

Tax Alert

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South Africa: The Gateway into Africa Major reform to headquarter companies

On February 17, 2010, the Minister of Finance presented the 2010/2011 Budget to Parliament.

Promoting South Africa as the Gateway into Africa

The Minister affirmed Government's intention to promote South Africa as an attractive platform for business to expand into Africa. Certain measures were proposed to achieve this goal, including:

- Relief from exchange controls for headquarter companies located in South Africa

Currently, funds received from entities in foreign locations cannot be channelled through South Africa to other offshore locations, without prior exchange control approval having been obtained. Barriers such as these should be removed.

- Relief from taxation for headquarter companies

This relief builds on the existing general exemption for capital gains or income in respect of equity participations of 20% or more. Tax relief may, for example, include exemption from South Africa's controlled foreign company legislation, exemption from secondary tax on companies and, in future, dividends tax, on dividend flows from South Africa.

- Aspects of the tax legislation that operate as barriers to Islamic-compliant finance will also be reviewed, for example the tax treatment of financial instruments such as forward purchases, financial leasing and purchases of profit shares. Tax treaties with relevant countries will be re-examined.

Ensuring that your circumstances are taken into account

If the above initiatives will impact your business, now is the time to make your voice heard.

The legislation will be drafted during the course of the next few weeks and months, so that the bulk of the drafting is completed before 'pens down' on 11 June 2010, the start of the FIFA Soccer World Cup.



The Parliamentary Process will recommence in July with a view to finalising the Taxation Laws Amendment Bill 2010 during August 2010. It follows that if these initiatives will affect your business, you should contact your PwC Tax service team, or the PwC contacts listed below, to ensure that your specific circumstances are taken into account as part of this legislative process.

The PricewaterhouseCoopers Tax Services Legislative Monitoring and Lobbying Unit ('PwC') remain at the forefront of the ongoing engagement with Government, including National Treasury. In the context of promoting South Africa as the Gateway into Africa, PwC will continue to analyse the impact of proposed new legislation, point out anomalies and inconsistencies and recommend revisions to draft legislation to modify or clarify the new legislation that will hopefully enhance South Africa's role as the Gateway into Africa.

Make sure your specific circumstances are covered!

For further information, please contact:

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