

Tax Alert

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South Africa: The Gateway into Africa Major reform to Offshore Fund industry

Immediate action is required.



Promoting South Africa as the Gateway into Africa

On February 17, 2010, the Minister of Finance presented the 2010/2011 Budget to Parliament. The Minister affirmed Government's intention to promote South Africa as an attractive platform for business to expand into Africa.

Gateway for funds into Africa

A key focus area of this initiative is to create a favourable tax and exchange control environment for offshore funds that hold, or would like to hold, or manage their African investments and operations through South Africa.

If this initiative is implemented as envisaged, the 'hand cuffs should be off' for funds and fund managers to locate more senior staff in South Africa that participate actively in the investment decision-making process, without creating a taxable presence for the fund or its non resident investors in South Africa.

A number of jurisdictions have safe harbour rules or tax exemptions to attract

investment funds and managers to their shores, for example, the UK, US, Singapore, Ireland and Luxembourg. South Africa is expected to follow suit, ensuring that the investment funds and their non-SA resident investors are not subject to South African tax, regardless of the fund manager's operations in South Africa.

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 Financial Services: Investment Funds task team of 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 for offshore funds, 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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