relationship with an organisation is the understanding of both the positive and negative effects of expansion. A significant element of this is the analysis of tax implications. Deloitte provides consulting services covering a broad range of tax-related issues, including pre-and post-assignment tax planning and cost projection calculations. We also provide termination and redundancy planning, superannuation and pension planning and tax equalisation policy and implementation guidance.
- *Equity Compensation:* Organisations now realise that employee satisfaction and motivation is a crucial determinant of their profitability. More commonly, businesses are choosing to make their employees direct stakeholders through equity-based remuneration. This positive development has, however, also resulted in complex tax and legal issues. Our team is experienced in global developments in the arena of employee incentive plan arrangements, including share and option schemes and deferred compensation plans. We have developed a deep appreciation for the complexities of global taxation of such remuneration for both inbound and outbound assignees.
- *International Immigration Solutions:* The growing number of multinational organisations and the advent of technology, travel and communications have made economies borderless. Accordingly, the efficient international mobility of personnel is imperative. Deloitte addresses all visa, immigration and related issues for international assignment programs. Our registered migration agents develop and implement effective strategies to ensure the swift and efficient movement of skilled personnel in and out of South Africa, while providing proactive risk management to ensure compliance with requirements of key authorities.
- *Relocation Services:* Global assignments have proven to carry considerable costs and effort for companies involved in expatriate placements. In answer to this challenge Deloitte Tax and Legal has expanded their Global Employment Service offering to include a Relocation Service. Our service consists of the complete business process associated with the transfer of an employee and their family to a new place of work and residence providing a seamless and effective integration into the new community, including home finding, school search and complete settling in services.
- *Global Compensation Management:* The dramatic growth of organisations has resulted in an increased participation in the labour force. The resulting administration burden from a more mobile workforce can become an ongoing burden for a growing organisation. A challenge facing many global organisations is the efficient delivery of compensation to international assignees, while satisfying all withholding and compliance requirements. Deloitte's team leads the market in supporting global compensation issues for our clients. We assist organisations to reduce cost and risk in this vital area, whether as regards a set-up, process improvement or providing assistance with an outsourcing solution.
- *International Human Resources Transformation:* The international deployment of people in an efficient and effective manner is vital to success in expanding global markets and retaining valuable talent. Deloitte provides a comprehensive suite of process improvement services that can be tailor-made to suit each organisation's size, philosophy, culture and measures of success. By gaining an objective view of an organisation and implementing cost-saving measures, we are able to work with you to enhance overall global mobility and maximise the potential of your human resources.

- **Market-Leading International Assignment Technology:** Supporting all essential international assignment services, Deloitte has invested in world-class, web-based international assignment compliance and management tools that streamline the process. Deloitte Online provides on-line calendars, global tax organisers and project-tracking assistance. This powerful single portal allows assignees, management and Deloitte real time information on all engagement and work-flow activities.
Our technology is supported by over 120 technology specialists whose focus is to develop, enhance, test and implement our technology tools. We believe that no other firm's investment in this area comes close to matching Deloitte's commitment. We would be pleased to demonstrate any of our technology tools to you and your team at your convenience.
- **Cost-Effective Service Delivery:** We understand business' emphasis on containing cost and our goal is clear: competitive, fixed pricing for compliance services, clear contractual arrangements to confirm scope of services and consistent pre-approval procedures for any requested services outside of scope. While we offer a highly competitive fee structure, Deloitte maintains the highest service delivery and quality standards. We are proud of our outstanding client service record with major accounts.
- **Executive Financial Services:** South African resident executives also face increasingly complex tax and capital gains tax issues as a result of globalisation. We have a thorough understanding of the tax legislation as well as a practical view on how SARS operates. We assist executives with complex tax calculations; ensure that information is correctly disclosed on the tax returns and timeous submission of all documents. We also assist executives with the personal scheduling of their estates and advice on relevant planning.

Transfer Pricing

Deloitte has developed a global transfer pricing team that views the world as its market. The Johannesburg-based transfer pricing team offers clients expertise in the following areas of transfer pricing:

- Exposure reviews
- Setting transfer pricing policies
- Preparing transfer pricing documentation
- Benchmarking existing inter-company prices against third party comparables
- Defence in the event of SARS investigations
- Advice regarding cost-contribution arrangements and
- Planning and re-engineering of pricing policies.

Our transfer pricing solutions team addresses more than just corporate tax: We ensure that VAT and Customs Duties are considered and that the practical implementation is consistent with each client's business objectives, systems and procedures.

International Tax

Whether you run an established company in South Africa looking to develop new markets overseas, are an existing multinational looking to restructure, or you are a decision-maker in a foreign company eager to invest in the emerging South African economy, our International Tax team has the expertise to protect your international business activity from unnecessary tax complications.

The team can assist you with all your requirements regarding outbound or inbound investment, as well as with the restructuring of your group's international operations to ensure that the company's global tax charge is minimised, while providing you with a comprehensive, focused and tax efficient solution, tailored to suit your specific requirements.

To ensure that the South African exchange control laws - daunting to any potential investor - are adhered to, our exchange control specialist advises on all the exchange control implications you may encounter when investing in South Africa.

Furthermore, in keeping with the proactive approach synonymous with the Deloitte ethic, the division will ensure that your present structures are fully compliant with legislation.

Corporate Tax

The Corporate Tax division offers the following advisory services to corporate taxpayers:

- The preparation and review of tax computations and tax returns. This includes the identification of possible exposures and planning opportunities. It is important for corporate taxpayers to ensure that they comply with the disclosure requirements in the company tax return (IT14), which have increased dramatically following the fundamental changes to the South African tax system in recent years
- The tax implications of specific transactions including:
 - The purchase and sale of businesses
 - Management buy-outs and
 - Share buy-backs
- Corporate restructuring including company formations, intra-group, share-for-share and unbundling transactions.
- Share incentive schemes
- Secondary Tax on Companies (STC)
- Capital Gains Tax (CGT)
- Provisional tax matters
- The effect the residence basis of taxation has on South African resident companies and how to plan effectively under the new regime
- Responses to enquiries from revenue authorities
- Drafting of letters of objection and appeal to tax assessments
- Negotiations with the revenue authorities in connection with disputes, and the clarification of technical issues and
- ADR/Section 88 settlements.

Mergers & Acquisitions

In today's dynamic marketplace, M&A transactions require a heightened level of commitment, creativity and responsiveness. Competition is intense, and such factors as earnings pressure, market convergence, widespread deregulation and unprecedented technological innovation continue to transform the global economic landscape.

In an environment defined by constant change, you need to always be on the lookout for new ways to maximise your investment returns or increase shareholder value – and then move faster than your competition when opportunities arise. You need to concentrate on closing the deal, and then follow up with the appropriate steps to ensure successful integration and that the long-term strategic value of the transaction is optimised.

In context of the above, our M&A Tax & Legal Advisory division can help assist with the success of your transaction in the following ways:

- Providing assistance with tax & legal due diligence on the transaction, where applicable
- Advising on structuring the deal in order to optimise the tax position and net return of each party
- Legal transaction and structuring advice
- Preparing transaction models clearly illustrating and quantifying the tax and financial effects of the various structuring alternatives to a transaction
- Drafting or review of all legal agreements and documentation
- Reviewing and providing input into the contract drafting and negotiation processes from a tax sensitivity point of view
- Assisting with the preparation and submission of any forms or notices to the revenue authorities arising from the election of any tax concessions as part of the transaction
- Advising on subsequent tax planning opportunities to maximise future cash flows and earnings per share through reduced cash taxes and minimisation of effective tax rates
- Company secretarial and transaction support in order to implement the transaction
- Competition law advice and drafting of the application to the competition authorities and
- Employment law and labour relations advice relating to the transfer of employees and their benefits and the negotiations with trade unions, where relevant.

Mining Tax

Our Mining Tax specialists apply their specific expertise to corporate tax issues in the mining industry. Our main expertise is in tax planning and we are also able to assist with preparing or reviewing tax returns and year-end tax accruals.

Our services include:

- The tax treatment of trading stock, including stockpiles
- The allocation of capital assets among mining, non-mining and non-allowable categories
- Ring-fencing, and its impact on new mines, mine expansion projects, and new acquisitions
- The computation of provisional tax payments
- Black economic empowerment in the industry

- Corporate restructuring and the structuring of new acquisitions
- South African Revenue Services (SARS) queries and
- Taxation arising from the relationship between mining companies and related sales companies. This includes transfer pricing, thin capitalisation, foreign dividends, controlled foreign entities and Secondary Tax on Companies.

Financial Institution Tax

The tax component of our Financial Institutions Services Team provides tax consulting services to the financial services sector. Our objective is to provide clients with tax services that integrate their business objectives with tax saving opportunities. We help meet the challenges confronting clients in these areas.

Our objective is to provide clients with tax services that integrate their business objectives with tax saving opportunities.

Our services include:

- Structured finance consulting
- Financial products and securitisation consulting
- Due diligence reviews
- Structuring international and domestic transactions
- Foreign tax credit planning
- Organisation of joint ventures
- International compliance
- Foreign currency transaction management
- Legislative and regulatory developments
- Withholding minimisation from cross-border transactions
- Repatriation of foreign income and
- Cross-border utilisation of financial instruments.

Legal Services

Increasing globalisation has generated a demand for professional teams that can deliver high quality, integrated multidisciplinary and seamless global legal services. These are services which traditional law firms are often unable to provide on their own. Deloitte's Legal division is staffed by admitted and experienced attorneys who offer legal services in the following fields of expertise:

- *Corporate/M&A* – mergers, acquisitions, divestitures, corporate restructuring, joint ventures, MBO's and BEE
- *Competition Law* - merger applications, the conduct of competition compliance programmes, and training
- *Technology Law* – IT contracts, ICT legal compliance programme, domain name dispute resolutions, email and records management, intellectual property programme, records retentions schedules, legal opinions on IT matters, IT policies
- *Compliance and Risk* - legal compliance and risk management in terms of commercial, corporate, IT and privacy legislation - the most pressing being the Protection of Personal Information Act, and the Consumer Protection Act
- *Consulting Projects* - services range from legal project management to packaged contract re-negotiation; contract life-cycle management solutions to electronic compliance solutions and e-learning and
- *Employment Law* - restructuring, retrenchments, mergers and employment transfers, secondments, HR policies, industrial relations, training and dispute resolution, employment contracts, employee incentive schemes and general compliance.



Consulting

The consulting business of Deloitte is one of the world's leading management consulting firms, and is known for its uniquely straightforward approach to solving today's most complex business challenges. Our purpose is to use our knowledge to increase the prosperity of our clients and our people.

Our Vision

It is our intention to remain the largest and most recognised business consultancy in southern Africa and one of the most influential in Africa. We see a future full of opportunity. Our pool of highly talented professionals help our clients solve complex business problems, improve their business performance, enhance shareholder value, drive sustainable growth and create a competitive advantage.

We work closely with our clients to develop executable strategies that unlock value in the most practical way.

Technology

The effective use of Technology is the enabler for organisations to optimise their business performance and profitability.

Over the past 20 years, Deloitte has established a strong business oriented technology footprint, assisting clients across the globe to strategise, select, implement, support, and maintain appropriate technology solutions. We aspire to be recognised as the leading independent technology business advisors and business partners in Africa and will achieve this by solving complex business problems whilst adding significant value, and thereby helping you, our clients, grow.

Our signature services include:

- Extracting value from Enterprise Applications
- Enterprise Information Management
- Enterprise Performance Management and
- Information Technology Related Project Management Services and Enablers.

Strategy and Innovation

The Deloitte Strategy & Innovation (S&I) practice is a uniquely positioned team that supports the strategic agenda of our clients in the key domains of growth, business improvement and optimisation, and strategic transformation.

The wide spectrum of capabilities, thought leadership and experience are underpinned by the Deloitte platform of executable strategy and innovation for growth. Most strategies fail because of poor execution, not necessarily poor design. Deloitte prides itself on making strategies real, and achieving results with clients.

With over 140 local practitioners, S&I have a dominant position in the Southern African market, as part of the global Deloitte organisation. Kennedy Information's recently released report on the "Global Consulting Marketplace" ranks Deloitte at the top in Management Consulting.

Our unique strategic planning approach and capability allows executive teams to understand the future and create growth and aspirational viewpoints about the possibility in their markets and organisations.

In addition to supporting the strategy formulation and execution imperatives of clients in the business of today, the S&I practice has a unique Innovation unit that provides a corporate venturing and growth offering that has created significant new businesses and revenue sources for clients across industry sectors (business of tomorrow).

In the world of solving complex business problems, the Deloitte strategy world includes capabilities in key areas that include:

- Corporate Strategy
- Mergers & Acquisitions
- Radical Business Improvement & Cost Reduction
- Capital Efficiency and Portfolio Management
- Finance Transformation and CFO Services
- Economic Advisory
- Supply Chain Strategy
- Business Transformation
- Turn-around Management
- Organisation Restructure
- Innovation & Corporate Venturing and
- Public Sector Service Delivery.

Companies and individuals prefer working with a global partner with unmatched scale and talent that truly understands the local market. Deloitte is distinctively placed to serve the evolving needs of businesses. With more than 168 000 employees across more than 140 countries and a global consulting capability of over 37 000 practitioners, we provide professional services to over half the Global 500 companies. Our South African S&I service area is the largest strategy services firm in Africa - with a wealth of expertise and experience across all industries.

We are matchless in the market place in offering a truly integrated, multidisciplinary service incorporating our expertise in tax, accounting controls, compliance, restructuring, transformation, change programmes and corporate finance. This enables us to provide an unrivalled breadth and depth of specialists that map to the demands and challenges of a modern business. Our "one firm" approach demonstrates our commitment and ability to become the business partner of choice for our clients.

Services lines include:

- Strategic Planning
- Innovation and
- Strategy.

Human Capital

It is increasingly important to understand and act on the interrelated complexities that lie within the people paradigm in your organisation - and beyond. Economics evolve, business imperatives vary, technologies come and go, but people remain the common denominator through all these changes. Not only are they the most difficult form of capital to secure, but also the most crucial factor for business success.

Human Capital provides broad-based, multidisciplinary people solutions, integrated across our client's full value chain. We also assist organisations with services such as:

Talent and Leadership:

It is becoming increasingly difficult to manage people - they no longer want to be managed, they want to be led, motivated and inspired. Moreover, companies are faced with generational transition, or are likely to be faced with it within the next few years i.e. three different generations of employees in the workplace.

The Talent and Leadership Centre of Excellence advises clients on how to optimise the performance of their critical talent throughout the full employment lifecycle. We close the gap between today's talent capability and the talent needed to successfully execute tomorrow's business strategy. Furthermore, Deloitte's Strategic Workforce Planning Solution enables organisations to understand future human capital requirements and assess the impact on talent programmes such as recruitment, performance management, succession planning, learning and development and career development.

Learning and Education:

The Learning and Education service area focuses on education consulting and services pertaining to graduate programmes - optimising the education value chain by bridging the gap between primary, secondary and tertiary institutions and the world of work.

Education Consulting focuses on strategy and operations interventions in the education market - this covers primary, secondary and tertiary education. The focus is on creating a better education system in South Africa and specific interventions include:

- Business process reengineering
- Strategy and turnaround interventions
- Training and skills development in the education sector with specific reference to principal, teacher and administrative staff development
- Administration and innovation support - piloting the first online schools administration system in South Africa and
- Human capital development and support - with specific reference to organisational design, operating model design and implementation, etc.

Botswana Consulting is part of the integrated South African service offering the Sub-Saharan African (SSA) region. We have established ourselves as a premier consulting practice in Botswana. Some of the interventions designed include:

- The Educational Hub
- The Agricultural Hub
- The HRD strategy for Botswana
- The Tourism strategy.

In Botswana we offer Human Capital, Strategy and Innovation services to a variety of clients. We understand the realities of the country and the region and are the preferred service provider to many clients.

Total Rewards:

Human Capital's Total Reward Centre of Excellence offers solutions based on in-depth global research and thought leadership.

We provide clients with end-to-end remuneration capabilities. This includes salary benchmark data, job grading, pay structuring, rewards strategy, incentive and share scheme design - all supported by design and implementation of aligned performance management processes. We help our clients to optimise their reward and recognition philosophies, address the challenge of matching market-related pay and develop effective pay scales and models based on clients' needs.

Our Rewards Transformation approach redefines Total Rewards. It is linked to the elements of an Employee Value proposition with a focus on differentiation rather than one-size-fits-all.

Services include:

- Benchmarking
- Job Evaluation
- Peromnes
- SKAN (Skills and Knowledge Analysis)
- TASK
- Reward Consulting
- Performance Management
- Sales Force Effectiveness
- Total Rewards Transformation.

Organisation Dynamics:

Organisational Dynamics not only offers a range of services to help organisations address the challenges of sustainable business transformation and capitalising on change, but offers focus teams that are experienced in providing full organisational design, consulting services, aligning client strategies with governance structures, staffing and performance.

Services include:

- Organisation Design
- Organisation Culture Change
- Strategic Change Management
- Human Resource Functional Optimisation
- Executive Team Alignment
- Project & Programme Management.

We make it easier for you to access the Human Capital capabilities across the spectrum.

How we organise ourselves:

Managed Services:

- Benchmarking and Surveys
- Customised Perception Studies
- Best Company to Work For
- Diversity & Inclusion Management
- Success ProfileSM Management
- Assessment & Selection Solutions
- Leadership & Workforce
- Development
- Succession Management.

Business Dynamics:

- Strategic Organisational Change
- Project/Programme Management
- HR Functional Transformation
- Organisation Design/Operating
- Model Design
- Talent Strategies
- Performance Management
- Job design
- Reward Consulting
- Change Leadership
- Collective Action – ‘As One’.

Innovation:

- Develop and incubate Innovation for HR related Solutions:
 - Deloitte Graduate Academy
 - HR Co-source/Outsource Offerings
 - Sales Force Effectiveness
- Southern Africa and Africa:
 - Deloitte practice office support and service delivery to clients in SADC and other African Countries.

Business Process Solutions (BPS)

Managing a business can pull company leaders in many directions, multiplying their responsibilities, dividing their attention and hindering their efforts. In response, executives worldwide increasingly use outsourcing as part of their overall operational strategy.

BPS helps clients with unique, changing and/or mission critical business processes and application management requirements. We deliver maximum competitive advantage through the provision of the highest quality outsourcing solutions.

Our services provide industry-specific and niche sourcing solutions. Our offerings focus on:

- *Financial and Accounting Services* - Private Sector: Tailor-made, flexible solutions for the more complex administrative and financial processes of our private sector clients
- *Financial and Accounting Services* - Public Sector: Leverages our deep practical understanding of public sector finance to lower risks and increase efficiency

- *Procurement and Supply Chain Management:* Advises organisations on improving procurement of external goods and services. We also perform procurement on clients' behalf to ensure good governance and adherence to prescripts
- *RecruitTalent Solutions:* The Deloitte brand acts as a magnet, attracting top talent that provides us with a competitive edge in sourcing professionals, on a permanent or temporary basis, from entry level to executive leadership
- *Payroll Solutions:* Uses a comprehensive, customised approach to design, build and operate payroll solutions constructed around our clients' specific needs
- *Learning Solutions:* Combines state-of-the-art technology and sound learning principles to facilitate the competitive advantage of having a knowledgeable and skilled workforce
- *Skills Development Solutions:* Expands the potential pool of talent available to our clients through intensive tried-and-tested intervention methodologies
- *Information Technology Sourcing Solutions:* Delivers innovative customised solutions to help manage our clients' IT operations
- *Corporate Social Investment Services:* Assists companies to implement CSI projects successfully. We ensure the intended outcomes and beneficiaries are reached, financial and other resources are optimally utilised and reporting is accurate. BEE scorecard points are maximised and proper accountability is in place and
- *Corporate Real Estate Solutions:* Supports organisations by extracting value and cash out of the assets, increasing efficiency in the portfolio and reducing occupancy costs.

Deloitte of Tomorrow

Deloitte of Tomorrow (DoT) is our vehicle for extending our footprint and building new service offerings. DoT is focusing on identifying and commercialising new service and product offerings to ensure we stay ahead of the market by defining and owning the white space. DoT encourages staff and the outside business world to share their knowledge and expertise with the DoT team, so that we can jointly engage in implementing these innovative business ideas. To date DoT has created numerous successful new service offerings for the firm:

- *Customer Experience (CE)* - this builds on our core Consulting skills in providing a range of services, including CE strategy and design. CE creates customer value which translates into shareholder value by enhancing what the customer thinks of you. Customers today expect companies to deliver a service that meets their individual needs, not only their generic needs.
- *Climate Change Solutions (CCS) and Sustainability* - CCS assists clients in benefitting from climate change by integrating it into their organisational strategy. It targets the reduction of Greenhouse Gases, utilising the development of alternative energies, cleaner production technologies and enhanced energy efficiencies to reduce energy consumption. This incorporates Carbon Management, and the identification of Clean Development Mechanism (CDM) opportunities and their related specialist allowances. Deloitte's Sustainability team of Corporate Responsibility advisors delivers a range of consulting solutions to support clients on this path. Helping to increase the credibility and inclusiveness of their Corporate Responsibility (CR) programme, our team is recognised as leaders in delivering value added assurance. This is an offering that understands that effective CR is about identifying where environmental and social benefits converge with good governance to create economic value.
- *Relocation Services* - provides companies with global assignments and expatriate placements with the complete business process associated with the transfer of an employee and their family to a new place of work and residence. The service typically consists of the following: Relocation Management, Tenancy Management, Move Management, Expense Management, Departure and Repatriation Management.
- *Outsourced Securitisation Services* - Deloitte's Corporate Finance team provides asset securitisation and debt origination services, offering a comprehensive range of services to issuers and arrangers of a securitisation transaction. This offering builds on this capability and combines with Business Processing Solutions, which provides the highest quality outsourcing solutions. This offering provides both outsourced administration and back-up servicing. Providing an independent alternative to the in-house administration function of securitised SPVs, and function as a back-up servicer to the securitised SPV.
- *Data Analytics* - these solutions aim to either improve the quality of critical information in the business or help leverage information to improve our clients' businesses. The offering includes detection and quantification of system weaknesses, fraud, non-compliance and tax savings. Data Analytics also improves the effectiveness and efficiency of internal and external audits. Further offerings enable continuous monitoring, assistance in investigations of any disputes, customer segmentation and the ability to generate important management information.
- *Asset Management* - efficient and disciplined asset management processes are key enablers to maintaining quality financial and management information. Such processes are necessary in providing appropriate accounting treatment of assets, and can help in maintaining effective internal controls over capital assets. Both the private and public sectors can benefit from improving the integrity of their fixed assets. Deloitte's Asset Management Services team has the industry and technical experience necessary to assist organisations in implementing leading asset management practices.
- *Deloitte Digital* - given the changing internet environment, businesses have to engage with staff, clients and customers through new digital channels, such as social networking and various mobile technologies. Deloitte Digital provides products and services to clients, as holistic solutions, for the design and implementation of internet strategies that deliver against business objectives. Within Deloitte Digital, the Deloitte Leadership Academy (DLA) is one of a portfolio of products that is offered as Software-as-a-Service (SaaS) and it delivers leadership development through a cost effective and scalable internet platform.

We are committed
to sustainable
transformation...

Transformation in Deloitte

Introduction

Empowerment has been defined by Government as “an integrated and coherent socio-economic process that directly contributes to the economic transformation of South Africa and brings about significant increases in the numbers of black people that manage, own and control the country’s economy, as well as significant decreases in income inequalities”.

Deloitte is committed to contributing to the growth and development of BEE in South Africa and, in so doing, maintaining our profile as a leader in Broad-Based Black Economic Empowerment (B-BBEE). Deloitte fully supports the concept of black economic empowerment, not only because of its beneficial economic consequences for the economy of South Africa, but also because it is morally appropriate and emotionally rewarding to contribute to the country’s prosperity.

We are committed to sustainable transformation and will not poach, buy or window dress simply to meet targets, preferring to grow our talent from within. The success of this philosophy can be measured in our people and those who have come through the firm.

Achievements

We are very proud of the milestones achieved in the last two years. These include:

- On 1 June 2007, Deloitte South Africa reached its 25% black ownership target. The achievement of this target has largely been attributed to the firm’s unwavering commitment to sustainable transformation and the organic growth of our leadership. We intend growing this number to 33% by the middle of 2010.
- The achievement of more than 50% employment equity within the firm two years ago and maintaining the standard of more than 50% women equity in the firm, proves the firm’s sustainable commitment to transformation.
- Reaching a record high of 5.35% of leviable amount contributed to skills development on black employees. Our overall investment of R75m in 2008 on education and training of black staff is unmatched in the audit and accounting profession. We award bursaries to more than 550 students every year.

- In the area of enterprise development, we are able to leverage off our substantial base of expertise in the firm to assist enterprises at every end of the economic spectrum. Some of the major recipients of funds and assistance during the 2008 financial year include the Succeed Programme, African Dream Trust, the SAICA Hope Factory and Women's Development Bank Group, to mention a few. In 2008, the firm's investment in Enterprise Development projects reached a record high of 2.86% of net profit after tax.
- The Deloitte Foundation was established in 2003 to focus on the firm's corporate social investment efforts. Through the Deloitte Foundation, we are helping to make a difference in local communities with considerable financial investment as well as contributions of time and talent from our employees.
- In 2009, Deloitte was recognised by the Association for the Advancement of Black Accountants (ABASA) as the Most Supportive Firm as being the firm that has been most supportive of employees serving as ABASA office bearers.
- Deloitte was recognised by ABASA in FOUR consecutive years for producing the most black CAs.
- Deloitte's black candidates' pass rate was 67% compared to the IRBA rate of 52% in the November 2008 exam and 33% of All African black trainees who qualified as CAs in South Africa in 2009 trained with Deloitte.

Empowerdex Rating

Empowerdex conducted a verification procedure in accordance with requirements of the SANAS R47 document, as prescribed by the dti, during November 2009.

In the opinion of Empowerdex, our B-BBEE score represents fairly the status of transformation within Deloitte & Touche, in accordance with the dti's Codes of Good Practice as gazetted by the Minister during February 2007 and in a manner consistent with the objectives of the B-BBEE Act and South Africa's Economic Transformation.

The firm has been rated AA, which is a "Level 3 Contributor" to B-BBEE in terms of the Codes. Skills Development. Deloitte has been classified as a Value Adding Enterprise, thus clients can multiply their spend with Deloitte by 1.25 (hence 110% x 1.25, which gives 137.5%).

A Skills Development policy has been documented and implemented at Deloitte & Touche. Our most recent workplace skills plan was submitted to FASSET, our Industry SETA, during March 2009.



Beadwork Doll

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Acronyms

A&IS	Actuarial and Insurance Services
ADR	Alternative Dispute Resolution
AEO	Authorised Economic Operator
AGOA	Africa Growth and Opportunity Act
AHI	Afrikaanse Handelsinstituut
AIS	Automotive Investment Scheme
AltX	Alternative Exchange
ANC	African National Congress
ASGISA	Accelerated and Shared Growth – South Africa
ATM	Autoteller Machine
B-BBEE	Broad-Based Black Economic Empowerment
BBSDP	Black Business Supplier Development Programme
BEE	Black Economic Empowerment
BOP	Balance of Payments
BPO&O	Business Process Outsourcing and Offshoring
BUSA	Business Unity South Africa
CC	Close Corporation
CCA	Customs Controlled Area
CCB	Customs Control Bill
CCS	Climate Change Solutions
CDB	Customs Duty Bill
CDM	Clean Development Mechanism
CE	Customer Experience
CEO	Chief Executive Officer
CER	Certified Emission Reductions
CFA	Commission For Africa
CFC	Controlled Foreign Company
CFO	Chief Financial Officer
CGT	Capital Gains Tax
CIP	Critical Infrastructure Programme
CIS	Co-Operation Incentive Scheme
CMA	Common Monetary Area
CPI	Consumer Price Index

CPIX	Consumer Price Index Excluding Mortgage Interest Payments	GES	Global Employment Services
CTCIP	Clothing and Textile Competitiveness Improvement Programme	GGI	Government Growth Initiatives
DANIDA	Danish South African Business to Business Programme	GHG	Greenhouse Gas
DBSA	Development Bank of Southern Africa	GSP	General System of Preferences
DEG	Deutsche Investitions- und Entwicklungsgesellschaft mbH	HDE	Historically Disadvantaged Entities/ Entrepreneurs
DEPP	Developmental Electricity Pricing Programme	HDI	Historically Disadvantaged Individuals
DFA	Duty Free Allowance	HR	Human Resources
DFI	Development Finance Institutions	HSIC	Heads of State Implementation Committee
DIPA	Durban Investment Promotion Agency	IAS	International Accounting Standards
DIP	Defence Industrial Participation Programme	ICT	Information and Communication Technology
DoT	Deloitte of Tomorrow	IDC	Industrial Development Corporation of South Africa Limited
DTI (dti)	Department of Trade and Industry	IDZs	Industrial Development Zones
DTT	Deloitte Touche Tohmatsu	IF	Innovation Fund
EFTA	European Free Trade Area	IFRS	International Financial Reporting Standards
EMIA	Export Marketing and Investment Assistance	IIA	Industrial Investment Allowance
ERP	Enterprise Resource Planning	IMF	International Monetary Fund
EU	European Union	IOR-ARC	Indian Ocean Rim Association for Regional Cooperation
EU-ETS	European Emissions Trading System	IPAP	Industrial Policy Action Plan
EU/SA FTA	European Union/South African Free Trade Agreement	IPCC	Intergovernmental Panel on Climate Change
FABCOS	Foundation for African Business and Consumer Services	ISO	International Organisation for Standardisation
FDC	Free State Development Corporation	IRBA	Independent Regulatory Board of Auditors
FDI	Foreign Direct Investment	IRCC	Import Rebate Credit Certificate
FIFA	International Federation of Football Association	IT	Information Technology
FIG	Foreign Investment Grant	ITAC	International Trade Administration Commission
FIST	Financial Institutions Services Team	JI	Joint Implementation
FMCG	Fast Moving Consumer Goods	JSE	Johannesburg Securities Exchange SA
GAAP	Generally Accepted Accounting Practice	LED	Local Economic Development
GATT	General Agreement on Tariffs and Trade	LSE	London Stock Exchange
GDP	Gross Domestic Product	M&A	Mergers & Acquisitions
GEAR	Growth Employment and Redistribution Strategy	MBOs	Management Buy Outs
GEDA	Gauteng Economic Development Agency	MIDP	Motor Industry Development Programme
		MIG	Municipal Infrastructure Grant
		MIGA	Multilateral Investment Guarantee Agency
		MIP	Manufacturing Investment Programme

NAFCOC	National African Federation of Chambers of Commerce	SMEDP	Small Medium Enterprise Development Programme
NAM	Non-Aligned Movement	SMME	Small, Medium and Micro Enterprises
NDPG	Neighbourhood Development Partnership Grant	SOE	State Owned Enterprises
NEF	National Empowerment Fund	SPII	Support Programme for Industrial Innovation
NEPAD	New Partnership for Africa's Development	SSA	Sub-Saharan Africa
NIP	National Industrial Participation Programme	SSAS	Sector Specific Assistance Scheme
NIPF	National Industrial Policy Framework	SSP	Skills Support Programme
OAU	Organisation of African Unity	STC	Secondary Tax on Companies
OHS	Occupational Health and Safety Act	TAB	Tax Administration Bill
PAA	Productive Asset Allowance	TCIDP	Textile and Clothing Industry Development Programme
PBO	Public Benefit Organisation	TEP	Tourism Enterprise Support Programme
PII	Partnership for Industrial Innovation	THRIP	Technology and Human Resources for Industry Programme
PPP	Public Private Partnership	UN	United Nations
PSOM	Programme for co-operation with Emerging Markets	UNCTAD	United Nations Conference on Trade & Development
PTIF	Public Transport Infrastructure	UNFCC	United Nations Framework Convention on Climate Change
QSAPE	Qualifying South African Production Expenditure	VAT	Value Added Tax
RFI	Retail Financial Intermediaries	WCO	World Customs Organisation
RoO	Rules of Origin	WHC	Widely Held Company
S&I	Strategy & Innovation	WTO	World Trade Organisation
SABS	South African Bureau of Standards		
SACCI	South African Chamber of Commerce & Industry		
SACOB	South African Chamber of Business		
SACU	Southern African Customs Union		
SADC	Southern African Development Community		
SAICA	South African Institute of Chartered Accountants		
SARB	South African Reserve Bank		
SARS	South African Revenue Service		
SDL	Skills Development Levy		
SDP	Supplier Development Programme		
SET	Science Engineering and Technology		
SFFP	Staple Food Fortification Incentive Scheme		
SIP	Strategic Investment Programme		

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