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

1. 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
4. 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 sub
5. 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

1. Minimum 10% shareholder interest in SA HoldCo (residents limited to 20% shareholding, direct or indirect, in SA HoldCo)
2. 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)
Summary of South Africa tax system (example for companies)

- Corporate tax rate 28% on worldwide 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

- Australia
- Austria
- Belarus
- Belgium
- Brazil
- Bulgaria
- Canada
- China
- Croatia
- Cyprus
- Czech Republic
- Denmark
- Finland
- France
- Germany
- Greece
- Grenada
- Hungary
- India
- Indonesia
- Iran
- Ireland
- Israel
- Italy
- Japan
- Korea
- Kuwait
- Luxembourg
- Malaysia
- Malta
- Mexico
- Netherlands
- New Zealand
- Norway
- Oman
- Pakistan
- Poland
- Portugal
- Romania
- Russian Federation
- Saudi Arabia
- Singapore
- Slovak Republic
- Spain
- Sweden
- Switzerland
- Taiwan
- Thailand
- Turkey
- Ukraine
- United Kingdom
- USA