

South Africa Country Profile

Africa Tax Centre: 2020 Fiscal Guide

May 2021

2020 Key tax factors for efficient cross-border business and investment involving South Africa

Double Tax Treaties

With the following countries, territories and jurisdictions:

Algeria	France	Malaysia	Seychelles
Australia	Germany	Malta	Singapore
Austria	Ghana	Mauritius	Slovak Republic
Belarus	Greece	Mexico	Spain
Belgium	Grenada	Mozambique	Swaziland
Botswana	Hong Kong	Namibia	Sweden
Brazil	Hungary	Netherlands	Switzerland
Bulgaria	India	New Zealand	Taiwan
Cameroon	Indonesia	Nigeria	Tanzania
Canada	Iran	Norway	Thailand
Chile	Ireland	Oman	Tunisia
China	Israel	Pakistan	Turkey
Congo (Democratic Republic of Congo)	Italy	Poland	Uganda
Croatia	Japan	Portugal	Ukraine
Cyprus	Kenya	Qatar	United Arab Emirates
Czech Republic	Korea	Romania	United Kingdom
Denmark	Kuwait	Russian Federation	United States of America (USA)
Egypt	Lesotho	Rwanda	Zambia
Ethiopia	Luxembourg	Saudi Arabia	Zimbabwe
Finland	Malawi	Sierra Leone	

Residence basis of taxation

Tax is levied on a residence basis in terms of the Income Tax Act No 58 of 1962 ("the Act"). South African residents are taxed on their worldwide income. Non-residents are taxed on their South African-sourced income, subject to the application of an applicable Double Taxation Agreement ("DTA").

Dividends tax

Dividends Tax is levied on all dividends paid by South African resident companies. Dividends Tax is borne by the shareholder at a rate of 20% from 22 February 2017 (prior rate 15%) subject to relief which may be available in terms of exemptions provided for in the Act or any applicable DTA.

Rates of tax

The below table is applicable for the period 1 April 2020 to 31 March 2021 unless stated otherwise:

Resident Companies	
Corporation tax	
General rate for companies	28%
Trusts	45%

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Rates of tax (cont.)

Long-term insurance business	
Individual policyholder fund	30%
Company policyholder fund	28%
Untaxed policyholder fund	0%
Corporate fund	28%
Small Business (gross income < R20 million per year)¹	
Up to R87 100 of taxable income	0%
Exceeding R83 100 but not exceeding R365 000 taxable income	7% of amount above R83 100
Exceeding R365 000 but not exceeding R550 000 taxable income	R19 733 + 21% of the amount above R365 000
Exceeding R550 000 taxable income	R58 583 + 28% above R550 000
Turnover Tax for Micro Businesses (Turnover < R 1 million per year)²	
R0 – R335 000 taxable turnover	0%
Exceeding R335 000 but not exceeding R500 000 taxable turnover	1% of amount above R335 000
Exceeding R500 000 but not exceeding R750 000 taxable turnover	R1 650 + 2% of amount above R500 000
Exceeding R750 000 of taxable turnover	R6 650 + 3% of amount above R750 000
Capital gains inclusion rate (companies & trusts)	80%, resulting in an effective tax rate of 22.4% for companies and 36% for trusts.
Dividends tax	20% (subject to exemptions)
Interest	Taxed as ordinary income
Royalties	Taxed as ordinary income
Management fee	Taxed as ordinary income
Foreign Dividends	<p>The following exemption rules apply:</p> <ol style="list-style-type: none"> The shareholder holds at least 10% of the total equity shares and voting rights in the company declaring the foreign dividend The shareholder is a foreign company which is in the same country as the foreign company paying the dividend The foreign dividend is received or accrued to a person in respect of a listed share and does not constitute a distribution of an asset in specie. The foreign dividend is received/accrues to a company that is a resident in respect of a listed share and constitutes a distribution of an asset in specie. The foreign dividend is received from a Controlled Foreign Company (CFC) and does not exceed the aggregate of all amounts which are included in income of that resident in terms of Section 9D. <p>If the above exemptions do not apply, an effective rate of 20% applies.</p>

¹ Rates applicable for years of assessment ending on or after 1 April 2020.

² Rates applicable for years of assessment commencing on or after 1 March 2020.

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Rates of tax (cont.)	South African Dividends	Generally, South African dividends received by or accrued to or in favour of any South African person are exempt. There are certain specified instances where the dividend exemption does not apply, resulting in the dividends being subject to income tax in such instances. Where dividends are subject to income tax, no dividend tax is payable.
	Resident individuals	
	Individual tax	18% – 45%
	Capital gains inclusion rate	40%, resulting in an effective tax rate of 18% for individuals.
	Royalties and fees	Taxed as ordinary income.
	South African dividends	Generally exempt from income tax with specific anti-avoidance rules in the case of dividends received as a result of an employment relationship.
	South African Interest exemption (there is no longer any exemption for foreign interest)	<ul style="list-style-type: none"> o Taxpayer under 65 - R23 800 o Taxpayer 65 and over on the last day of the year - R34 500 o Foreign portfolio dividends - Taxed at a maximum effective rate of 20%
	Non-resident companies	
	Corporation tax	28%
	Capital gains inclusion rate	80%, resulting in an effective tax rate of 22.4%
	Withholding Taxes³	Dividends – 20% (subject to DTA relief)
		Interest – 15% (subject to DTA relief)
		Royalties – 15% (subject to DTA relief)
		Service fees - No withholding tax is imposed on service fees. Service fee arrangements may be reportable arrangements.
	Non-resident individuals	
	Individual income tax	18% – 45%
	Capital gains inclusion rate	40%
	South African dividends	Generally exempt from income tax, however dividends withholding tax would be applicable at a rate of 20% subject to any relief in terms of DTAs.
	South African interest	Interest is exempt where earned by non-residents unless they are physically present in South Africa for more than 183 days during the 12 month period before the interest accrues/is received or who were not carrying on trade in South Africa through a fixed place of business during that period of 12 months. From 1 January 2015, the debt from which the interest arises must not be effectively connected to a fixed place of business in South Africa. As of 1 March 2015, where this exemption is applicable, a final withholding tax of 15% is imposed on interest paid to a non-resident subject to any relief that might be granted in terms of a DTA
	South African royalties	15% withholding tax (or a rate determined in a relevant DTA).

³ No withholding tax where effectively connected to a permanent establishment in South Africa or carried on business through a permanent establishment in South Africa

Individual Income Tax Table

For the year of assessment ending 28 February 2021	
Income (R)	Tax rate (%)
up to R205 900	18%
R205 901 – R321 600	R37 062+ 26% of amount above R205 900
R321 601 – R445 100	R67 144 + 31% of amount above R321 600
R445 101 – R584 200	R105 429 + 36% of amount above R445 100
R584 201 – R744 800	R155 505 + 39% of amount above R584 200
R744 801 – R1 577 300	R218 139 + 41% of amount above R744 800
R1 577 300 and above	R559 464 + 45% of the amount above R1 577 300
Tax threshold	
Tax threshold (below age 65)	R83 100
Tax threshold (age 65 and above)	R128 650
Tax threshold (age 75 and above)	R143 850
Tax rebates	
Primary rebate	R14 958
Secondary rebate (65 to 74)	R8 199
Tertiary rebate (75 and over)	R2 736

Retirement fund lump sum withdrawal benefits (pre-retirement)

Taxable Income (R)	Rate of Tax (R)
R0 – R25 000	0% of taxable income
R25 001 - R660 000	18% of taxable income above R25 000
R660 001 - R990 000	R114 300 + 27% of taxable income above R660 000
R990 001 and above	R203 400 + 36% of taxable income above R990 000

Retirement fund lump sum benefits or severance benefits

Taxable Income (R)	Rate of Tax (R)
R0 – R500 000	0% of taxable income
R500 001 - R700 000	18% of taxable income above R500 000
R700 001 – R1 050 000	R36 000 + 27% of taxable income above 700 000
R1 050 001 and above	R130 500 + 36% of taxable income above 1 050 000

Retirement fund lump sum benefits consist of lump sums from a pension, pension preservation, provident, provident preservation or retirement annuity fund on death, retirement or termination of employment due to redundancy or termination of the employer’s trade. Severance benefits consist of lump sums from or by arrangement with an employer due to relinquishment, termination, loss, repudiation, cancellation or variation of a person’s office or employment. The tables apply cumulatively.

Employees’ tax and related taxes/levies

Employers have a monthly obligation to make payment in respect of employees’ tax, Skills Development Levy and Unemployment Insurance Contributions in respect of employees

The employees’ tax withholding regime (known as PAYE or Pay-As-You-Earn) places the obligation upon the employer to withhold employees’ tax via the payroll and to pay this over to the South African Revenue Service (“SARS”) on a monthly basis.

The employees’ tax must be withheld from remuneration paid to the employee and is taken into account when SARS calculates the individual’s tax payable.

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Employees' tax and related taxes/levies (cont.)

Every employer in South Africa must pay Skills Development Levy ("SDL") monthly at a rate of 1% of the total amount of remuneration paid/payable by the employer. Employers paying annual remuneration of less than R500 000 are exempt from the payment of SDL.

Contributions to the Unemployment Insurance Fund ("UIF") must be made monthly in respect of the majority of employees. The employer must pay over a total contribution of 2% of the total remuneration paid/payable to the employees (limited to R14 872 per month, R178 464 annually), of which 1% must be deducted from the employees' remuneration.

With effect from 1 March 2018, foreign nationals working in South Africa, and employees undergoing Learnership training are included in the UIF net. South Africa does not have a social security tax obligation for employers or individuals.

Donations tax

Donations tax is levied on any donation at a fixed rate of 20% of the value of the property donated (subject to certain exemptions).

Donations exceeding R30 million will be subject to tax at a rate of 25%. Donations tax is not a tax on income, but rather a tax on the transfer of wealth from one person to another.

The first R100 000 of property, donated by a taxpayer who is a natural person, is exempt. Casual gifts made by non-natural persons up to R10 000 per annum are exempt. Non-resident donors are not subject to donations tax.

Capital gains tax ("CGT")

Capital gains arising from the disposal of capital assets on or after 1 October 2001 are included in taxable income at varying inclusion rates and subject to normal tax.

The amount of the gain to be included in taxable income depends on whether the person is a natural person or a person other than a natural person.

Details of inclusion rates are set out in the rates section.

Exclusions from CGT for individuals	Amount
The annual capital gain/loss exclusion	R40 000
The primary residence exclusion	R2 million
The exclusion in the year of death	R300 000
Exclusion on disposal of a small business for persons 55 years and older	R1.8 million provided that the market value of the business does not exceed R10 million.

South African residents are taxed on their worldwide income on the disposal of assets. Events that trigger a disposal include a sale, donation, exchange, loss, death and emigration. In the case of a non-resident, only immovable property situated in the Republic (and certain rights or interests therein) held by the non-resident, or any asset which is attributable to a permanent establishment of that non-resident in the Republic, fall within the ambit of the CGT provisions.

An interest in immovable property situated in the Republic includes any equity shares held by a person in a company or ownership or right to ownership of a person in any other entity or a vested interest of a person in any assets of any trusts, if

- o 80 per cent or more of the market value of those equity shares, ownership or right to ownership or vested interest, as the case may be, at the time of disposal thereof is attributable directly or indirectly to immovable property held otherwise than as trading stock; and
- o In the case of a company or other equity, that person (whether alone or together with any connected person in relation to that person), directly or indirectly, holds at least 20 per cent of the equity shares in that company or ownership of that other entity.

Any person who must pay an amount to a non-resident in respect of the purchase of immovable property (land, buildings) situated in the Republic or an interest in immovable property must withhold an amount from such payment and pay it to SARS. The amount of the withholding tax ranges between 7.5% and 15%.

Value-Added Tax (VAT)

VAT is an indirect tax levied on the supply of goods or services, the importation of goods into the Republic and “imported services”.

A person is required to register for VAT purposes where it carries on an enterprise or activity continuously or regularly in or partly in the Republic in the course of which it supplies of goods or services to another person.

The definition of “enterprise” specifically includes and excludes certain activities or enterprises. In this regard, a specific inclusion is the supply of electronic services, as defined, supplied by a person from a place in an export country, where at least two of the following circumstances are present:

- The recipient of those electronic services is a resident of the Republic;
- Any payment to the supplier of the electronic services originates from a bank registered or authorised in terms of the Banks Act, 1990;
- The recipient of the electronic services has a business address, residential address or postal address in the Republic.

The VAT registration threshold/s are currently as follows:

- Compulsory registration: R1 million in any 12-month period;
- Compulsory registration for electronic service providers: R1 million in any 12-month period; and
- Voluntary registration: R50 000 in any 12-month period.

The standard rate of VAT is 15% and is calculated on the value of the supply as provided for in the VAT Act. The supply of certain goods or services is subject to VAT at 0% whereas the supply of other specified goods or services is exempt from VAT.

The VAT incurred on the acquisition of goods or services or the importation of goods can be claimed as input tax where the goods or services were acquired or the goods were imported for purposes of use, consumption or supply in the course of making taxable supplies (i.e. supplies subject to VAT at 15% or 0%).

Securities transfer tax and transfer duty

The Securities Transfer Tax Act No. 25 of 2007 (“the STT Act”) provides for the levying of tax in respect of every change in beneficial ownership of South African listed and unlisted securities.

STT will be levied at the rate of 0.25% on the market value of the shares, or consideration paid upon transfer, whichever is higher. No STT is payable if the consideration, closing price or market value is less than R40 000.

Transfer duty on the transfer of immovable property is payable on the greater of cost or market value, where the purchase is made by a natural person or legal entity. The rate of transfer duty and the exemption threshold are as follows:

Property value	Rates of tax
Below R1 000 000	0%
R1 000 001 – R1 375 000	3% of the value above R1 000 000
R1 375 001 – R1 925 000	R11 250 + 6% of the value above R1 375 000
R1 925 001 – R2 475 000	R44 250 + 8% of the value above R1 925 000
R2 475 001 – R11 000 000	R88 250 + 11% of the value above R2 475 000
R11 000 001 and above	R1 026 000 + 13% of the value exceeding R11 000 000

Transfer pricing and thin capitalisation

Transfer pricing

Transfer pricing provisions are normally applied to adjust the prices of certain transactions concluded between related parties to reflect an arm’s length price which would have applied had the transaction been concluded on normal commercial grounds between unrelated parties.

The effect of the application of transfer pricing provisions is to neutralise the tax benefit arising from such transactions.

Transfer pricing and thin capitalization (cont.)

Where any transaction, operation, scheme, agreement or understanding constitutes an affected transaction and any term or condition is different from any term and condition that would have existed had the parties been independent persons dealing at arm's length, resulting in any tax benefit being derived by a person that is a party to the transaction, operation, scheme or understanding, the taxable income or tax payable must be calculated as if that transaction, operation, scheme or understanding had been entered into on the terms and conditions that would have existed had those persons been dealing at arm's length.

From the introduction of transfer pricing legislation in South Africa in 1995 until 2012, a secondary adjustment was made in the form of a deemed dividend.

With the introduction of Dividends Tax – which replaces Secondary Tax on Companies in 2012 for years of assessment commencing on or after 1 April 2012 – the law changed. Secondary adjustments were in the form of a deemed loan. However, from 1 January 2015, the secondary adjustment is in the form of a deemed dividend and is subject to withholding tax at a rate of 20% without the ability to access DTA relief.

Thin capitalisation and interest limitation rules

With effect from 1 April 2012 and applicable in respect of years of assessment commencing on or after that date, the 3:1 debt to equity safe harbour ratio was abolished and replaced with an arm's length test that is based on OECD methodologies.

A draft interpretation note was released by the SARS in March 2013 providing some guidance on the principles behind the new section 31. The main aspect highlighted in this interpretation note relates to the fact that the arms-length evaluation will be based on the level of finance the borrower could have secured under the same terms and conditions had the borrower (the local company) and the lender (the foreign company) been independent parties dealing at arm's length, and whether as a result of the transaction, a tax benefit is derived by the parties to the transaction.

However, such guidance was never made final by SARS, and as a result, no certainty exists as to how taxpayers should comply with the new section 31 of the Act. Additional guidance on the application of the arm's length test is expected to be provided by SARS.

Section 23M provides for a limitation on the amount of interest which can be deducted on loans sourced from a person that is in a 'controlling relationship' with the debtor (or is owing to a third party creditor that has obtained the funding from a debt advanced from a person that is in such a controlling relationship) and where the interest is not subject to either normal income tax or interest withholding tax in the hands of the person to which it accrues.

Where as a result of the application of a DTA, the rate of interest withholding tax is reduced to 0%, the interest is regarded as not being subject to tax. Taxpayers will be required to firstly apply the provisions of section 31 of the Act to any cross border loans. Where the loan has been used to fund an acquisition and reorganisation transaction, further interest limitation provisions set out in section 23N must be applied to that portion of the interest which is allowable as a deduction under section 31.

Finally, the provisions of section 23M must be applied to determine whether any portion of the interest, not already disallowed under section 23N must be further limited in terms of section 23M.

South African Transfer Pricing Documentation Rules

On 28th October 2017 the final form of the additional transfer pricing document keeping requirements was published by the South African Revenue Service (SARS). The record keeping requirements will apply in respect of years of assessment beginning on or after 1 October 2016.

Transfer pricing and thin capitalization (cont.)

The threshold is the aggregate of all potentially affected transactions of R100 million before the record keeping requirements kick in. Transactions with a value in excess of R5 million have additional documentation retention requirements.

Submission of a CbC report, master file and local file

On 20th October 2017 SARS published a public notice on the submission of country-by-country (CbC) report, master file and local file and depending on certain criteria will be applicable for periods starting on or after 1 January 2016 or 1 October 2016. Importantly, this would include not only SA-resident parent companies but also foreign-held.

A return is required to be submitted by a South African taxpayer in respect of a CbC report, a master file and a local file, if the following criteria are met:

The entity is considered to be an ultimate parent entity as defined in the South African CbC Regulations (No R. 1598, dated 23 December 2016); or

The entity is obliged to file the CbC Report in South Africa due to one of the following reasons:

- The ultimate parent entity is not required to submit a CbC Report, and has not assigned a surrogate parent entity to file the CbC Report on behalf of the Group;
- Automatic exchange relationship of qualifying competent authority agreement (QCAA) between South Africa and the relevant country is not activated by the time of filing the CbC Report;
- There is no QCAA with the relevant jurisdiction and no international tax agreement (or it is not in force by the time of filing the CbC Report) allowing for automatic exchange of CbC Reports;
- There has been a systemic failure, and the South African subsidiary has been informed by the tax administration of its need to submit.

It must be noted that the requirement to file a CbC report, a master file and a local file for the above- mentioned scenarios will be applicable for periods starting on or after 1 January 2016.

Submission of a master file and a local file

A return is required to be submitted by a South African taxpayer in respect of a master file and a local file, if the following criteria are met:

- The entity is not an ultimate parent entity for CbC reporting purposes, and it is not obliged to file CbC report in South Africa;
- If the aggregate of a person's potentially affected transactions (cross-border inter-company transactions, subject to the arm's length principle test) for the year of assessment (without offsetting any transactions) exceeds or is reasonably expected to exceed ZAR100 million.

It must be noted that the requirement to file a master file and a local file for the above mentioned scenario will be applicable for periods starting on or after 1 October 2016.

Investment information

Several investment incentives have been created for the potential investor in South Africa. All business sectors are open to investors, no government approval is required, and there are almost no restrictions in the form or extent of foreign investment.

The current tariff reform programme is specifically aimed at lowering input costs for the producer, while import controls have been relaxed in line with South Africa's General Agreement on Tariffs and Trade (GATT) and World Trade Organisation (WTO) obligations.

The customs legislation also offers various duty savings mechanisms, depending on the envisaged activities, which are available to both importers and local manufacturers.

With effect from 1 January 2011, a new tax regime regarding headquarter companies was enacted to ensure that the tax system did not act as a barrier to the use of South Africa as regional headquarter company (HQC).

Investment information (cont.)

Under the new HQC regime, dividends received are exempt from income tax and dividends declared are not subject to dividend withholding tax, the headquarter company is exempt from the controlled foreign company rules.

However, the foreign subsidiaries of a headquarter company would be regarded as controlled foreign companies in relation to any South Africa shareholders of the headquarter company, if such shareholders effectively own more than 50% of the participation rights or voting rights in the foreign subsidiaries.

Certain transfer pricing and thin capitalisation rules are relaxed on financial assistance provided to and by the HQC.

Exporters are granted incentives such as export marketing assistance, zero rating for value-added tax (VAT) on exports of goods and services and relief from various customs and excise duties.

Regional incentives

To encourage investors to establish or relocate industry and business to areas throughout South Africa, a range of incentive schemes have been developed and are offered by South African government departments (most of which are housed within the Department of Trade, Industry and Competition) either through cash grant funding or tax relief.

Industrial Development Corporation of South Africa Limited (IDC)

The state-owned Industrial Development Corporation promotes investment by funding viable projects with development impact. It operates throughout South Africa and offers a range of financing services for small, medium and large scale industries, so as to assist businesses in the establishment of manufacturing concerns in South Africa and the Southern African region. The most common form of financing given by the IDC is a medium- to long-term low interest rate loan. The IDC has, in certain cases, taken equity stakes in industrial entities.

Department of Science and Innovation (DSI)

The Research and Development ("R&D") tax incentive is provided in terms of section 11D of the Act is administered by the DSI, and is an additional 50% tax deduction on eligible R&D expenditure incurred in South Africa, which equates to an effective 14%⁴ net tax benefit.

The R&D tax deduction can only be claimed from the date that a pre-approval application form has been lodged with the DSI. This means that only expenditure incurred on or after the date of lodging the application will be eligible to be claimed as part of an applicant's tax return, subject to the DSI's approval. Any R&D undertaken must be done from within South Africa to qualify – however, there is no requirement that the resultant IP must be held in South Africa.

Once a project has been approved, annual progress reports must be submitted to the DSI, which includes an update on the technical progress of the projects as well as a summary of costs claimed in relation to the approved projects. Failure to submit these progress reports annually to the DSI may result in approval of the R&D projects being withdrawn. Department of Trade, Industry and Competition (dtic)

The dtic has developed a range of incentives, which include, inter alia, the following:

13.5% for years of assessment commencing on or after 1 April 2022 if the reduction in corporate income tax is promulgated.

- The Automotive Investment Scheme ("AIS") is a non-taxable cash grant incentive which aims to develop the automotive industry in South Africa through the investment in new and/or replacement models and components. The grant ranges between 20% for light motor vehicle (LMV) manufacturers (25% for component manufacturers) and 35% of the cost for new, upgrade or expansion projects, capped at R40 million.

⁴ 13.5% for years of assessment commencing on or after 1 April 2022 if the reduction in corporate income tax is promulgated.

Investment information (cont.)

Projects below R1 million for component manufactures and below R30 million for LMV manufacturers will not qualify for assistance under AIS. Applications must be submitted to the dti prior to the commencement of production (120 days but not earlier than 180 days for LMV manufacturers, and 90 days but not earlier than 120 days for component manufacturers).

- The Critical Infrastructure Programme (CIP) incentive is a non-taxable cash grant for projects that are designed to improve critical infrastructure in South Africa. The grant covers up to 30% of the cost of development in qualifying infrastructure, to a maximum of R50 million. Applications must be submitted to the dtic at least 60 calendar days prior to the commencement of infrastructure construction.

Other incentives offered by the dtic include, but are not limited to:

- Aquaculture Development and Enhancement Programme
- Agro-Processing Support Scheme
- Global Business Services incentive
- Film and TV production incentives
- Strategic Partnership Programme

South African Revenue Services

Tax allowance incentives additional to those identified above which are provided for in the Income Tax Act include, but are not limited to:

- Special Economic Zones
- Employment Tax Incentive
- Section 12H Learnership Agreement tax allowance
- Section 12L energy efficiency tax allowance

Exchange control

Companies and individuals resident in South Africa are subject to exchange control regulations. Exchange controls are administered by authorised dealers in exchange (commercial and merchant banks) acting for the South African Reserve Bank. Certain specific restrictions are imposed on South African exchange control-resident companies and individuals relating to the export of capital and the remittance of dividends, royalties, interest and management fees.

Residence and work permits

Foreign nationals are required to enter South Africa on a visa that is commensurate with their activities whilst in the country. It is therefore recommended that the appropriate visa be applied for and obtained abroad, prior to arrival in South Africa.

Foreign nationals from visa-exempt countries, do not require a visa for South Africa for visits up to 90 days. They are, however, required to request a Section 11(2) visa authorisations for any work-related visits.

Travellers from non-visa exempt countries must apply for Section 11(2) visas at South African missions abroad, before travelling to South Africa. Foreign nationals who wish to work legally in South Africa have to be in possession of a valid work visa prior to commencing employment activities in South Africa.

Available work visas for includes an Intra-company transfer work visa, General work visa and Critical skills work visa and Business visa. Visitor's visas may also be issued to accompanying family members and study visas may be issued to those who are required to attend school.

Annual budget announcement

The Minister of Finance generally presents the annual budget in February each year. In the budget, government expenditure for the following fiscal year is announced, as well as the manner in which such expenditure will be funded. Expenditure is predominantly funded by means of taxation. The above information contains changes and proposals presented by the Minister of Finance in February 2021.

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Bilateral trade and agreements

Trade agreements

Favourable or reduced rates of customs duty may apply depending on the origin of goods and on whether South Africa has entered into a Trade Agreement with such territory.

South Africa is a party to trade agreements with the European Union, European Free Trade Association, Southern African Development Community, MERCOSUR, Zimbabwe, Malawi and Mozambique, and is also a member of the Southern African Customs Union, which includes Botswana, Lesotho, Namibia and Swaziland.

The United States of America also offers preferential customs duty treatment to qualifying goods of South African origin in terms of the African Growth and Opportunity Act (AGOA).

Economic statistics

Prime interest rate	
Prior to 17 January 2020	10%
From 17 January 2020	9.75%
From 20 March 2020	8.75%
From 15 April 2020	7.75%
From 22 May 2020	7.25%
From 24 July 2020	7%
Repo interest rate	
Prior to 17 January 2020	6.50%
From 17 January 2020	6.25%
From 20 March 2020	5.25%
From 15 April 2020	4.25%
From 22 May 2020	3.75%
From 24 July 2020	3.5%
USD exchange rate (January – December)	R14.3972 – R14.9058
GBP exchange rate (January – December)	R18.8191 – R20.0169
EUR exchange rate (January – December)	R15.9848 – R18.4142
CPI inflation rate (Average 2020)	3.3%
PPI inflation rate (Average 2020)	2.6%
GDP growth rate (Annual Growth 2020)	-7.2%

Languages

English is the commercial language. South Africa has 11 official languages including isiZulu and Sesotho.

Currency

Local currency is the South African Rand (R/ZAR).

2020 Key tax factors for efficient cross-border business and investment involving South Africa

- Official holidays⁵**
- New Year's Day - 1 January
 - Human Rights Day - 21 March
 - Good Friday – Date varies (2 April 2021)
 - Family Day – Date varies (5 April 2021)
 - Freedom Day – 27 April
 - Workers Day – 1 May
 - Youth Day – 16 June
 - National Women's Day – 9 August
 - Heritage Day – 24 September
 - Day of Reconciliation – 16 December
 - Christmas Day – 25 December
 - Day of Goodwill – 26 December

COVID-19 Resources

An overview of tax developments being reported globally by KPMG member firms in response to the Novel Coronavirus (COVID-19) is available [here](#). For further insight into the potential tax, legal and mobility implications of COVID-19, please refer to the dedicated [KPMG page](#).

Travel information

Visa requirements	Visas are generally required for visits to South Africa (check with your local embassy)
Flights	Daily flights to and from most regional and international destinations worldwide.
Inoculations	Standard requirements.

⁵ The Public Holidays Act (Act No 36 of 1994) determines whenever any public holiday falls on a Sunday, the Monday following on it shall be a public holiday.

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