

South Africa's headquarter regime

June 10-11, 2014



Building a better
working world

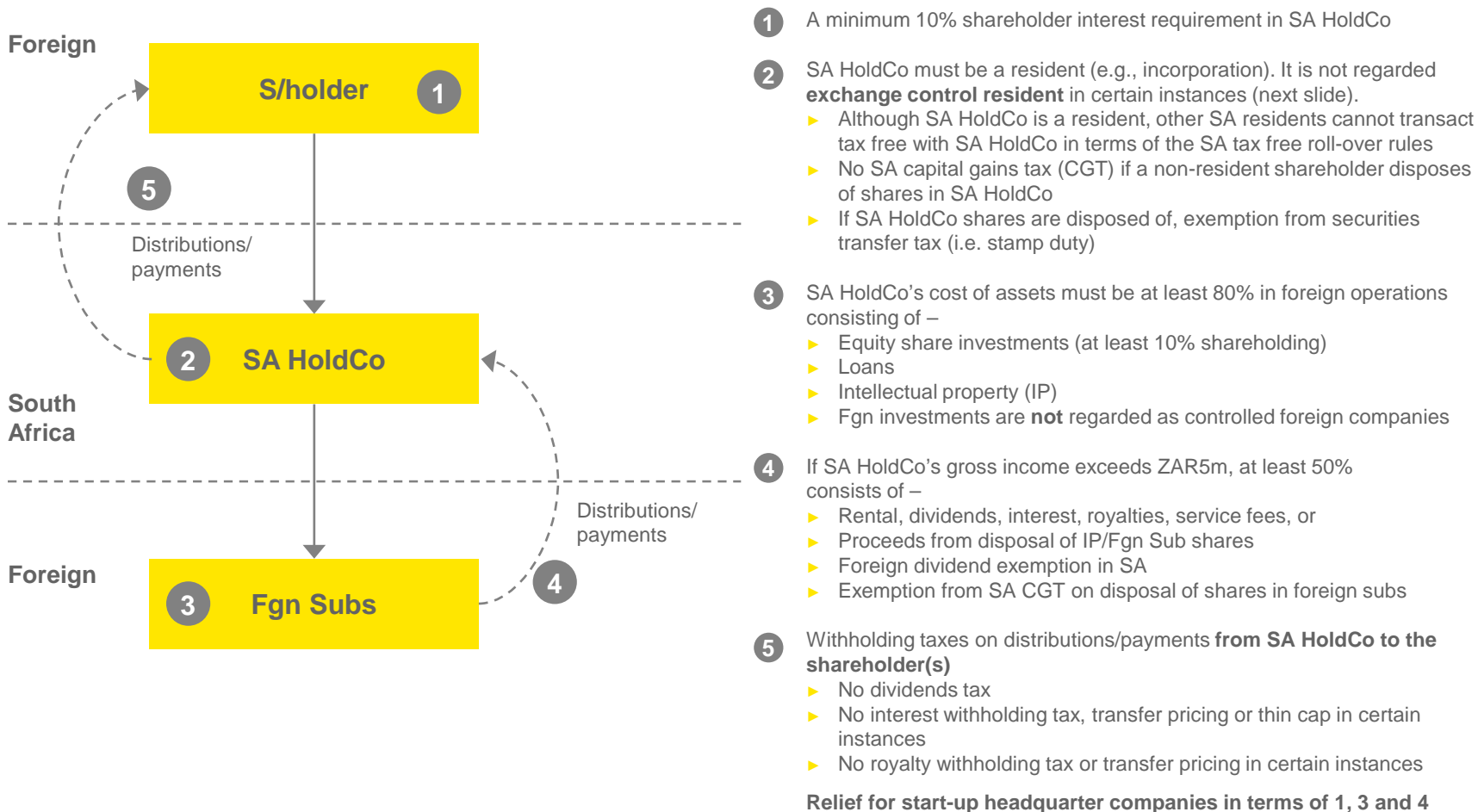
Headquarter company regime – at a glance

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

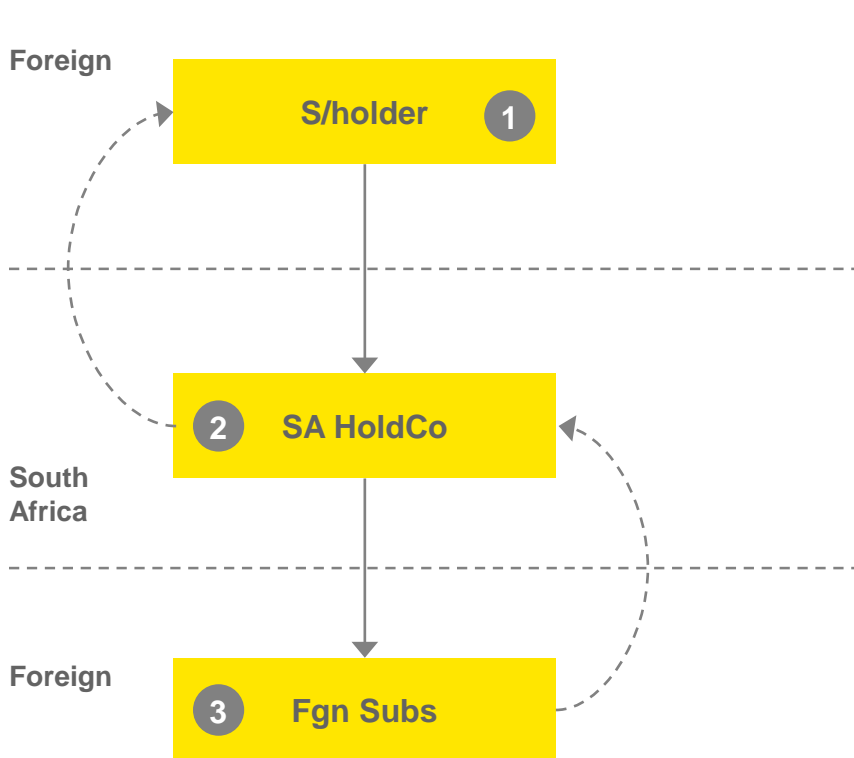
Headquarter company regime – at a glance

Tax related



Headquarter company regime – at a glance

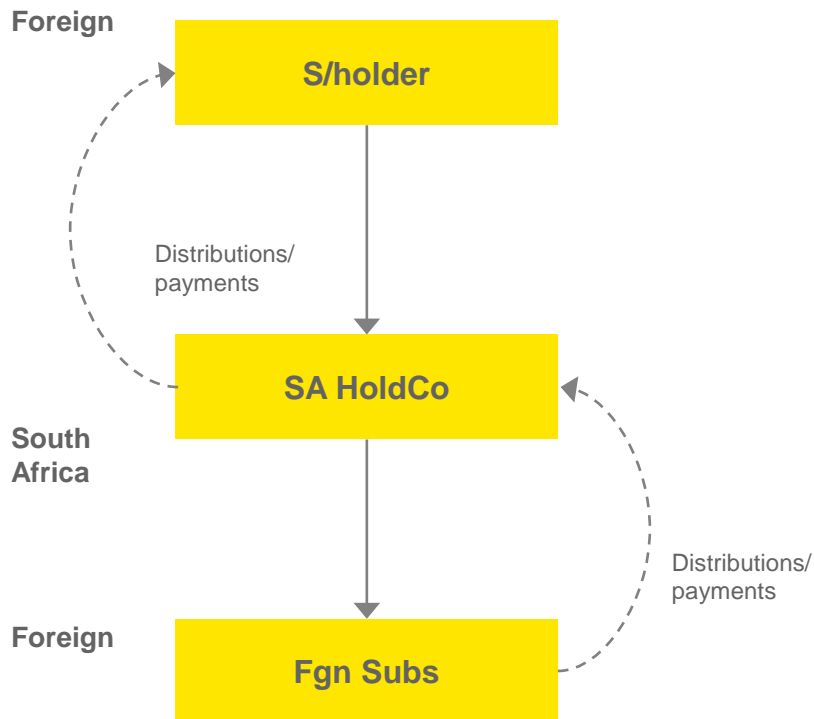
Exchange control related



- 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)

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

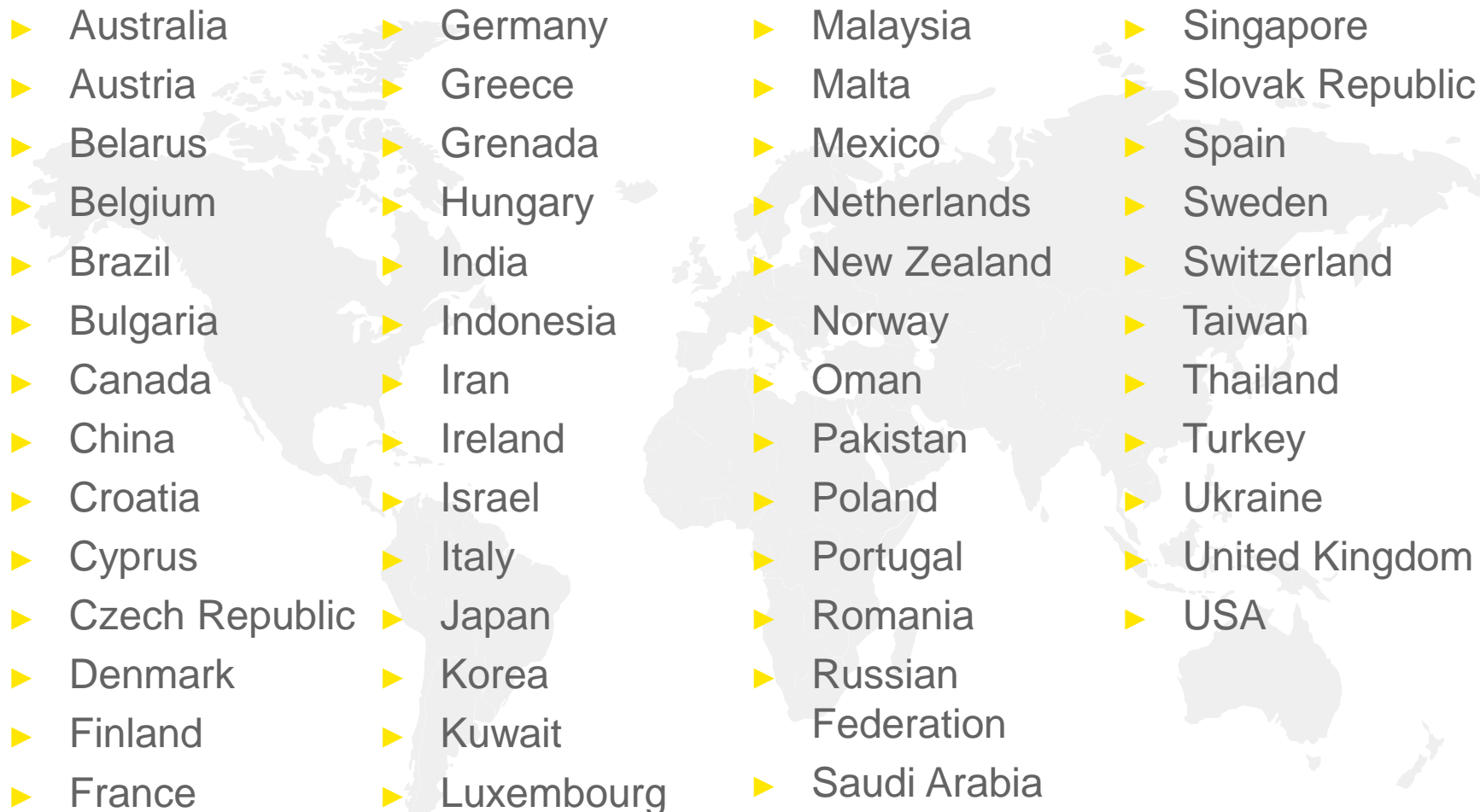
Double taxation agreements

South Africa with rest of Africa (in progress)

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

Double taxation agreements

South Africa with rest of the world

- 
- ▶ 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