

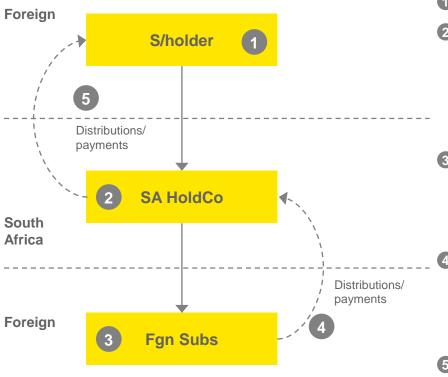
Headquarter company regime – at a glance High Level summary

- Intended to serve as investment gateway in Africa/rest of the world
- South African tax resident company
- Regarded as non-resident for exchange control, can borrow freely from offshore
- Reserve bank reporting
- Min 10% shareholder interest
- ▶ 80% of assets to be foreign investments



Headquarter company regime – at a glance

Tax related



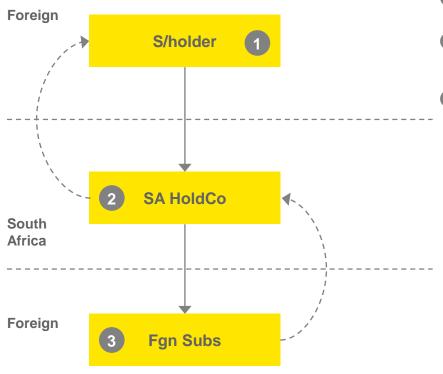
- A minimum 10% shareholder interest requirement in SA HoldCo
- 2 SA HoldCo must be a resident (e.g., incorporation). It is not regarded exchange control resident in certain instances (next slide).
 - Although SA HoldCo is a resident, other SA residents cannot transact tax free with SA HoldCo in terms of the SA tax free roll-over rules
 - No SA capital gains tax (CGT) if a non-resident shareholder disposes of shares in SA HoldCo
 - If SA HoldCo shares are disposed of, exemption from securities transfer tax (i.e. stamp duty)
- 3 SA HoldCo's cost of assets must be at least 80% in foreign operations consisting of
 - Equity share investments (at least 10% shareholding)
 - Loans
 - Intellectual property (IP)
 - Fgn investments are **not** regarded as controlled foreign companies
 - If SA HoldCo's gross income exceeds ZAR5m, at least 50% consists of –
 - ▶ Rental, dividends, interest, royalties, service fees, or
 - Proceeds from disposal of IP/Fgn Sub shares
 - Foreign dividend exemption in SA
 - Exemption from SA CGT on disposal of shares in foreign subs
- Withholding taxes on distributions/payments from SA HoldCo to the shareholder(s)
 - No dividends tax
 - No interest withholding tax, transfer pricing or thin cap in certain instances
 - No royalty withholding tax or transfer pricing in certain instances

Relief for start-up headquarter companies in terms of 1, 3 and 4



Headquarter company regime – at a glance

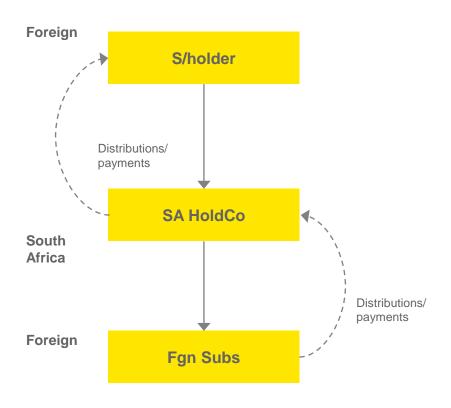
Exchange control related



- Minimum 10% shareholder interest in SA HoldCo (residents limited to 20% shareholding, direct or indirect, in SA HoldCo)
- Although SA HoldCo is a resident, it is viewed as non-resident for exchange control purposes (thus no exchange control permission for investments but there is certain reporting required)
- 3 At end of each financial year, at least 80% of assets must consist of foreign assets (cash, cash equivalents and debt with a term of less than one year is disregarded)

South African tax system – at a glance

Tax related



Summary of South Africa tax system (example for companies)

- Corporate tax rate 28% on world wide income (capital gains tax effective rate: 18.65%)
- ▶ Dividends tax 15% (but a headquarter company is exempt)
- Royalty withholding tax 12% (to be increased to 15% effective 1 January 2015) – certain exclusions for headquarter companies
- ► Interest withholding tax 15% effective 1 January 2015 certain exclusions for headquarter companies
- ▶ Withholding tax on services 15% effective 1 January 2016
- Value-added tax (14%: standard rate, also 0% e.g., exports or exempt for activities that are financial services e.g., provide credit)



Double taxation agreements

South Africa with rest of Africa (in force)

- Algeria
- Botswana
- DRC
- Egypt
- Ethiopia
- Ghana
- Lesotho
- Malawi
- Mauritius
- Mozambique
- Namibia

- Nigeria
- Rwanda
- Seychelles
- Sierra Leone
- Swaziland
- Tanzania
- Tunisia
- Uganda
- Zambia
- Zimbabwe



Double taxation agreements

South Africa with rest of Africa (in progress)

- Cameroon
- Gabon
- Kenya
- Morocco
- Senegal
- Sudan

Double taxation agreements

South Africa with rest of the world

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Greece

Austria

Grenada

Belgium

Belarus

Hungary

Brazil

India

Bulgaria

Indonesia

Canada

Iran

China

Ireland

Croatia

Israel

Cyprus

- Italy
- Czech Republic
- Japan

Denmark

Korea

Finland

Kuwait

France

Luxembourg

- Malaysia
- Malta
- Mexico
- Netherlands
- New Zealand
- Norway
- Oman
- Pakistan
- Poland
- Portugal
- Romania
- RussianFederation
- Saudi Arabia

- Singapore
- Slovak Republic
- Spain
- Sweden
- Switzerland
- Taiwan
- Thailand
- Turkey
- Ukraine
- United Kingdom
- USA

