



商業信託
Commercial Trust



Country Profile: South Africa

The Facts

Location	Southern Africa, at the southern tip of the continent of Africa
Languages	Afrikaans, English, Ndebele, Northern Sotho, Sotho, Swazi, Tswana, Tsonga, Venda, Xhosa and Zulu note: 11 both official and spoken languages
Nationality	South African
Religions	Protestant – 36.6% Catholic – 7.1% Other Christian – 36% Others – 5.2% None –15.1%
Government	Republic
Head of Government	President
Legislature	Bicameral Parliament
Constitutional Document	Constitution of the Republic of South Africa 1996
Economy	South Africa is the economic powerhouse of the African continent, comprising about 30% of the entire GDP of Africa. South Africa economy is supported by agriculture, mining and manufacturing products related to these sectors. The government has achieved significant successes in ensuring macro-economic stability, via the implementation of macro-economic policies directed at promoting domestic competitiveness, growth and employment.
Currency	South Africa Rand (ZAR)
GDP (2011)	Total – ZAR 2,964.26 billion Per capita – ZAR 58,594 Real GDP growth – +3.1%
Population	48,810,500 (approx.)
Percentage of population	Black African – 79% White – 9.6% Others – 11.4%
Area	1,219,090 km ²
Time zone	SAST (UCT +2)
Public Holidays	National holidays – 13
Climate	Semi-arid



Sources: South African Government Information, The dti, Central Intelligence Agency, International Monetary Fund

South Africa

According to 2012 Doing Business Report by the World Bank Group, South Africa ranks 35 out of 183 economies in terms of overall “Ease of Doing Business”. In 2010, South Africa was included in the BRIC Group, a grouping of the most emerging economies of the world. Currently, the group is known as the BRICS Group and is comprised of five members, namely, Brazil, Russia, India, China, and South Africa. With world class infrastructure, abundance of natural resources, growing economy and favorable government policies, South Africa is truly a paradise for foreign investors. Here’s a look at some major reasons why most foreign investors want to invest in South Africa.

The South Africa Business Climate

There are several reasons to invest in South Africa:

- **Steady and Free Economy:** South Africa’s GDP increased by 3.20 percent in 2Q12. On an average, the country saw 3.3 percent annual increase in GDP from 1993 to 2012. Moreover, South Africa accounts for 30 percent of the entire GDP of the African continent. Steady growth in the country’s GDP is a major reason why foreign investors are interested in doing business in South Africa.
- **Favorable government policy:** For the last few years, the government of South Africa has been trying to attract more foreign investments to boost up the country’s economy. To this end, the government declared several investor-centric policies in the last decade. As a result, the country is now one of the most preferred investment destinations in the world. South Africa is a member of the Group of Twenty (G20) countries. Moreover, the country ranked 34 out of 142 countries in terms of transparency in government policy. South Africa is also ranked the 40th least corrupt country in the world, according to a survey by WorldAudit.org.
- **Low cost of doing business:** South Africa features two-tiered economy. While one part of the country’s population has access to all modern amenities, another part of the population can spend a limited cost of living. In general, the cost of living and/or doing business in South Africa are quite competitive. The country offers cost advantage in corporate tax rate, and in the costs of labor, land, transportation, and electricity.
- **Positive business environment:** The country ranked 54 out of 139 global economies in the World Economic Forum's Global Competitiveness Report, 2010/11. This simply means that the country’s business environment is far more stable than several other countries in the world. According to the Global Competitiveness Report, South Africa’s ranking for tax efficiency improved from 40 to 30 in 2011. The country’s ranking for government debt also saw an improvement from 60 to 45. Moreover, the country ranked 61 out of 177 countries in the 2012 Fund for Peace’s Failed State Index, which measures a country’s business environment based on several political, social and economic factors.
- **Abundance of natural resources:** As of 2011, South Africa had around 21 000 tons of unused resources. The country is estimated to have around 6000 tons of gold, which is around 14 percent of the total gold deposits in the world. South Africa is also the world’s largest producer of platinum. Several other minerals and natural resources available in the country include diamond, iron ore, and coal. With huge availability of natural resources, operating a business in South Africa is quite convenient and cost effective.

- **Financial infrastructure:** The banking service of South Africa is monitored and regulated by the South African Reserve Bank (SARB). On the other hand, the country's non banking financial service is governed by the Financial Service Board (FSB). Since the country has a credible financial system in place, most foreign investors are very confident about investing in South Africa. According to 2011 Doing Business Report by the World Bank Group, the country ranked first out of 183 countries in terms of ease of getting credit for doing business in the country.
- **Skilled and educated workforce:** South Africa benefits entrepreneurs with easy availability of highly qualified and skilled workforce. The country's education system saw huge improvement during the last decade. As of 2011, the country had round 23 000 primary schools, and around 7000 secondary schools. The learner to teacher ratio improved from 1:50 in 1994 to 1:31 in 2010. The country also had notable improvement in higher education. Several acclaimed universities are located in the country. For example, the University of South Africa (UNISA) is the first university to begin the tertiary distance education. The University of Pretoria, on the other hand, is the first in university outside the US to introduce Master of Business Administration (MBA) in 1949.

Setting up a Business in South Africa

Procedure to Setup a Limited Liability Company in South Africa

According to 2012 Doing business Report by the World Bank Group, establishing a company in South Africa takes around 19 working days. Following are some major tasks to complete when establishing a company in South Africa:

- **Approving Company Name:** The first step is to decide a name for the proposed company. Once a name is decided, it is important to check whether the proposed name of the company is available. This can be found by visiting the website of the Companies and Intellectual Properties Office (CIPRO), and filling out the Form CK7. The same task can be completed by visiting the CIPRO office in Pretoria. If the proposed name of the company is rejected, the company can be formed
- **Registering with CIPC:** According to the new Companies Act, forming a company in South Africa requires registering with the Companies and Intellectual Property Commission (CIPC). For this, the company should submit the following documents to the CIPC.
 1. Memorandum of Incorporation (MOI) (CoR 15.1 A)
 2. Notice of Incorporation (CoR 14.1)

In case where the proposed name of the company is rejected, the registration with CIPC can still be completed. In such a case, the registration number will temporarily work as the new company's name.

- **Opening Bank Account:** The next important task is to open a bank account of the company. Some important documents need to be submitted with the application for opening bank account. For example, attachments with the application should include proper documents to prove who the company's directors are.
- **Registering for Tax:** Depending upon type of the proposed business, the company should fill up an appropriate form to register with the South African Revenue Service (SARS). Companies with taxable income of more than ZAR 1,000,000 should register for the VAT (Value Added Taxes) as well. The company should also register with the employee withholding taxes PAYE (Pay as You Earn) and SITE.

Another important task in establishing a company in South Africa is registering with the Department of Labor for Unemployment Insurance. According to the Compensation for Occupational Injuries and Diseases Act, the company should also register with the Commissioner.



Types of Business Structures in South Africa

In 2011, the South African government made some amendments to the Companies Act, 2008. According to the new companies act, an investor can run a business in South Africa in several formats, such as, sole proprietor, private company, close corporation, partnership, public company, non-profit organizations, and business trust. Let's take a close look at the three most popular business structures of the country:

- **Sole Proprietor:** Commonly referred to as sole trader, this type of business is owned and governed by a single person. According to law, the assets and debts of the owner are no different than those of the business. This simply means that the owner of this business is exposed to unlimited liability and risks. However, this is perhaps the easiest to establish a sole proprietorship company in South Africa. The business can be conducted under the name of the proprietor or trader. The profit earned from this business type stays with the owner, and is taxable as personal income of the owner.
- **Close Corporation:** According to the New Companies Act, 2011, forming a close corporation is no longer a valid option for starting a business in South Korea. However, close corporations that were formed before 2011 can continue operations in the country. This type of business is a limited liability company that may have a maximum of 10 members. The name of this type of company should include the phrase 'close corporation' (or CC). The assets and liabilities stay with the corporation, and not with members of the corporation.
- **Private Company:** In this business structure, a separate legal entity is formed with at least ten members. The name of the company should include the word "Proprietary" (Pty) or "Limited" (Ltd). The company should have at least one owner or shareholder, and at least one manager or director. The managers or directors are responsible for running the company, while the liability of assets stays with the shareholders or owners. Setting up a private company is perhaps the most preferred choice for foreign investors. Depending upon nature of business and several other factors, this type of business can get several tax incentives from the South African government. Establishing a private company in South Africa is subject to registration with proper authority.

Taxation

Doing business in South Africa requires paying several taxes. The country's tax system is managed and governed by the South African Revenue Service (SARS). South Africa is a signatory to double taxation agreements with many countries, such as Norway, Belgium, Cyprus, France, the United States, Austria, India, Ireland, Israel, Italy, Germany, Japan, Korea, Malta, Denmark, Mauritius, the Netherlands, Singapore, Sweden, Canada, Switzerland, Taiwan, Thailand, and the United Kingdom. This helps investors from these countries to avoid paying double taxation when doing business with South Africa. Here's a look at some key tax implications of the country:

- If a company earns profit by conducting business in South Africa, the profit amount is taxable
- Depending upon estimate of annual income, a business in South Africa may require paying tax twice in a year – once after six months and once at the end of a financial year.
- The South African government provides a business the flexibility to choose their own financial year-end



- Filing annual income tax return with the SARS is mandatory for all registered companies in South Africa.
- Income from services rendered in South Africa is taxable

Now, let's take a close look at the tax requirements for a foreign company doing business in South Africa:

- **Income tax:** Foreign companies doing business in South Africa requires paying income tax at a rate of 33.1percent, according to 2012 Doing Business Report by the World Bank Group.
- **Value Added Tax (VAT):** Any foreign business selling products or services in South Africa may come under the Value Added Tax. Rate of VAT is 14 percent.
- **Capital gains tax:** If a foreign company that has an establishment in South Africa wants to dispose of their assets, the capital gain tax is charged on the company.

Immigration and Visa Requirements

Foreign nationals who want to visit South Africa for business purpose may need to apply for a business visa. There can be two types of visas for South Africa – visitor's visa and transit visa. A visitor's visa for business purpose is initially approved for 90 days. However, the duration of validity can be further extended for another 90 days. Applying for a business visa requires submitting the following documents:

- Duly filled BI-84 Form
- Passport should be valid for up to 30 days after the expiry of the proposed visit
- A proof of a valid return air ticket for those visiting for less than 12 months
- A deposit equivalent to the amount of a return ticket back to your country of origin
- Submitting proofs that the applicant or the sponsor of the applicant holds enough funds required for staying in South Africa for the duration applied for.
- Stating the purpose of the visit
- Yellow fever vaccination certificate, if required.

Foreign investors who have a valid South African business permit may be allowed to immigrate to South Africa, depending upon the amount of investment made by them to a new or existing business. The minimum investment required for this is around £175,000. Another criterion for approval is that the proposed or the existing business should create at least five job opportunities for local or permanent residents of the country.

Banking Requirements

Foreign nationals who want to visit South Africa for business purpose may need to apply for a business visa. There can be two types of visas for South Africa – visitor's visa and transit visa. A visitor's visa for business purpose is initially approved for 90 days. However, the duration of validity can be further extended for another 90 days. Applying for a business visa requires submitting the following documents:

- Duly filled BI-84 Form
- **Passport of the applicant:** This should be valid for up to 30 days after the expiry of the proposed visit
- A proof of a valid return air ticket for those visiting for less than 12 months
- A deposit equivalent to the amount of a return ticket back to your country of origin
- Submitting proofs that the applicant or the sponsor of the applicant holds enough funds required for staying in South Africa for the duration applied for.
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