



## DOING BUSINESS IN SOUTH AFRICA

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## Introduction



**CAPITAL: PRETORIA**



**POPULATION**

**Total Population:** 57,779,622

**Natural Increase:** 1.4%

**Density:** 48 Inhabitants/km<sup>2</sup>

**Urban Population:** 66.4%

**Population of main urban zones:** Johannesburg (7,860,781); Cape Town (3,430,992); Durban (2,786,046); Pretoria (1,763,336); Port Elizabeth (876,436); Soshanguve (728,063); Evaton (605,504); Pietermaritzburg (475,238); Bloemfontein (464,591)

**Ethnic Origins:** About 80% of African origin; under 10% of European origin; under 10% of mixed African, Asian and/or European origin; and about 2.5% of Asian, primarily Indian, origin. ([Statistics South Africa](#))

**Official Language:** Afrikaans, English, Ndebele, Northern Sotho, Sotho, Swati, Tsonga, Tswana, Venda, Xhosa, Zulu.

**Other Languages Spoken:** Fanagalo, Hindi, Sotho, Tsotsitaal, Venda.

**Business Language(s):** English and Afrikaans.

**Religion:** Almost 80% of the population is Christian. There are also Hindu, Muslim and Jewish minorities, as well as groups who follow traditional African beliefs.

**National Currency:** South African Rand (ZAR)



**COUNTRY OVERVIEW**

**Area:** 1,219,090 km<sup>2</sup>

**Type of State:** South Africa is a federal republic with a parliamentary democracy.

**Type of Economy:** Upper-middle-income economy, emerging financial market.  
The second wealthiest country in Africa (GDP)

**HDI\*:** 0.666/1

**HDI (World Rank):** 116/188

*Note: (\*) [The HDI](#), Human Development Index, is an Indicator Which Synthesizes Several Data Such as Life Expectancy, Level of Education, Professional Careers, Access to Culture etc.*



**TELECOMMUNICATION**

**Telephone Code:**

To call from South Africa, dial 00

To call South Africa, dial +27

**Internet Suffix:** .za

**Computers:** 8.4 per 100 Inhabitants

**Telephone Lines:** 7.9 per 100 Inhabitants

**Internet Users:** 41.0 per 100 Inhabitants

**Access to Electricity:** 85.4% of the Population

## Foreign Trade in Figures

<b>Foreign Trade Indicators</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Imports of Goods <i>(million USD)</i>	121,965	104,620	91,580	101,326	113,605
Exports of Goods <i>(million USD)</i>	91,047	81,673	75,091	88,947	93,970
Imports of Services <i>(million USD)</i>	16,625	15,111	14,954	15,762	16,105
Exports of Services <i>(million USD)</i>	16,458	14,665	14,360	15,376	15,590

Source: WTO – World Trade Organisation, 2017

[See the latest updates in the Country Profile for South Africa.](#)

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Latest Update: March 2019

## Economic and Political Overview

### ECONOMIC OUTLINE

#### Economic Overview

In early 2018 president Jacob Zuma resigned after becoming involved in a corruption scandal. He was replaced by President Cyril Ramaphosa, who invested in significant policy improvements that restored macroeconomic stability in the country. However, even though Cyril Ramaphosa stated that boosting economic growth, cutting unemployment and avoiding downgrades by credit-rating agencies constituted his government's economic key priorities, South Africa still faces rising public debt, inefficient state-owned enterprises, and spending pressures, which have reduced the country's global competitiveness. Still, South Africa has a highly developed economy and advanced economic infrastructure, making the country the leading African economy and home to 75% of the largest African companies. The economy grew 0.8% in 2018, but for 2019 and 2020 the expected growth rates are higher, at 1.4% and 1.7%.

Public debt is over 50% of GDP and the budget deficit is around 4%, as economic growth was slower than expected and revenue collection fell. According to a report by South Africa's Treasury, national debt will rise by almost a trillion rand between 2017 - 2020, to nearly two-thirds of gross domestic product: the gross loan debt is expected to reach USD 247 billion in 2020 as the government accelerates borrowing in local and international markets. In 2018, inflation fell to 4.8% (compared to 5.3% in 2017, the same number that is expected to reach in 2019). Even though President Cyril Ramaphosa has only been in power for about a year, legislative elections will be held in 2019. The enthusiasm that followed the appointment of Cyril Ramaphosa as president in 2018 was quickly stifled as the new President struggled with the country's socio-economic challenges, such as growth, high unemployment, persistent social inequalities, a highly volatile currency, and rising inflationary pressures. The president has prioritised land redistribution as he seeks to unite Congress and win public support ahead of the election. However, according to the opposition, the government's plans will jeopardise property rights and scare off investors. In 2019, private investment growth is expected to remain cautious as the elections approach and uncertainties about land reform continue to be a cause for concern. The prevailing political uncertainty in the country seems to have eroded business and consumer confidence.

South Africa's unemployment rate increased slightly between 2017 and 2018, going from 27.5% to 27.9%. The country's unemployment rate remains high, especially when the non-working population who's no longer seeking work is taken into account. Additionally, unemployment rates are much higher among the young population and the black majority of south africans, further increasing the inequalities in a country considered one of the most unequal in the world, where a smaller part of the population still lives on one Euro per day. Additionally, South Africa has the biggest HIV epidemic in the world, with an estimated 7.2 million people infected - about 19% of the population. The country also has the largest antiretroviral treatment programme in the world, which has been largely financed by the government. South Africa was also the first country in the region to approve the use of antiretroviral drugs to protect HIV-negative people from potential exposure to the virus. These programmes and awareness campaigns have proven successful, so life expectancy has been increasing and HIV contraction rates are expected to decrease.

<b>Main Indicators</b>	<b>2017</b>	<b>2018</b>	<b>2019 (e)</b>	<b>2020 (e)</b>	<b>2021 (e)</b>
GDP ( <i>billions USD</i> )	349.43e	368.14e	358.84	369.85	383.90
GDP ( <i>Constant Prices, Annual % Change</i> )	1.4	0.8	0.2	-5.8	4.0
GDP per Capita ( <i>USD</i> )	6,120e	6,354e	6,100	6,193	6,332
General Government Balance ( <i>in % of GDP</i> )	-3.8	-3.8e	-4.8	-4.9	-5.1
General Government Gross Debt ( <i>in % of GDP</i> )	53.0	56.7e	59.9	64.2	67.9

Main Indicators	2017	2018	2019 (e)	2020 (e)	2021 (e)
Inflation Rate (%)	5.3	4.6	4.1	2.4	3.2
Unemployment Rate (% of the Labour Force)	27.5	27.1	28.7	35.3	34.1
Current Account (billions USD)	-8.88	-13.06e	-11.24	-13.40	-13.90
Current Account (in % of GDP)	-2.5	-3.5	-3.0	0.2	-1.3

Source: IMF – World Economic Outlook Database, Latest available data

Note: (e) Estimated Data; The following indicators: GDP (Constant Prices, Annual % Change), Inflation Rate (%), Unemployment Rate (% of the Labour Force) and Current Account (in % of GDP) were updated by the IMF in April 2020. The rest of the indicators were updated in October 2019.

## Main Sectors of Industry

South Africa is rich in mineral resources. The country is the world's largest producer and exporter of gold, platinum, chrome and manganese and the fourth largest producer of diamonds. It produces 80% of the world's platinum and has 60% of the world's coal reserves. Important oil and gas reserves are thought to be situated off-coast, in the Indian Ocean. South Africa has diverse manufacturing industries and is a world leader in several specialised sectors, including railway rolling stock, synthetic fuels, mining equipment and machinery. The industrial sector employs nearly one-fourth of the workforce (23%) and represents nearly 26% of the country's GDP.

Agriculture represents only a small part of the country's GDP (2.3%) and employs almost 6% of the country's workforce, which is relatively low compared to other African countries. South Africa is the world's sixth largest producer of wine and the continent's largest corn and sugar producer. Grains and cereals - such as maize, wheat, barley and soya beans - are the country's most important crops. In 2018, the Parliament of South Africa passed a motion to allow for the expropriation of land without compensation, in the public interest. So, it is expected that South Africa will undergo major land reforms in the upcoming years, which could affect the agricultural sector.

The services sector is flourishing. It employs 71.1% of the workforce and in 2017 it represented 61.5% of the country's GDP. The major sectors of the economy are finance, real estate and business services, followed by general government services. South Africa has a sophisticated financial structure with an active stock exchange that ranks among the world's top 20 in terms of market capitalisation. The tourism sector has struggled to capitalise on the boost it received from the FIFA World Cup in 2010, whilst benefiting from the weakness of the rand and visa facilitation. In 2018, the number of tourists who visited the country increased around 4.5% compared to the same period in 2017.

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Employment By Sector (in % of Total Employment)	5.1	23.2	71.7
Value Added (in % of GDP)	2.2	25.9	61.5
Value Added (Annual % Change)	-4.8	-0.1	1.4

Source: World Bank, Latest available data.

## Indicator of Economic Freedom

Score: 58,3/100

World Rank: 102

Regional Rank: 11

[Economic freedom in the world \(interactive map\)](#)

Source: [2019 Index of Economic Freedom, Heritage Foundation](#)

## Business environment ranking

Score: 6.23

World Rank: 54/82

Source: [The Economist - Business Environment Rankings 2014-2018](#)

## Country Risk

See the country [risk analysis](#) provided by [Coface](#).

## Sources of General Economic Information

Ministries	<a href="#">Department of Agriculture, Forestry and Fisheries</a> <a href="#">Department of Trade and Industry</a> <a href="#">Department of Mineral Resources</a> <a href="#">Department of Public Enterprises</a>
Statistical Office	<a href="#">Statistics South Africa</a>
Central Bank	<a href="#">South African Reserve Bank</a>
Stock Exchange	<a href="#">Johannesburg Stock Exchange</a>
Other Useful Resources	<a href="#">The South African government</a> <a href="#">South African Department of International Relations and Co-operation</a> <a href="#">Constitutional Court of South Africa</a> <a href="#">National Treasury</a>
Main Online Newspapers	<a href="#">Business Day</a> <a href="#">South African Newspapers</a> <a href="#">Mail and Guardian Online</a> <a href="#">African Hunting Gazette</a> <a href="#">Africa link</a> <a href="#">List of online newspapers</a>
Economic Portals	<a href="#">Economy watch</a>

## POLITICAL OUTLINE

Current Political Leaders	President: Cyril RAMAPHOSA (since February 2018) – ANC ; the president is both chief of state and head of government Executive Deputy President: David MABUZA (since February 2018) - ANC
Next Election Dates	Presidential: May 2024 Legislative (National Council of Provinces and National Assembly) : 2024
Main Political Parties	The <a href="#">African National Congress</a> (ANC): ruling party founded by Nelson Mandela; in power since the end of apartheid in 1994; consistently wins at least 60% of the vote, although its popularity declined by several percentage points between 2004 and 2014; centre-left to left-wing, but allied with the far left groups, the <a href="#">Congress of South African Trade Unions</a> (COSATU) and the <a href="#">South African Communist Party</a> (SACP) <a href="#">Democratic Alliance</a> (DA): official opposition, supports liberal democracy and free



market principles, progressively gaining in popularity  
[Economic Freedom Fighters](#) (EFF): far left, Marxist  
[Inkatha Freedom Party](#) (IFP): dominated by rural, Zulu-speakers based in the KwaZulu-Natal region; emphasises social justice and the role of traditional communities

Type of State	South Africa is a federal republic with a parliamentary democracy.
Executive Power	The President is both the chief of state and the head of the Government. The President is elected by the Parliament (lower house) to serve a five-year term. He/She is usually the leader of the largest party. The President is the also commander-in-chief of the armed forces, declares war or peace and appoints the Cabinet.
Legislative Power	<p>South Africa has a bicameral legislature. The parliament's members are elected by popular vote, under a system of proportional representation, to serve five-year terms. The National Council of Provinces (the upper house) has 90 seats, with 10 members elected by each of the nine provincial legislatures for five-year terms.</p> <p>The executive branch of the Government is directly or indirectly dependent on the support of the Parliament, often expressed through a vote of confidence. The President can dissolve the Parliament if a majority of the members of the National Assembly seek its dissolution and if has been at least three years since the last election.</p>

### Indicator of Freedom of the Press

World Rank: 31/180

Source: [2019 World Press Freedom Index, Reporters Without Borders](#)

### Indicator of Political Freedom

Ranking: Free

Political Freedom: 2/7

Civil Liberties: 2/7

[Political freedom in the world \(interactive map\)](#)

Source: [Freedom in the World 2019, Freedom House](#)

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## Trade Profile

### FOREIGN TRADE IN FIGURES

South Africa is very open to international trade, which represents 58.2% of the country's GDP. The country mainly exports platinum (7.5%), coal and similar solid fuels (6.5%), motor vehicles (6.4%), gold (5.6%), and iron ores (5.4%). The main imports are petroleum oils (13.1%), motor vehicles (4.8%), transmission apparatus for radio-telephony (3.5%), automatic data processing machines and units (2.2%), and medicaments (2.1%).

South Africa's top trading partners are China, the United States, Germany, Japan, India, and Saudi Arabia. The country is currently negotiating a trade agreement with India. Additionally, the African Continental Free Trade Area negotiations continued in 2018 and are envisaged to be concluded in 2020.

In 2017, South Africa shipped USD 89 billion worth of products, an increase of 20.8% from 2016. Overall South Africa obtained a USD 5.15 billion trade surplus for 2017 (an increase from 2.48 billion in 2016). South Africa imported goods of the total value of USD 101 billion, whereas its exports of goods in the same year reached the total value of USD 89 billion.

<b>Foreign Trade Values</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Imports of Goods <i>(million USD)</i>	121,965	104,620	91,580	101,326	113,605
Exports of Goods <i>(million USD)</i>	91,047	81,673	75,091	88,947	93,970
Imports of Services <i>(million USD)</i>	16,625	15,111	14,954	15,762	16,105
Exports of Services <i>(million USD)</i>	16,458	14,665	14,360	15,376	15,590

Source: World Trade Organisation (WTO) ; Latest available data

<b>Foreign Trade Indicators</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Foreign Trade <i>(in % of GDP)</i>	64.4	61.6	60.6	58.0	59.5
Trade Balance <i>(million USD)</i>	-5,099	-3,640	2,218	4,861	1,692
Trade Balance (Including Service) <i>(million USD)</i>	-5,312	-4,121	1,640	4,458	1,158
Imports of Goods and Services <i>(Annual % Change)</i>	-0.6	5.4	-3.9	1.0	3.3
Exports of Goods and Services <i>(Annual % Change)</i>	3.6	2.9	0.4	-0.7	2.6
Imports of Goods and Services <i>(in % of GDP)</i>	33.0	31.5	30.1	28.3	29.6
Exports of Goods and Services <i>(in % of GDP)</i>	31.5	30.2	30.6	29.6	29.9

Source: World Bank ; Latest available data

### Main Partner Countries

<b>Main Customers</b> <i>(% of Exports)</i>	<b>2014</b>	<b>Main Suppliers</b> <i>(% of Imports)</i>	<b>2014</b>
China	9.6%	China	15.5%
United States	7.1%	Germany	10.0%
Japan	5.4%	Saudi Arabia	7.1%
Botswana	5.3%	United States	6.6%



<b>Main Customers</b> <i>(% of Exports)</i>	<b>2014</b>
Namibia	5.0%
Germany	4.7%
India	4.2%
United Kingdom	3.8%
Mozambique	3.3%
Netherlands	3.3%

<b>Main Suppliers</b> <i>(% of Imports)</i>	<b>2014</b>
Nigeria	5.1%
India	4.6%
Japan	3.8%
United Kingdom	3.3%
Italy	2.6%
Thailand	2.4%

Source: Comtrade, 2017

### Main Products

<b>90.6 bn USD of products exported in 2014</b>	
Iron ores and concentrates, incl. roasted iron pyrites	7.4%
Platinum, incl. palladium, rhodium, iridium, osmium and ruthenium, unwrought or in semi-manufactured forms, or in powder form	7.2%
Coal; briquettes, ovoids and similar solid fuels manufactured from coal	5.7%
Gold, incl. gold plated with platinum, unwrought or not further worked than semi-manufactured or in powder form	5.2%
Motor cars and other motor vehicles principally designed for the transport of persons, incl. station wagons and racing cars (excl. motor vehicles of heading 8702)	4.8%
Ferro-alloys	4.5%
Petroleum oils and oils obtained from bituminous minerals (excl. crude); preparations containing $\geq 70\%$ by weight of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations, n.e.s.; waste oils containing mainly petroleum or bituminous minerals	3.4%
Motor vehicles for the transport of goods, incl. chassis with engine and cab	3.3%
Diamonds, whether or not worked, but not mounted or set (excl. unmounted stones for pick-up styluses, worked stones, suitable for use as parts of meters, measuring instruments or other articles of chapter 90)	2.7%
Centrifuges, incl. centrifugal dryers (excl. those for isotope separation); filtering or purifying machinery and apparatus, for liquids or gases; parts thereof (excl. artificial kidneys)	2.2%

<b>99.9 bn USD of products imported in 2014</b>	
Petroleum oils and oils obtained from bituminous minerals, crude	16.2%
Petroleum oils and oils obtained from bituminous minerals (excl. crude); preparations containing $\geq 70\%$ by weight of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations, n.e.s.; waste oils containing mainly petroleum or bituminous minerals	5.8%
Motor cars and other motor vehicles principally designed for the transport of persons, incl. station wagons and racing cars (excl. motor vehicles of heading 8702)	4.7%
Automatic data-processing machines and units thereof; magnetic or optical readers, machines for transcribing data onto data media in coded form and machines for processing such data, n.e.s.	2.3%
Transmission apparatus for radio-broadcasting or television, whether or not incorporating reception apparatus or sound recording or reproducing apparatus; television cameras, digital cameras and video camera recorders	2.2%
Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses "incl. those in the form of transdermal administration" or in forms or packings for retail sale (excl. goods of heading 3002, 3005 or 3006)	1.6%
Parts and accessories for tractors, motor vehicles for the transport of ten or more persons, motor cars and other motor vehicles principally designed for the transport of persons, motor vehicles for the transport of goods and special purpose motor vehicles of heading 8701 to 8705, n.e.s.	1.3%

**99.9 bn USD of products imported in 2014**

Telephone sets, incl. telephones for cellular networks or for other wireless networks; other apparatus for the transmission or reception of voice, images or other data, incl. apparatus for communication in a wired or wireless network [such as a local or wide area network]; parts thereof (excl. than transmission or reception apparatus of heading 8443, 8525, 8527 or 8528)	1.2%
Motor vehicles for the transport of goods, incl. chassis with engine and cab	1.1%
Self-propelled bulldozers, angledozers, graders, levellers, scrapers, mechanical shovels, excavators, shovel loaders, tamping machines and roadrollers	0.9%

Source: Comtrade, 2017

See More Products [More imports \(Intracen Data\)](#)  
[More exports \(Intracen Data\)](#)

**MAIN SERVICES**

<b>14.7 bn USD of services exported in 2017</b>	
Travel	60.28%
Transportation	15.84%
Other business services	14.16%
Computer and information services	4.54%
Government services	2.63%
Cultural and recreational services	1.61%
Royalties and license fees	0.81%
Construction services	0.12%

<b>15.6 bn USD of services imported in 2017</b>	
Transportation	40.93%
Travel	20.96%
Other business services	13.86%
Royalties and license fees	13.66%
Computer and information services	7.75%
Government services	2.59%
Cultural and recreational services	0.21%
Construction services	0.03%

Source: United Nations Statistics Division, Latest Available Data

**Exchange Rate System**

Local Currency            South African Rand (ZAR)  
 Exchange Rate            Independently floating  
 Regime  
 Level of Currency        Slightly volatile since 2016  
 Instability  
 Exchange Rate on :

Monetary Indicators	2014	2015	2016	2017	2018
South African Rand (ZAR) - Average Annual Exchange Rate For 1 USD	10.85	12.76	14.71	13.30	13.26

Source: World Bank - Latest available data.

## TRADE COMPLIANCE

International Conventions	<p>Member of <a href="#">World Trade Organisation</a></p> <p>Party to the <a href="#">Kyoto Protocol</a></p> <p>Party to the <a href="#">Washington Convention</a> on International Trade in Endangered Species of Wild Fauna and Flora</p> <p>Party to the <a href="#">Basel Convention</a> on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal</p> <p>Party to the <a href="#">Montreal Protocol</a> on Substances That Deplete the Ozone Layer</p> <p>Party to the <a href="#">Wassenaar Arrangement</a> on Export Controls For Conventional Arms and Dual-Use Goods and Technologies</p>
Main International Economic Cooperation	<p>South Africa is a member of <a href="#">Southern African Customs Union (SACU)</a>.</p> <p>South Africa is a member of <a href="#">Southern African Development Community (SADC)</a>.</p> <p>South Africa has also signed <a href="#">bilateral</a> and <a href="#">multilateral</a> commercial agreements with a number of countries.</p>
Party of the ATA Convention on Temporary Admissions and Use of the Carnets	<p>Yes</p> <p><i>As a Reminder, the ATA is a System Allowing the Free Movement of Goods Across Frontiers and Their Temporary Admission Into a Customs Territory With Relief From Duties and Taxes. The Goods Are Covered By a Single Document Known as the ATA Carnet That is Secured By an International Guarantee System.</i></p> <p><a href="#">Look Up the Other Member Countries And Read the Web Pages of the World Customs Organization Devoted to the ATA Carnet.</a></p>
Party of the TIR Convention	<p>No</p> <p><i>As a Reminder, the TIR Convention and its Transit Regime Contribute to the Facilitation of International Transport, Especially International Road Transport, Not Only in Europe and the Middle East, But Also in Other Parts of the World, Such as Africa and Latin America.</i></p> <p><i>The UNCTAD Website Allows You to <a href="#">Read the TIR Convention</a>, <a href="#">See the List of Member Countries</a> And to <a href="#">Find Further Information</a>.</i></p>
Accompanying Documents For Imports	<p>Bill of Lading;</p> <p>Commercial invoice stating the price charged to the importer;</p> <p>Insurance documents;</p> <p>Packing list; and</p> <p>A declaration of Origin Form DA59 is needed if rate of duty lower than the standard rate.</p>
Free Zones	<p>There are 5 <a href="#">Industrial Development Zone (IDZ)</a> in South Africa which offer duty-free import of production-related materials and zero VAT on materials sourced from South Africa: <a href="#">Coega</a>, <a href="#">East London</a>, Richards Bay, Mafikeng, and OR Tambo International Airport near Johannesburg.</p>

An [African free trade zone](#) including 12 countries (Botswana, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Swaziland, Tanzania, South Africa, Zambia and Zimbabwe.) has been created in October 2008.

For Further Information [South African Revenue Service](#)  
[South Africa Ministry of Trade and Industry](#)  
[South African Reserve Bank \(SARB\)](#)  
[South African Department of Foreign Affairs](#)

Non Tariff Barriers Import licences are required for a certain number of products (refer to Schedule 1 of the Import Control Regulations Act). These licences are delivered by the following authorities (as per the nature of the product): the [Department of Agriculture, Forestry and Fisheries](#), the [Department of Water and Sanitation](#), the [Department of Environmental Affairs](#), the [Department of Trade and Industry](#), the [Department of Energy](#) and the [Department of Health](#).  
 Some products are subject to specific controls (caution: the below list is not exhaustive):

- A phytosanitary certificate is required for vegetables and related products, as well as animal products such as bacon, hides and honey. It is delivered by the Ministry of Agriculture from the country of origin.
- A veterinarian certificate is required for the import of living animals and fresh, frozen or canned meat.
- A certificate of disinfection is necessary for the import of wool products, cotton, clothes, etc.
- A certificate of inspection by a recognised institute is required only for exporters who export for the first time in South Africa, it is not required when a good business relationship has been established.
- A quality certificate may be asked for fruits and vegetables.

Sectors or Products For Which Commercial Disagreements Have Been Registered With the WTO Pharmaceutical Products.  
 The [WTO](#) gives details of these disagreements.

Assessment of Commercial Policy [South African commercial policy](#), as seen by the WTO  
[Barriers to exchanges](#), inventoried by the United States  
[SACU](#), Southern African Customs Union  
[Barriers to exchanges](#), inventoried by the EU  
[Sanitary and phytosanitary barriers](#), inventoried by the EU

## STANDARDS

National Standards Organisations [South African Bureau of Standards \(SABS\)](#)  
[Engineering Council of South Africa \(ECSA\)](#)  
[Council for Scientific and Industrial Research \(CSIR\)](#)  
[Human Science Research Council \(HSRC\)](#)  
[Medicines Control Council \(MCC\)](#)

Integration in the International Standards Network SABS is a member of:  
[International Standard Organisation \(ISO\)](#);  
[International Electrotechnical Commission \(IEC\)](#);  
[African Organisation for Standardisation \(ARSO\)](#).

Obligation to Use Standards The standards proposed by [SABS](#) are obligatory in those cases concerned with public safety (Chemicals, Food and Health, Electric and Electronic equipment). Only 53 of

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	SABS's approximately 5,000 standards are actually mandatory.
Classification of Standards	<a href="#">SABS Standards</a>
Assessment of the System of Standardization	The SABS Mark is highly regarded in South Africa, and it is a powerful marketing tool which can increase the sales potential in this market as well as in neighboring markets. For standards for certain agricultural and agricultural-related products, visit The Directorate of Plant Health and Quality within the <a href="#">National Department of Agriculture</a> . Electronic equipment must be tested by SANAS' accredited laboratories.
Online Consultation of Standards	<a href="#">SABS Online Standards Webstore</a>
Certification Organisations	<a href="#">SANAS</a> South African National Accreditation System. <a href="#">SACCI</a> South African Chamber of Commerce and Industry.
Associations of Standards Users	<a href="#">Association of Security Engineers of South Africa (ASESA)</a> <a href="#">The Motor Vehicle Security Association of South Africa (VESA)</a> <a href="#">South African Agricultural Machinery Association(SAAMA)</a>

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## Tax System

### CORPORATE TAXES

**Tax Base For Resident and Foreign Companies** A company is resident in South Africa if it is incorporated, established, or formed in South Africa or has its place of effective management in the country (meaning by this the place where key management and commercial decisions that are necessary for the conduct of its business as a whole are taken).

### Tax Rate

Corporate Income Tax	28%
Small business corporations (i.e. companies with only natural persons as members/owners and with gross income of not more than ZAR 20 million) (for 2019-20 fiscal year)	0% on the first ZAR 79,000 of taxable income; 7% on taxable income above ZAR 79,000 but not exceeding ZAR 365,000; 21% on taxable income above ZAR 365,000 but not exceeding ZAR 550,000; 28% on taxable income exceeding ZAR 550,000.
Companies with a turnover of less than ZAR 1 million per year can elect an alternative turnover-based tax	Rates from 0% to 3%, depending on the turnover

**Tax Rate For Foreign Companies** South African resident companies are taxed on worldwide income while non-resident companies are taxed on locally sourced income only.

**Capital Gains Taxation** Only 80% of capital gains is included in taxable income and taxed at the normal income tax rate. A resident is liable for the capital tax on assets located both in and outside South Africa, while a non-resident is liable to capital tax only on immovable property in South Africa or assets of a permanent establishment in the country.

**Main Allowable Deductions and Tax Credits** Deductions are permitted under the “general deduction formula”. The general rule is that if an expense does not comply with the requirements of the formula, it will not be deductible, unless specifically allowed by another section of the Income Tax Act. Where an expense qualifies for a deduction under both the general formula and a specific provision, it may be deducted only once. In general, expenses incurred for the purposes of income generation are deductible. Most taxes (with the exception of income taxes, donations tax, withholding taxes on interest, and dividends tax) are deductible from a company’s taxable income, provided they qualify for deduction under general rules. Losses may be carried forward indefinitely, provided an active trade or business of a similar nature is carried on without interruption. Loss carrybacks are not allowed in South Africa. While capital expenditure is non-deductible, allowances may be provided. Special relief is provided for start-up expenditure: when expenses would have been deductible had they been incurred after the commencement of trade, they can be deducted in the year in which trade commences. Generally, interest expenditure incurred in the production of non-exempt income and for the purposes of trade is deductible. Charitable contributions to certain approved public benefit organisations are tax deductible (capped at 10% of taxable income). Tax incentives are also provided for small business corporations, R&D, urban development, infrastructure development, public-private partnership grants, environmental expenditure deductions, etc.

**Other Corporate Taxes** Micro-businesses with annual turnovers under ZAR 1 million may elect to be taxed under a micro-business tax system instead of the ordinary income tax, provisional tax,



capital gains tax and VAT systems (at rates varying between 0% and 3%). Other special taxes include a 20% withholding tax on payments made to non-residents for services provided (15% for payments made before 22 February 2017), a 20% withholding tax on foreign entertainers and sportspersons (15% for payments made before 22 February 2017), as well as a withholding tax on the acquisition of South African property by a non-resident. Municipal taxes, a transfer tax on securities (0.25%), environmental taxes, financial transaction taxes and donations taxes also apply.

Local municipalities levy rates on land. These rates are based on a percentage of the municipal valuation of land and improvements and vary from municipality to municipality. Generally, a higher rate is levied on properties zoned for business use. Transfer duty levied on the sale of immovable property is payable by the person acquiring the property within six months from the date of acquisition. Rates vary between 0% and 13% of the purchase price (for all purchase made after 1 March 2017, rates vary between 0% and 11% for purchases before this date).

Other Domestic Resources

[South African Revenue Service](#)

[Doing Business Website](#), Consult the Doing Business website to obtain a summary of taxes and mandatory contributions in South Africa.

**Country Comparison For Corporate Taxation**

	South Africa
Number of Payments of Taxes per Year	7.0
Time Taken For Administrative Formalities (Hours)	210.0
Total Share of Taxes (% of Profit)	29.1

Source: *Doing Business - 2017*.

Note: \*The Greater the Index, the More Transparent the Conditions of Transactions. \*\*The Greater the Index, the More the Manager is Personally Responsible. \*\*\* The Greater the Index, the Easier it Will Be For Shareholders to Take Legal Action. \*\*\*\* The Greater the Index, the Higher the Level of Investor Protection.

**ACCOUNTING RULES**

**Accounting System**

- Accounting Standards IFRS apply to all domestic and foreign companies. SMEs have the option to choose between IFRS Standards for SMEs and full IFRS. SMEs that have a public interest score under 100 points (under the Companies Act) and whose financial statements are internally compiled can use their own accounting policies if they are not required to comply with any other financial reporting standards.
- Accounting Regulation Bodies [ASB](#), Accounting Standards Board  
[SAICA](#), South African Institute of Chartered Accountants
- Accounting Law The Companies Act of 2008 and the Auditing Profession Act of 2005
- Difference Between National and International Standards (IAS/IFRS) South Africa's accounting standards have been harmonised with international standards since 2001. For more details, visit [Saica](#) as well as the website of the [Accounting Standard Board](#). This board develops and issues local accounting standards.

Accounting News      [Accountancy SA](#)  
[South Africa Accounting News](#)  
[LowTax.net](#)

## Accounting Practices

**Tax Year**      For companies, the tax year is the same as the accounting year. For individuals, the tax year begins on 1 March and ends on the last day of February of the following year.

**Accounting Reports**      In accordance with international accounting rules, annual accounts must provide the following information: the balance sheet, the profit and loss account and the notes to the accounts. For more information, you may consult the Guidelines for standards currently in force published by the [Accounting Standards Board](#).

**Publication Requirements**      All companies must keep their accounts in English. Records must include the company's assets and liabilities, the fixed assets register, the company's income, the annual stock report, a summary of goods that were bought and sold. Moreover, they have to produce their annual financial statement, which must contain the balance sheet and annexes, a report on income with annexes, a report certified by the director, a report certified by the executives and a profit and loss account.

## Accountancy Profession

**Accountants**      A Chartered Accountant provides services related to accounting & financial analysis, auditing, taxation, cost accountancy, etc. In order to become a certified Chartered Accountant (CA), one needs to pass an examination conducted by the College of Chartered Accountants .

The accountant is responsible for the legal obligations of the company in regards to accounting. As one of South Africa's foremost accountancy institutes, the [SAIPA](#) plays a very important role in ensuring that its members are able to optimize their accountancy practices or add value to their employers in the corporate world. To find an accountant in South Africa, visit [Findanaccountant](#).

**Professional Accountancy Bodies**      [SAICA](#), South African Institute of Chartered Accountants  
[SAIPA](#), South African Institute of Professional Accountants

**Member of the International Federation of Accountants (IFAC)**      Both SAICA and SAIPA are member of the [International Federation of Accountants \(IFAC\)](#).

**Member of Other Federation of Accountants**      South Africa is a member of the [Pan African Federation of Accountants \(PAFA\)](#).

**Audit Bodies**      Financial statements must be prepared annually, according to the International Financial Reporting Standards (IFRS). Certain companies are required to have audited financial statements and other companies must have their financial statements independently reviewed (Companies Act requirements).  
 External auditors can be found at [Independent Regulatory Board for Auditors \(IRBA\)](#)

## CONSUMPTION TAXES

Nature of the Tax	<b>VAT</b> = Valued Added Tax (BTW = Belasting over de Toegevoegde Waarde in Afrikaans).
Standard Rate	15% (since 1 April 2018)
Reduced Tax Rate	Certain supplies are zero-rated, including exports, basic foodstuffs, agricultural goods, the supply of intellectual property to be used outside South Africa and the supply of gold coins issued by the Central Bank, certain financial services, certain supplies by welfare organisations, residential accommodations and public transport.
Exclusion From Taxation	Exemptions include financial services, educational services, child care, donated goods supplied by certain nonprofit organizations, the letting of residential accommodation and immovable property located outside South Africa. While all fee-based financial services are subject to VAT, the charging of interest is exempt.
Method of Calculation, Declaration and Settlement	VAT is applied on the domestic consumption of goods and services and on goods imported into South Africa. VAT is charged at each stage of the production and distribution process in proportion to the price charged for the goods and services. All entities with annual turnovers of taxable supplies of more than ZAR 1 million must register for VAT purposes, including non-residents. All foreign e-commerce companies with South African customers must also register for VAT if taxable services exceed ZAR 50,000 annually. Non-resident suppliers of electronic services are required to register for VAT on the payments basis and account for VAT on supplies of electronic services to South African residents. VAT returns are submitted on a monthly basis (for annual turnover above ZAR 30 million) or on a bi-monthly basis. The VAT returns and payments are normally made on or before the 25th day after the end of the tax period. For more details, check the <a href="#">South African Revenue Service</a> .
Other Consumption Taxes	Other indirect taxes include: custom duties (on certain luxury items); anti-dumping and countervailing duties; excise duties on tobacco, alcoholic beverages, fuel and petroleum products; and excise levies on fuel, road accidents and various environment related products. Please consult the <a href="#">SARS</a> website for more information.

## INDIVIDUAL TAXES

Tax Base For Residents and Non-Residents	South African residents are taxed on worldwide income and capital gains. Non-residents are taxed on their South African-source income and capital gains from immovable property located in South Africa. An individual is considered to be resident in South Africa if he/she is physically present in the country for more than 91 days, in aggregate, in the relevant tax year and each of the preceding five tax years, and also for more than 915 days, in aggregate, in the preceding five tax years. If a person spends a continuous period of at least 330 days outside South Africa, then the individual ceases to be a resident from the date of the beginning of the absence from the country.
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### Tax Rate

ZAR 0 – 195,850	18%
ZAR 195,851 – 305,850	35,253 + 26% of taxable income above 195,851
ZAR 305,851 – 423,300	63,853 + 31% of taxable income above 305,851
ZAR 423,301 – 555,600	100,263 + 36% of taxable income above 423,301
ZAR 555,601 – 708,310	147,891 + 39% of taxable income above 555,600
ZAR 708,311 – 1.500.000	207,448 + 41% of taxable income above 708,310

ZAR 1.500.001 and above	532,041 + 45% of taxable income above 1.500.000
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Allowable Deductions and Tax Credits	Individual deductions include qualifying contributions to an approved pension fund, retirement annuity fund and reinstatement funds; charitable donations (up to a maximum of 10% of taxable income); and qualifying expenses for travel, motor vehicles and entertainment. Deductions for medical expenses have been converted to medical tax credits. Please refer to the <a href="#">SARS</a> website for more information.
Special Expatriate Tax Regime	There is no special expatriate tax regime in South Africa. Expatriates are taxed at the same rates as locals, but only on their South African-sourced income. Non-residents are taxed on all income derived from a South African source or deemed to have a South African source, and on capital gains on the disposal of immovable property situated in South Africa. The source of income is determined by the location of the originating cause of the income, and not by the location of the payer.
Capital Tax Rate	Individuals are charged a 0.25% securities transfer tax, and an inheritance duty on worldwide net estate (at a rate of 20% on the value of the estate to the limit of ZAR 30 million and at a rate of 25% to the extent that the value of the estate exceeds ZAR 30 million, after an abatement of ZAR 3.5 million from the net value of the estate ). A transfer tax applies to the sale of immovable property. It is payable by the buyer within six months from the date of acquisition, with rates ranging from 0 to 13%. However, the transfers of immovable property subject to VAT are exempt from transfer duty. For capital gains tax purposes, 40% of the gain is included in the individual's taxable income and taxed at the applicable marginal tax rate (the general annual capital gains tax exemption for individuals is ZAR 40,000 and the exclusion on death is ZAR 300,000; various other exclusions apply). For further information, consult the <a href="#">SARS</a> website.

## DOUBLE TAXATION TREATIES

Withholding Taxes	Withholding taxes are 20% for dividends, 0-15% for interest, 15% for royalties, 10-20% for service fees paid to non-residents.
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## SOURCES OF FISCAL INFORMATION

Tax Authorities	<a href="#">South African Revenue Service</a> , Established to collect revenue and ensure compliance with tax law <a href="#">South African Ministry of Finance</a> <a href="#">South African National Treasury</a>
Other Domestic Resources	<a href="#">South African Info</a> <a href="#">South African Government</a> <a href="#">Statistics South Africa (Stats SA)</a>

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## Legal Environment

### BUSINESS CONTRACT

General Observation	You must be particularly vigilant about the terms of the contract and the methods of conflict resolution. In fact, South Africa is not a signatory to the <a href="#">Vienna Convention on International Contracts</a> .
Law Applicable to the Contract	The South African law of contract is in many respects similar to the English common law. There is no requirement that each party should give a consideration in order to form a binding contract. The basis of the contract in South African law is offer and acceptance.
Advisable Incoterms	Choose <a href="#">FOB</a> or <a href="#">CIF</a> , or more. When importing, avoid <a href="#">EXW</a> if you do not want to be involved in organizing domestic transport in South Africa , as it could be complex at times.
Language of Domestic Contract	English, Afrikaans
Other Laws Which Can Be Used in Domestic Contracts	Consumer legislation could be used to prescribe or limit the provisions of a business contract.  The terms of a contract may be tested against the provisions of the Bill of Rights. Provisions which significantly infringe certain basic human rights may be void.

### INTELLECTUAL PROPERTY

National Organisations	The national organisation for the protection of trademarks and patents is the <a href="#">CIPC</a> (Companies and Intellectual Property Commission). The <a href="#">South African Institute of Intellectual Property Law</a> is another organisation. South Africa signed <a href="#">the Paris Convention</a> for the protection of industrial property, as well as the agreement establishing the <a href="#">World Intellectual Property Organisation (WIPO)</a> .
Regional Organisations	<a href="#">African Regional Intellectual Property Organisation (ARIPO)</a>
International Membership	Member of the <a href="#">WIPO</a> (World Intellectual Property Organization) Signatory to the <a href="#">Paris Convention</a> For the Protection of Intellectual Property

### National Regulation and International Agreements

Type of property and law	Validity	International Agreements Signed
Patent  <a href="#">Patents Act, 1978.</a>	20 years	<a href="#">Patent Cooperation Treaty (PCT)</a>
Trademark  <a href="#">Trade Marks Act, 1993.</a>	10 years	<a href="#">Trademark Law Treaty</a>
Design  <a href="#">South African Designs Act 195 of 1993</a>	Aesthetic design: 15 years, Functional design:10 years	

Type of property and law	Validity	International Agreements Signed
Copyright <a href="#">Copyright Act of 1978</a>	50 years	<a href="#">Berne convention</a> For the Protection of Literary and Artistic Works
Industrial Models <a href="#">South African Designs Act 195 of 1993</a>		

## LEGAL FRAMEWORK OF BUSINESS

### Equity of Judgments

Equal Treatment of Nationals and Foreigners	Foreign nationals can expect to receive an impartial trial from the country's judicial system.
The Language of Justice	Any of the 11 official languages of South Africa.
Recourse to an Interpreter	Interpreter services are available if the language of the proceedings is not understood by the accused.
Legal Similarities	The legal system is based on Roman-Dutch law and English common law. South African commercial laws and company laws are similar to the laws of the United Kingdom.

### The Different Legal Codes

Constitution of South Africa	<a href="#">South African Constitution</a>
South Africa - Companies Act (2008) Companies Amendment Act (2011)	<a href="#">South Africa - Companies Act (2008)</a> <a href="#">Companies Amendment Act (2011)</a>
The Criminal Procedure Act (1977)	<a href="#">The Criminal Procedure Act (1977)</a>
The Insolvency Act, 1936, Act 24 (1936)	<a href="#">The Insolvency Act, Act 24 (1936)</a>
The Consumer Protection Act	<a href="#">Consumer Protection Act (2008)</a>

Checking National Laws Online	<a href="#">Acts Online</a> <a href="#">Legislation South Africa</a>
Other Useful Resources	<a href="#">Judicial Officers Association of South Africa</a> <a href="#">Constitutional Court of South Africa</a> <a href="#">Pretoria Bar Association</a>
Country Guides	<a href="#">Doing Business in South Africa</a>

### The Jurisdictions

<a href="#">Constitutional Court</a>	Has the final say on all matters relating to the Constitution of South Africa. Its decisions on the constitution are binding on all other courts.
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<a href="#">Supreme Court of Appeal</a>	Has the final say on all matters, except those that involve the constitution. It only hears cases on appeal and its decisions are binding on all courts of a lower order.
<a href="#">High Courts of South Africa</a>	They have jurisdiction over all matters in their geographical area, but usually only hear civil matters involving more than ZAR 100 000 and serious criminal cases.
Circuit Courts	Part of the High Court, they move around to serve more rural areas.
Special Income Tax Courts	Deals with any disputes between a taxpayer and the South African Revenue Service, where the dispute involves an income tax assessment of more than ZAR 100,000 .
<a href="#">Labor Courts</a> and Labor Appeal Courts	They have jurisdiction over labor matters and are on the same level as the High Court.
Divorce Courts	There are three such courts: the Central, North Eastern and Southern Divorce Courts. They hear divorce matters.
<a href="#">Land Claims Court</a>	It was established in 1996 and hears cases dealing with the return of land taken away during Apartheid (land reform cases).
Magistrates' Courts	These are the lower courts which deal with most matters. They are divided into regional courts and district courts. They do not have jurisdiction to deal with civil matters dealing with more than ZAR 100,000.

### Court Officials

Judges High Court judges are mainly drawn from the ranks of senior advocates (barristers), attorneys (solicitors) and academics.

### INTERNATIONAL DISPUTE RESOLUTION

Arbitration Recognised under South African law as a means of dispute resolution and has been the principal form of dispute resolution in sectors like construction, engineering, insurance and other commercial disputes.

Arbitration Law [Arbitration Act 42 of 1965](#) .

Conformity to International Commercial Arbitration Rules Party to the [New York Convention](#) on the Recognition and Enforcement of Foreign Arbitral Awards.

Appointment of Arbitrators Free determination of the number (one or more) and the method of appointment by the parties.

Arbitration Procedure Dispute resolution provisions in agreements usually stipulate the procedural rules that will be applicable to the arbitration process. Thus, in domestic arbitrations, one would find that rules such as those of the Arbitration Foundation of Southern Africa (AFSA).

There is no right of appeal to the courts against the decisions of an arbitrator. There is only a right of review.

Permanent Arbitration Bodies      [Commission for Conciliation, Mediation and Arbitration \(CCMA\)](#)  
[Association of Arbitrators](#)

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## Reaching the Consumers

### CONSUMER PROFILE

Consumer Profile	<p>The population in South Africa is relatively young, with a median age of 27.4 years. The number of inhabitants has increased by 1.55% in 2018. However, the population is gradually ageing. About 46.6% of the population is under 25 years old, 45.3% is 25 to 50 years old, and 8.1% is over 50 years old. The number of people per household is 3.3 and on a downward trend. There are substantially more women (51.9%) than men in South Africa. The South African government estimates that 80.2% of the population is black, 8.8% mestizo, 8% white and 2.5% Asian. The inhabitants are 65.85% in urban areas. The provinces of Gauteng and KwaZulu-Natal respectively account for 25.5% and 19.7% of the population, and the major cities in terms of density are the cities of Johannesburg, Cape Town and Durban. The level of education in the country has been judged to be among the lowest in the world by the OECD. About 43% of 25-64 adults have a high school education and only 15% are university graduates. The level of education in South Africa is among the lowest in OECD countries. Moreover, the level of education varies according to ethnic origin. At the examinations, the diploma of the white population is estimated at 72%, of the Asian population at 62% and the Black and Metis population at 53%. Basic occupations account for 23.3% of the labour force, sales and service occupations 16.2%, crafts tradesmen 12.3%, office workers 10.5%, technicians 8.9%, managers 8.7%, workers 8.3%, workers 6.1%, professionals 5.4% and farmers represent 0.4%.</p>
Purchasing Power	<p>The PPP per capita GDP in South Africa amounts to 85,395 rand, equivalent to about \$ 6,160. The average per capita wage is 238,296 Rands, and is up 5% from the previous year. The purchasing power is very limited for many inhabitants, since more than half of the population lives below the national poverty line and the unemployment rate is very high. However, purchasing power is rising in 2018 and is expected to continue growing in 2019. The average adjusted disposable income in the country is about 151,000 rand (\$ 10,872), according to OECD data. In 2018, consumption increased slightly. Social and income inequalities are high in South Africa and the Gini index stands at 0.63 (0 being the minimum level of inequality, 1 the maximum). The World Bank estimates that the country is among the most unequal in the world. For example, on average, men earn 26.1% more than women. In addition, the white population represents slightly more than 10% of the labour force, but earns almost 3 times the average salary of the black population, constituting nearly three quarters of the total labour force.</p>
Consumer Behaviour	<p>Due to minimal increases in wages and rising prices, consumers sometimes have tight budgets. Consumption is not as massive as in Western countries and South Africans tend to watch their finances and curb spending. The perception of the price / quality ratio is generally the main purchase factor for a South African consumer. To increase their savings, some purchases are sometimes pushed back, prices are compared and consumers are ready to move away to do better business. For example, home-cooked meals will replace meals at restaurants, and according to an EM study, 72% of consumers use comparison sites to find the lowest prices. Purchases are increasingly made at discounters or using different channels. Modern retailers are no longer preferred to small traders and informal traders. The level of consumer confidence is low. Internet penetration has been rising in recent years and this is reflected in the evolution of online sales. The EM study mentioned earlier also revealed that lower prices and free deliveries would encourage consumers to buy on the internet. Consumers tend to favour national companies, especially in the fashion sector. However, they are relatively open to international companies, especially Western</p>

ones.

Consumers tend to be loyal to brands, only if the price charged by the company is right. About three-quarters of South Africans have changed their favourite brand habits to access more accessible products. Consumers are increasingly active on social networks (+ 10% compared to 2017). According to Euromonitor, online shopping is very often influenced by a publication on social media by a company or a brand. Data protection is often a topic of interest to consumers. Also, 70% of South Africans worry that they will not be able to protect their personal and financial data while many fear cyber-attacks.

Some trends have emerged recently in South Africa driven by consumers wanting to reduce their spending. First, cocooning is developing, entertainment is increasingly at home rather than in shopping malls, clubs and other establishments. This is also the consequence of rising fears for personal safety. Inexpensive Experiences like going to the beach are increasingly preferred to material goods as are listening to music or watching sports events on TV. The adoption of a more responsible mode of consumption is under development. Indeed, transparency and authenticity are two factors that can push a consumer to make a purchase. The young population is more concerned than the rest of the population by the issues of eco-citizenship and the preservation of the planet. The second-hand market is growing in the country, and it is estimated that 15% of the South African population sells used online products (fashion items, phones, DVDs, CDs, books and electronics), and this figure is increasing. Collaborative platforms such as Airbnb and Uber are expanding in the country.

**Household Consumption Expenditure**

Sector	Percentage
Food and non alcoholic drinks	21.4%
Transport	15.5%
Housing; water, gas and other combustibles	14.8%
Goods and Services	10.9%
Health	7.2%
Furnishing, Household Equipment and routine maintenance of the house	6.6%
Clothing and Shoes	5.2%
Alcoholic Beverages,Tobacco and other	4.8%
Entertainment and Culture	4.6%
Education	3.4%
Communication	2.8%
Restaurant and Hotels	2.7%

Source: [UN Data, 2016](#).

Consumer Recourse to Credit Credit and debit cards as well as online payments are the most common means of payment in South Africa. In order to meet consumption needs, the majority of households use indebtedness and loans to households have increased in 2018.

However, due to the recession and rising over-indebtedness, consumers tend to concentrate on the repayment of their debt rather than on new large purchases. In addition, private loans and loans outside the formal system are common in South Africa, and the situation of over-indebtedness may be more serious than the figures published by the government. There are more than 24 million credit consumers. Credit, personal loan, car loan and mortgage loans are estimated at 17.9 million with assets of 1.57 trillion Rand. The loans are used to finance real estate projects, to offset the cost of living, to purchase cars. With the recession, consumers should continue to use consumer credit to finance themselves other than savings, and this could continue to increase the country's over-indebtedness.

**Growing Sectors** Technologies, mobile phones, connected objects, security equipment, photovoltaic panels, prepared and takeaway meals, home and office delivery services, fruits and vegetables, clothing and footwear, jewelry.

**Consumers Associations** [Parliamentary Oversight Group](#) , in English  
[Narional Consumer Commission](#) , in English  
[Union of South Afrcan Consumers](#) , in English  
[Association of Credit Bureaux](#) , in English  
[National Commission of Consumers](#) , in English

### Population in Figures

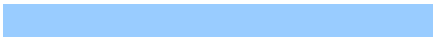

Total Population: 57,779,622  
 Urban Population: 66.4%  
 Rural Population: 33.6%  
 Density of Population: 48 Inhab./km<sup>2</sup>  
 Men (in %) 49.1%  
 Women (in %) 50.7%  
 Natural increase: 1.36%  
 Medium Age: 24.0  
 Ethnic Origins: About 80% of African origin; under 10% of European origin; under 10% of mixed African, Asian and/or European origin; and about 2.5% of Asian, primarily Indian, origin. ([Statistics South Africa](#))

### Population of main urban zones







City	Population
Johannesburg	7,860,781
Cape Town	3,430,992
Durban	2,786,046
Pretoria	1,763,336
Port Elizabeth	876,436
Soshanguve	728,063
Evaton	605,504
Pietermaritzburg	475,238
Bloemfontein	464,591

Source: [Citypopulation.de](http://Citypopulation.de), 2011 - Latest available data.

### Age of the Population

Life Expectancy in Years		
Men:	60.2	
Women:	67.1	

Source: [World Bank](http://World Bank), last available data, 2009 - Latest available data.

Distribution of the Population By Age Bracket in %		
Under 5:	10.2%	
6 to 14:	20.1%	
16 to 24:	19.9%	
25 to 69:	47.1%	
Over 70:	2.6%	
Over 80:	0.6%	

Source: [United Nations](http://United Nations), Department of Economic and Social Affairs, Population Division, Prospects 2010- Latest available data.

### Consumption Expenditure

Purchasing Power Parity	2017	2018	2019	2020 (e)	2021 (e)
Purchasing Power Parity (Local Currency Unit per USD)	6.08	6.17	6.33	6.53	6.73

Source: IMF - World Economic Outlook Database, 2015

Definition: Purchasing Power Parity is the Number of Units of a Country's Currency Required to Buy the Same Amounts of Goods and Services in the Domestic Market as USD Would Buy in the United States.

Note: (e) Estimated Data

Household Final Consumption Expenditure	2016	2017	2018
Household Final Consumption Expenditure (Million USD, Constant Price 2000)	254,663	259,910	264,628
Household Final Consumption Expenditure (Annual Growth, %)	0.6	2.1	1.8
Household Final Consumption Expenditure per Capita (USD, Constant Price 2000)	4,531	4,560	4,580
Household Final Consumption Expenditure (% of GDP)	59.4	59.4	n/a

Source: World Bank, 2015

Consumption Expenditure By Product Category as % of Total Expenditure	2016
Food and non-alcoholic beverages	21.4%



<b>Consumption Expenditure By Product Category as % of Total Expenditure</b>	<b>2016</b>
Transport	15.5%
Housing, water, electricity, gas and other fuels	14.8%
Miscellaneous goods and services	10.9%
Health	7.2%
Furnishings, household equipment and routine maintenance of the house	6.6%
Clothing and footwear	5.2%
Alcoholic beverages, tobacco and narcotics	4.8%
Recreation and culture	4.6%
Education	3.4%
Communication	2.8%
Restaurants and hotels	2.7%

Source: [UN Data](#), Latest available data

### Household Equipment

<b>Main Consumer Durables as % of Households Owning Them</b>	<b>2007</b>
Radio	76.6%
Television	65.6%
Refrigerator	63.9%
Computer	15.7%

Source: [Community Survey Statistics South Africa](#), Latest available data

<b>Information Technology and Communication Equipment, per 100 Inhabitants</b>	<b>2012</b>
Telephone Subscribers	126.8
Main Telephone Lines	7.9
Cellular mobile subscribers	126.8
Internet Users	41.0
PCs	8.4

Source: [International Telecommunication Union](#), Latest available data

## MARKETING OPPORTUNITIES

### Media in Which to Advertise

**Television** TV is the most expensive but also the most popular media of advertising in the country. Nearly 70% of the households in South Africa have TV sets.

Main Televisions  
[Channel O](#)

[E.TV-MIDI TV](#)  
[M-Net](#)  
[SABC 1-SOUTH BROADCASTING CORPORATION](#)  
[SABC 2](#)  
[SABC 3](#)  
[Supersport - M-Net](#)

**Press** Press in South Africa has a better reach to consumers but is relatively expensive. However, regional and local newspapers are less expensive, but suited only for a product with strong potential in a specific region. Advertising through magazines is a more affordable option for small- to medium-size enterprises. It is the best advertising option to reach a focused target, consumer group or to sell industrial and commercial products. Further benefits of newspaper advertising include the fact that due to the vast number of different types of publications, different target markets can be identified and targeted.

Main Newspapers  
[Business Day](#)  
[The Star](#)  
[The Citizen](#)  
[The Sowetan](#)  
[The Times](#)  
[Mail-Guardian](#)  
[Sunday Independent](#)

**Mail** Businesses can reach consumers all across the country through mail writing, however this medium is not considered to be an effective means of advertising anymore.

**In Transportation Venues** With the growing restrictions imposed by city councils on outdoor advertising, and the over-supply of roadside advertising in specific geographic nodes, transit advertising can be an effective promotional tool. Transit advertising is used in major cities and towns only. Advertising space is available on rails, buses, taxis and other specialized mobile vehicles.

Market Leaders:  
[Provantage Media](#)  
[Primedia F2F](#)

**Radio** Radio is the most traditional form of mass entertainment in the country. It reaches over 90 % of the population and is also by far the least expensive. There are almost 15.4-million radio sets in South Africa, with more than 30-million listeners. According to the South African Audience Research Foundation, South Africans spend an average of more than three hours a day listening to the radio.

Main Radios  
[Channel Africa](#)  
[702 Talk Radio](#)  
[List of radio stations in South Africa](#)

**Web** While e-commerce is a new trend to the South African business market, it is growing rapidly at a rate of 26% since 2015. As more and more people gain access to the internet and mobile devices, an increasing number of consumers is expected to start shopping online: there are currently more than 18 million e-commerce users in South Africa, with an additional 6 million users expected to be shopping online by 2021. These future 24 million e-commerce users might spend an average of USD 189.47 online. Currently, the total South African e-commerce revenue across all product categories is 2.69 billion USD. Electronics and media are currently the leading product categories bought online in South Africa, accounting for 35.9% of the market share,

followed by furniture and appliances (which generate 20% of the total revenues). In South Africa, 60% of online shoppers buy via desktop, and 55% and 38% often shop via mobile and tablet respectively.

Market Leaders:

[Quirk e-marketing](#)

[Intoweb](#)

[DMMA](#)

Main Advertising Agencies

[Association for Communication and Advertising \(ACA\)](#)

[National Association of Broadcasters \(NAB\)](#)

[Out of Home Media South Africa](#)

[Advertising and Media Association of South Africa](#)

## Main Principles of Advertising Regulations

Beverages/Alcohol	Advertising is permitted on television, radio, in the cinema, in print and outdoors. However, advertisements may not be transmitted in the commercial breaks immediately before, during or immediately after children’s programs. Proposed amendments to the draft Liquor Amendment Bill, under consideration by the Department of Trade and Industry, may see a ban on all print advertising of all alcohol products as well as a ban on all digital and social media advertising.
Cigarettes	The <a href="#">Tobacco Products Control Amendment Act</a> was passed in 1999. This act bans all advertising and promotion of tobacco products, including sponsorship and free distribution of tobacco products.
Pharmaceuticals/Drugs	Must be registered by the Medicines Control Council. Pictograms may be used on packaging and in advertisements provided they relate to the approved claims on the product. For more information, you can consult the South African <a href="#">Code of Practice for the Marketing of Health Products</a> .
Other Rules	The advertiser accepts responsibility for the accuracy of the research and claims. The guiding principle in all comparisons shall be that products and/or services should be promoted on their own merits and not on the demerits of competitive products.
Use of Foreign Languages in Advertisement	South Africa has 11 official languages, but promotional material including advertisements is typically printed in English language.
Organizations Regulating Advertising	<a href="#">Advertising Regulatory Board (ARB)</a>

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Latest Update: March 2019

## Selling

### MARKET ACCESS PROCEDURES

#### Customs Procedures

**Import Procedures** South Africa has a complex import procedure. South African Revenue Service (SARS) has about 90 000 product codes that strictly apply to all imports. Foreign exporters are strongly encouraged to seek a local agent for customs clearance with a good understanding of South African legislation.

Customs SA, a division of SARS, requires importers to register and obtain a SARS importer code. SARS uses a Single Administrative Document (SAD) to facilitate custom clearance for importers, exporters and cross-border traders. The SAD is a multi-purpose goods declaration form that covers imports, exports, cross-border and transit movements. The following documents are required to obtain the SAD:

One negotiable and two non-negotiable copies of the Bill of Lading. A Declaration of Origin Form, DA59, is to be used in cases where a rate of duty lower than the general rate is claimed as well as for goods subject to antidumping or countervailing duty.

Four copies and one original Commercial Invoice. Invoices from suppliers are not accepted as satisfying the requirements of the customs regulations unless they meet certain requirements of the SARS (see SARS website for more information).

One copy of the insurance certificate (for sea freight)

Three copies of the Packing List. Data contained in this document should agree with that in other documents.

Please visit the website of [SARS](#) for more information.

**Specific Import Procedures** There are certain restricted items which required Import licenses. A license (permit) is only valid in respect of the goods of the class and country specified. It is non-transferable and may only be used by the person to whom it was issued.

Import permits are valid only for the calendar year in which they are issued. Import permits required for specific categories of restricted goods are obtainable from the Director of Import and Export Control at the [Department of Trade and Industry](#).

**Importing Samples** For the entry of commercial samples, advertising materials and professional equipment, South Africa applies the ATA (Temporary Admission) Carnet system. Goods should be adequately marked for identification purposes so as to facilitate their passage through customs. South Africa is a member of the ATA Convention (see: [ATA Carnet](#)). Goods with an ATA Carnet are exempt from duty fees and VAT.

#### Customs Duties and Taxes on Imports

**Customs threshold (from which tariffs are required)** Import goods with a value up to 500 ZAR are exempt of duty and VAT.

**Average Customs Duty (Excluding Agricultural Products)** 5.8%. Please consult data on tariffs in South Africa provided by the [World Trade Organisation](#).

Products Having a Higher Customs Tariff	Apparel industry, automobile industry and some agriculture products. South Africa is working towards lowering the custom tariff rate on these products.
Preferential Rates	Average Most Favored Nations (MFN) rate : 8.22% In addition, South Africa has free-trade agreements with a number of countries. The country also belongs to the <a href="#">Customs Union of COMESA</a> .
Customs Classification	South Africa uses a Harmonised System (HS).
Method of Calculation of Duties	Ad Valorem on the FOB price in the country of export, in accordance with the GATT Customs Valuation Code.
Method of Payment of Customs Duties	FNB, ABSA, Standard Bank and Nedbank are the banks through which payments can be made.  For details, refer to: <a href="#">South African Revenue Service</a> .  For details, visit: <a href="#">International Trade Administration Commission of South Africa</a>
Import Taxes (Excluding Consumer Taxes)	None

### Labeling and Packaging Rules

Packaging	Imported product should comply with quality or standards specification marking, set by <a href="#">The South African Bureau of Standards (SABS)</a> , a specialized agency of the Department of Trade and Industry.  Packaging made from natural materials and fibers must be accompanied by an official certificate stating that the material has been fumigated.
Languages Permitted on Packaging and Labeling	English. Pictures and/or diagrams often supplement English user instructions.
Unit of Measurement	All imported goods as well as transport documents can show any standard units of measurement and weight. However the Metric System of measurement is frequently used.
Mark of Origin "Made In"	It is not mandatory, except in the case of foodstuffs, drinks, textiles, shoes and bags and also where preferential import duties are claimed.
Labeling Requirements	It requires that the labels contain the following information: <ul style="list-style-type: none"> <li>• Name, trade name or description</li> <li>• Name and complete address of manufacturer/packer, importer, country of origin of the imported food</li> <li>• Net weight, number or volume of contents</li> <li>• Distinctive batch, lot or code number</li> <li>• Month and year of manufacture and packaging</li> <li>• Month and year by which the product is best consumed</li> </ul> <p>Information about pharmaceutical and industrial products must be in English. If food products have been genetically modified (GM) this must be indicated in the label.</p> <p>For more details refer to : <a href="#">South African Bureau of Standards</a>. (see Commercial Services).</p>

Specific Regulations      The labeling regulations in South Africa are well-developed. These are formulated by [The South African Bureau of Standards](#)

## DISTRIBUTING A PRODUCT

### Distribution Network

#### Types of Outlet

Supermarkets or hypermarkets	Located in suburban shopping centers the hypermarkets have affected the traditional distribution chain by purchasing directly from manufacturers and bypassing the wholesaler. <a href="#">Pick 'n Pay</a>  <a href="#">Spar</a>
Retail chain Stores	Groceries, clothing, household goods <a href="#">Spar</a>
Specialty stores	Handling a single product line such as clothing, electronics, or furniture. <a href="#">Digitalplanet</a>  <a href="#">JD Group</a>
Neighborhood convenience stores	Groceries <a href="#">KwikSPAR</a>

### Evolution of the Retail Sector

Growth and Regulation	<p>One of Africa's largest and most affluent markets, South Africa has a well-developed retail sector, including a number of major domestic players. The emergence of supermarkets and hypermarkets, which sell large quantities of nearly all consumer goods on a self-serve basis, has resulted in major developments in the distribution sector in South Africa.</p> <p>In 2016, According to the US Foreign Agricultural Service, the retail sector contributed 9% to overall GDP reaching ZAR 491.60 billion (USD \$38 billion) in sales. The sector recorded a positive growth performance - more than 8% compared to the previous year, despite tough challenging economic environment. According to Euromonitor International, the retail market growth in South Africa is mostly driven by discounters (expected 4.6% annual growth rate in 2015 - 2020) and supermarkets (3.7% expected). The other formats of stores are still growing, but slower than the previous period 2010 - 2015 : hypermarkets (2.5% expected), traditional grocery retailers (2.4%), grocery retailers (2.9%), and convenience stores (1.8%).</p> <p>Although online food shopping is currently not doing as well as expected, most retailers have had to diversify their portfolios, and have adopted various multichannel approaches and strategies and have expanded product lines, in order to remain competitive.</p>
Market share	Although the black middle class with considerable disposable income has expanded in recent years in South Africa, major income disparities remain present as 20% of households possess 60% of the country's wealth. The major share of South Africa's consumer market is divided into two parts: a market for those with high spending power (a majority of whites and newly affluent blacks), and a market for those with



very limited spending power (the majority of blacks).

The majority of retail sales takes place in shopping centres, groups of small shops, department stores (Stuttafords, Edgars, Woolworths), supermarkets (Checkers, Pick' n Pay) and hypermarkets (Hyperama and Makro). Traditional shops remain active, in particular outside of major cities, but do not represent a big share of the market and are mainly used by poorer segments of the population.

The main retailers in South Africa are Steinhoff International Holdings, Shoprite Holdings, SPAR Group, Pick' n Pay (South African retailer), Woolworths Holdings (South African retailer).

Retail Sector  
Organisations

[Fuel Retailers' Association](#)  
[South African Council of Shopping Centres](#)  
[Consumer Goods Council of South Africa](#)

## E-commerce

Internet access

With a population of 55.9 million people, South Africa is experiencing a boom in internet access, totaling roughly 28.5 million online users in 2017. However, the penetration rate of 50% is still low when compared to other developed countries. Although there are about 29 million smartphones in use in South Africa, only 21 million devices access the internet. The number of users connecting only through mobile is 7 million. Almost two-third of South African internet users access the internet daily, while only 4% do it less than once per month. Google is the most popular web search engine in the country, with a market share of 93.6%, followed by Bing and Yahoo, at 4.7% and 1.4% respectively.

E-commerce market

The e-commerce market is constantly growing in South Africa: e-commerce revenue across all product categories was estimated at US\$ 2.69 billion in 2017, at around 1% of total retail sales. Among the major players in the country's market are South Africa's biggest online fashion store Zando; Takealot (a platform that offers a wide range of products, including home entertainment, kitchen appliances, toys, books, personal care goods, etc.); the online auction site and marketplace Bid or Buy; Next and Spree in the fashion industry; Loot for electronics. Online shoppers are increasingly opting to make purchases on their mobile devices, with a preference for apps over mobile websites. Cross-border online spending is common: according to a research by Ipsos, an estimated 1.4 million South Africans online shoppers purchased from foreign websites, the main drivers encouraging them to buy cross-border being free shipping, availability of local currency for payment and secure ways to pay, together with the possibility to buy products that are not available in South Africa. The main countries of origin for online-purchased products were the U.S., China and the U.K.

E-commerce sales and customers

Electronics and media are currently the leading product category, accounting for US\$ 964.2 million, followed by furniture and appliances, which generate US\$ 553.7 million in sales. Downloadable digital entertainment and education items together with event tickets are among the most popular online categories too. The e-commerce market is expected to grow to US\$ 4.7 billion by 2021. However, there are a few notable issues that currently stand in the way of an even more robust e-commerce growth in the country, in particular product delivery problems as a result of high delivery fees and dropshipping. A research commissioned by PayPal to Ipsos shows that 58% of online adults in South Africa shopped online over the past 12 months. Four main factors influenced South African consumers' attitudes and intentions to shop at a particular online store again: the choice of products and the price at which the products are offered; a friendly portal (with navigation aids that help shoppers easily find what they

are looking for); security of payments and delivery reliability. 7% of South African shoppers spend less than 30 minutes online, compared to 12% who spend up to an hour, 22% who spend 1 to 2 hours, 18% who spend 2 to 3 hours, and 42% who spend 3+ hours online. 60% of online shoppers in South Africa buy via desktop, and 55% and 38% often shop via mobile and tablet respectively (Statista). Most South African consumers prefer to pay with credit cards (45%). Other common payment methods include debit cards (21%) and bank transfer (20%), followed by PayPal (7%). The remaining methods account for less than 8% of total online payments (i.e. cash on delivery, gift card, etc.).

Social media

In South Africa, around 32% of the population makes use of social media platforms. Of these, 13 million users do so purely from mobile, with a 24% penetration rate. The increase between 2016 and 2017 has been notable, with an additional 2 million (15%) new active social media users, and 3 million (30%) new active social users on mobile. With almost 16 million users, Facebook is the most utilised social media platform, followed by YouTube (8.7 million) and Twitter (8 million). Instagram sees adoption from just over 3.8 million users, while the professional social networking platform LinkedIn has 6.1 million users. Looking at Facebook, the 18-24 and 25-34 age groups are by far the largest groups of users, with a similar trend for other social networks.

**Direct Selling**

Evolution of the Sector

According to [Euromonitor International](#), the South Africa direct selling segment has grown due to the volatility of the country's currency, lower consumer confidence, rising energy costs and increasing unemployment rates; the industry has grown in importance since it provides a way to supplement household income. About 1,353,200 South Africans participate in direct selling, 72% of them women. In fact, women making a full-time living from the industry increased 30% in 2016 ([DSASA](#)). However, active male sellers increased by 51% in the same period.

The World Federation of Direct Selling Associations calculated 2016 South African retail sales at USD 613 million, an 18.3% increase compared to 2015. Avon remains the strongest company with a 25% value share in 2016 and strong brand loyalty. The most important regions in terms of sales volume are Gauteng (42%), KwaZulu-Natal (12.8%), and the Western Cape (10%).

**Commercial Intermediaries**

Trading Companies

Type of Organization

There are a number of different choices when considering the most appropriate method of entering the South African market. These include direct and indirect export (selling to a middleman such as a trader in your domestic market); licensing or contracting; joint ventures and wholly owned subsidiaries. The choice of entry strategy will depend on the specific characteristics of the market for the product in South Africa including the route that the competitors have taken and the specific characteristics of the product.

Wholesalers

Type of Organization

Wholesalers take the shape of Distributors in South Africa. A distributor buys, carries stock and sell products directly to retailers. Leading distributors often have branches throughout the country.

Useful Resources

[South African National Consumer Union](#)  
[Department of Trade and Industry \(DTI\)](#)

Wolff Wholesalers: Wholesale Packaging Distributor

**Using a Commercial Agent**

The Advantages	<p>The most commonly used intermediary to start business in South Africa is an Agent (also known as a Commission Sales Representative or CSR). Agents work on a commission basis after obtaining orders from customers; while as the distributors buy, carry stock and sell products directly to customers. Agents often distribute durable and non-durable consumer goods, as well as some industrial raw materials. They may be particularly appropriate when products are highly competitive and lack a large market.</p> <p>It is common to appoint a single agent capable of providing national coverage either through one office or a network of branch offices. In addition to their role as the local representatives, agents should be able to handle the necessary customs clearances, port and rail charges, documentation, warehousing, and financing arrangements.</p>
Where to Be Vigilant	<p>Make sure that the local agent is registered with the Director of Import and Export Control of the Department of Trade and Industry.</p> <p>It is important to visit South Africa to gain firsthand knowledge of the market and personal appraisal of the appointed prospective agent.</p> <p>It is also imperative to maintain close contact with the local agent so that one is aware of any import procedural change.</p> <p>Most important, when appointing a agent in South African, take care to find out if the agent or any of his sister companies handles a competing product.</p>
Elements of Motivation	<p>Agents work on a commission basis. They are sometimes paid a retainer fee plus costs plus an incentive on deals.</p>
The Average Amount of Commission	<p>Commission rates range from 3 % to 25 % per concluded transaction.</p>
Breach of Contract	<p>It depends upon the terms and conditions of the contract. But, in case the local agent goes to court, it may be time consuming for the foreign company and favorable results cannot be always guaranteed.</p>
Finding a Commercial Agent	<p><a href="#">Globalrepresentation</a>  <a href="#">DTI</a>, Department of Trade and Industry  <a href="#">Alibaba</a></p>

**Setting Up a Commercial Unit**

The Advantages	<p>With its growing domestic market, it makes sense to set up an office in the country.</p>
Where to Be Vigilant	<p>Setting up a commercial unit in South Africa should be considered in case the foreign company has long term business interests in the country. While setting up an office in the country, one must be vigilant about the below given aspects:</p> <ol style="list-style-type: none"> <li>1. The rules &amp; regulations applicable to the related industry.</li> <li>2. Cost and availability of power.</li> <li>3. Law &amp; order situation.</li> <li>4. Other factors to take into account include labor availability and cost, labor relations and work culture, and proximity to resources and/or markets.</li> </ol>
Different Possible Forms of Settlement	
A Representative	<p>The purpose of such an office is to obtain market information, provide necessary</p>

Office	<p>promotional &amp; service support, and explore further opportunities for business and investments.</p> <p>A representative office is not allowed to undertake any commercial activity and cannot earn any revenue in South Africa.</p>
A Branch Office	<p>South Africa does not consider a branch to be a separate legal entity and needs to be registered as an 'external company'. The rules and procedures for establishing a branch are similar to those for setting up a locally incorporated company. A branch pays no withholding tax on profits remitted to its head office. A branch office may take and fill orders and carry out a full marketing program, including advertising, recruiting a sales force, and performing promotional activities.</p> <p>Being considered as local companies, subsidiaries and branches are subject to exchange control by the SARB. This institution also controls the payment of royalties and licence fees for non-residents where non-local manufacturing is involved and controls the sale of South African-owned intellectual property rights.</p> <p>Local agents must register with the Director of Import and Export Control of the Department of Trade and Industry.</p>
A Company	<p>Setting up a wholly-owned corporation will involve more time and expense, but it can offer an effective means of guaranteeing better protection for proprietary information, obtaining credit, and penetrating the South African market more effectively.</p>

**Franchising**

Evolution of the Sector	<p>According to the Franchise Association of South Africa (FASA), there are 625 franchised systems, over 39,000 franchise outlets and 17 franchise business sectors. Franchise sector contributes around 12.5% to South Africa's gross domestic product (GDP), is an important driver in the country's economy, in addition to having one of the highest business success rates.</p> <p>Quick Service Restaurants and Restaurants (24%), Retail (12%), and Building, Home &amp; Office Services (11%) remain the largest contributing sectors according to the South African Franchise Association.</p>
Some Big Franchises	<p><a href="#">Big Al's Franchise</a>, Fast Food  <a href="#">Cash converters</a>, Business  <a href="#">Kip McGrath education center</a>, Education  <a href="#">Multiserv</a>, Retail</p>
For Further Information	<p><a href="#">Franchise Association of Southern Africa</a>  <a href="#">South African Franchise finder</a>  <a href="#">Which Franchise – franchises opportunities</a></p>

**Finding Assistance**

Export Trading Companies	<p><a href="#">Export Help</a>, Assistance for exporting in South Africa.</p>
Recommended Resource	<p><a href="#">Department of Trade and Industry</a> (DTI).  <a href="#">South Business Portal for Africa</a></p>

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## Buying

### CUSTOMS PROCEDURES

Export Clearance	After the receipt of the goods in the dock, the exporter may contact the Customs Officer designated for the purpose and present the checklist with the endorsement of Port Authority and other declarations along with all original documents. Customs Officer may verify the quantity of the goods actually received. If satisfied that the particulars conform to the description given in the original documents, he may proceed to allow "let export" for the shipment.
Necessary Declaration	In case of export by sea or air, the exporter must submit the 'Shipping Bill', and in case of export by road he must submit 'Bill of Export' in the prescribed form containing the prescribed details such as the name of the exporter, consignee, invoice number, details of packing, description of goods, quantity, FOB value, etc.  Along with the Shipping Bill, other documents such as copy of packing list, invoices, export contract, letter of credit, etc. are also to be submitted.
Restrictions	There are restrictions on import/export of certain goods. For example, all used goods, second-hand goods, waste and scrap are subject to import control measures. A list of goods subject to import/ export control measures is available on the <a href="#">ITAC</a> website.
Export Taxes	No tax is levied on exports; in fact the exporters are provided incentives in certain categories. Exports are also exempt from consumption tax.

### INDUSTRIAL AND MANUFACTURING PROFILE

Type of Production	South Africa is the world's largest producer and exporter of gold & platinum and the 5th largest producer of diamonds in the world. The country produces 70% of the world platinum and also has 60% of the global coal reserves.  Due to the country's diverse manufacturing industry, it is a world leader in several specialised sectors, including railway rolling stock, synthetic fuels, and mining equipment and machinery.
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### Type of Manufacturers

Original Equipment Manufacturers	Many OEMs are set up in the country, particularly in sectors like automobile, textile, electronics, and engineering equipment. One of the major reasons behind growth of the OEMs in South Africa is the availability of low-cost but skilled manpower in the country. Moreover the growing domestic market is equally attractive.
Original Design Manufacturers	The designing in South Africa is now gathering momentum in the country. There are a few good R&D centers operating in the country. The <a href="#">Council for Scientific and Industrial Research</a> provides multi-disciplinary research and development for industrial application. Moreover there are R&D professionals available which could be an asset for multinational companies setting up their design centers in the country.  Sometimes OEMs also offer the services of ODMs.
Subcontractors	Low labor cost combined with availability of skilled manpower makes South Africa an attractive destination for subcontracting. Subcontracting is well established in sectors

like automobile ancillaries, textile & garment, and mechanical engineering.

## IDENTIFYING A SUPPLIER

### Business Directories

Multi-sector Directories [BizNiz Directory](#) - Find a business in South Africa  
[Brabys.com](#) - Directory of businesses in South Africa and neighboring countries.  
[Easyinfo](#) - Find a business in South Africa.  
[ezSearch business directory](#) - Businesses in South Africa.  
[Kompass South Africa Directory](#) - Business information expertise  
[SA Yellow Online](#) - South Africa's online business directory.  
[South Africa Business Directory](#) - Go4World Business resources  
[Yellow Pages](#) - Find a business in South Africa.  
[Yellow Pages](#) - Find a business in South Africa.

### Marketplaces

Domestic Marketplaces [Trade page](#)  
Regional Marketplaces [Marketplaces in Africa](#)  
[Africa Trade Holding](#)

### Other Useful Resources

Trade Agencies and Their Representations Abroad [South African College of Business](#)  
[The South African Chamber of Commerce & Industry](#)  
[Minerals Council Of South Africa](#)  
[Trade and Investment South Africa \(TISA\), works under the Department of Trade and Industry \(DTI\)](#)

Fairs and Trade Shows [Exhibition Association of Southern Africa \(EXSA\)](#)  
[Eastern Cape Industrial Technology Exhibition](#)  
[Gardenex 2015](#)  
[Decorex](#)  
[Design Indaba Expo](#)  
[Futurex](#)  
[Sign Africa-Cape Town](#)  
[Securex](#)

### Finding Assistance

Recommended Resource [Department of Transport](#)  
[South African Road Federation \(SARF\)](#)

## CONTROLLING THE QUALITY OF THE PRODUCTS

Quality Control Organizations [South African Society for Quality](#)  
[South African Quality Institute](#)

## ORGANIZING GOODS TRANSPORT TO AND FROM SOUTH AFRICA

Main Useful Means of Transport 80% of all freight carried in South Africa is done so by road. Nearly 7% of Gross National Product is spent on freight transport. About 69% of road-freight tonnage is carried by firms or operators transporting freight in the course of their business, and 29% by road haulage firms.  
For more information, consult the [South African Association of Freight Forwarders' website](#).

### By Sea

Ports [Port of Durban](#)  
[Port of Cape Town](#)  
[Port of Port Elizabeth](#)  
[Port of Richards Bay](#)  
[Port of East London](#)  
[Ports and Ships](#)

Transport Professionals [Maritime Services Directory](#)

Government Transport Organisations [National Ports Authority \(NPA\)](#)

### By Air

Airports [O.R. Tambo International Airport – Johannesburg](#)  
[Cape Town International Airport](#)  
[King Shaka International Airport](#)  
[Bram Fischer Airport](#)  
[Port Elizabeth Airport](#)  
[East London Airport](#)  
[George Airport](#)  
[Upington Airport](#)

Transport Professionals [SAFAIR](#)  
[South African Airways](#)

Government Transport Organisations [Airports Company of South Africa \(ACSA\)](#)

### By Road

Transport Professionals [The Road Freight Association](#)  
[Golden Arrow Bus Services \(GABS\), Cape Town](#)

Government Transport Organisations [The South African National Roads Agency Limited \(SANRAL\)](#)

### By Rail

Transport Professionals [Transet](#)

Government Transport Organisations [Transnet](#)



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## Operating a Business

### LEGAL FORMS OF COMPANIES

Private Limited Liability Company	Number of partners: Minimum: 1, no upper limit. Capital (max/min): No legal limit. Shareholders and liability: Liability limited to amount of capital contributed.
Public Limited Liability Company	Number of partners: Minimum: 1, no upper limit. Capital (max/min): No legal limit. Shareholders and liability: A member's liability is limited to the par value of the shares he/she owns.
Private Company	Number of partners: 1 partner. Capital (max/min): No minimum capital. Shareholders and liability: The active partner's liability is unlimited.
Partnership	Number of partners: Minimum 2, Maximum 20 partners. Capital (max/min): No minimum capital. Shareholders and liability: The active partner's liability is unlimited. Associates' liability is limited to the amount of capital they contributed.
Enterprises Federation	<a href="#">National African Federated Chamber of Commerce and Industry (NAFCOC)</a>
Find a Company or a Financial Report	<a href="#">CIPC</a> , Companies and Intellectual Property Commission

### BUSINESS SETUP PROCEDURES

Setting Up a Company	South Africa
Procedures (number)	7.00
Time (days)	40.00

Source: *Doing Business*.

For Further Information	<a href="#">Doing Business</a> , to learn more about how to start a business in South Africa. <a href="#">Registration Procedure</a> <a href="#">Companies and International Property Commission (CIPC)</a>
The Competent Organisation	<a href="#">Companies and Intellectual Property Registration Office</a>

### Recovery Procedures

Principle	The Insolvency Act (which regulates bankruptcy of companies in South Africa), entitles creditors to apply to court for recovery purpose (even if actual insolvency has not been proved).  Certain creditors may be secured, such as the mortgagees of mortgage bonds over immovable property of the insolvent or the holders of book debts/recoverables. Other creditors may have preferred claims, such as the claims of employees for outstanding wages and the revenue authorities for arrear taxes. Creditors without secured or preferred claims are treated as concurrent creditors and only share in whatever excess remains after payment of secured and preferred creditors.
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Investors who choose to acquire equity in the company rather than simply loaning money to the company are not regarded as creditors at all and accordingly are unlikely to receive anything. Foreign creditors are treated in the same manner as local creditors.

Minimum Debt-to-Capital Ratio Not applicable

Triggering Liquidation

Bankruptcy Laws

[Insolvency Act](#)

[Companies Act 1973](#)

More information visit : [Department of Justice & Constitutional Development](#)

Reorganization and Rehabilitation Laws

A liquidator is appointed to supervise the winding up of an insolvent company. The liquidator acts according to the directions of creditors who have proved claims, and are also subject to supervision by the Master of the High Court in the applicable jurisdiction. It is also possible for companies to be placed under judicial management if they are in financial difficulty. The purpose is to allow the company to trade itself out of financial difficulty.

## THE ACTIVE POPULATION IN FIGURES

	2012	2013	2015
Labour Force	17,890,000	18,540,000	20,860,000

Source: CIA - The World Factbook

	2015	2016	2017
Total activity rate	53.03%	53.29%	53.57%
Men activity rate	62.75%	62.91%	63.10%
Women activity rate	46.22%	46.31%	46.38%

Source: ILO, Laborstat - Yearly Statistics

Employed Persons, by Occupation (% of Total Labour Force)	2015
Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	16.4%
Real estate, renting and business activities	11.2%
Manufacturing	11.2%
Construction	8.9%
Health and social work	6.4%
Education	6.1%
Transport, storage and communications	5.7%
Agriculture, hunting and forestry	5.6%
Public administration and defence; compulsory social security	5.0%

<b>Employed Persons, by Occupation (% of Total Labour Force)</b>	<b>2015</b>
Hotels and restaurants	3.7%
Mining and quarrying	2.9%
Financial intermediation	2.7%
Electricity, gas and water supply	0.8%
Fishing	0.0%

Source: [ILO, Laborstat - Yearly Statistics](#)

For Further Statistics [Statistics South Africa](#)

For Further Information [South Africa Labour Law Profile](#)

About the Labour  
Market

## WORKING CONDITIONS

### Opening Hours

Legal Weekly Duration	45 hours in a week or 9 hours in a day. For employees who work a 6-day week, it is 8 hours per day.
Maximum Duration	10 hours per week and not exceed 3 hours of overtime per day.
Night Hours	6 o'clock in the evening till 6 o'clock the next morning

Working Rest Day The rest period must include a Sunday unless otherwise agreed.

Paid Annual Vacation Leave period of at least 21 consecutive days per completed year of employment (or 1 day for 17 day's worked, or 1 hour for 17 hours worked), on full pay. Leave accumulation from one year to another not allowed.

Retirement Age The retirement age is 65 for men and 60 for women.

Child Labour and Minimum Age For Employment 15 years of age or under the minimum school-leaving age.

Informal Labour Market The informal employment sector (excluding agricultural sector) is substantial. In the year 2006, it accounted for 17.6% of the total employed work force.

## THE COST OF LABOUR

### Pay

Minimum Wage ZAR 3,500 per month (source: South African government).

Average Wage The average monthly gross earnings in South Africa is ZAR 8,194 (USD 1,100 - source : ILO, 2013).  
According to the French Statistics National Agency, it was ZAR in 20 000 in 2018.

### Other Forms of Pay

Pay For Overtime 50% more than the regular wages.

Pay For Rest Days Worked	100% more than the regular wages, if the employee does not normally work on Sundays, Otherwise 50% more than the regular wages, if the employee does normally work on Sundays.
Pay For Night Hours	Paid extra, %age varies depending on nature of work.
Pay For Overtime at Night	Paid extra, %age varies.

**Social Security Costs**

The Areas Covered	South African social security includes payroll tax (PAYE), contributions to the Unemployment Insurance Fund (UIF) and the skills development levy (SDL). For more information, consult the <a href="#">Social Security Program in South Africa</a> from the U.S Social Security Administration's website.
Contributions	Contributions Paid By the Employer: 1% contribution of employee's gross income in addition to the 1% withholding contribution from the employee. Contributions Paid By the Employee: 1% contribution of unemployment insurance fund.
Competent Organization	<a href="#">South African Insurance Association</a> <a href="#">South African Social Security Agency</a> <a href="#">Department of Social Development</a> <a href="#">Department of Labour</a>

**MANAGEMENT OF HUMAN RESOURCES**

**Recruitment**

Method of Recruitment	The various methods of recruitment used by companies in South Africa are : 1. Advertising 2. Direct recruitment 3. Employment Exchanges 4. Educational Institutions
Recruitment Agencies	There are mainly three types of recruitment agencies available in South Africa : - Employment Exchanges (Public) -Employment Agencies (Private) -Labor Contractors ( Private )
Recruitment Websites	<a href="#">Jobs</a> <a href="#">Career Junction</a> <a href="#">Career Web</a> <a href="#">Executives in Africa</a>

**The Contract**

Type of Contract	Employment is mainly regulated by contract law and by the <a href="#">Labour Relations Act (LRA), 66 of 1995</a> . Employment contracts must clearly mention: the maximum hours of work allowed, overtime rates, minimum periods of annual leave, notice of termination, organisational rights regarding trade unions, strike laws, the rights and responsibilities
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of employers and workers in the event of a conflict, rules regarding insolvency and transfers of business, protection from unfair dismissal and the prohibition of unfair discrimination.

### Breach of Contracts

Retirement	It can take several forms : general resignation, resignation for one’s own convenience, resignation by agreement, resignation by employee’s request, voluntary retirement, etc.
Dismissals	Dismissals are tightly controlled by regulations like LRA and Basic Conditions of Employment Act (BCEA). Employees’ contracts cannot be terminated simply by the giving of notice and every employee has the right to be fairly dismissed.  Broadly, three reasons are recognized as fair reasons for dismissal, namely misconduct on the part of the employee, incapacity (poor work performance or inability to perform due to ill-health or injury) and the operational requirements of the employer.
Other Possible Methods	- Collective dismissals due to economic reasons. - Resignation as per the terms of contract.
Labour Laws	<a href="#">South Africa Labor Law Guide</a> <a href="#">Labor Protect</a> <a href="#">Department of Labor , South Africa</a> <a href="#">Consult the Doing Business Website</a> , to obtain a summary of the labour regulations that apply to local enterprises.

### Dispute Settlement

#### Conciliation Process

Cases of Dispute	Dismissal, harassment, poor working conditions, conflict over salary payments, retirement issues, etc.
Legal Framework	LRA has formulated a body called Commission for Conciliation, Mediation and Arbitration (CCMA), which has far-reaching powers to order re-instatement and/or compensation.
Procedure	<a href="#">Labour Relations Act (LRA),1995</a>

#### Judicial Structures

Legal Framework	<a href="#">Labour Relations Act (LRA),1995</a>
Competent Legal Body	Labor Court ( which has High Court status) Labor Appeal Court

### Social Partners

Social Dialogue and Involvement of Social Partners	For effective bargaining, South Africa has a <a href="#">Bargaining Council</a> system. Bargaining takes place between the employers and trade unions under the auspices of the Bargaining Council. The collective agreements concluded in the Bargaining Council bind only the parties to the Bargaining Council.
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The [Congress of South African Trade Unions \(COSATU\)](#) is the largest and most effective trade union in South Africa. It is affiliated with the African National Congress (ANC) and the South African Communist Party. COSATU represents 21 national industrial affiliates.

Unionisation Rate	30% (approximately)
Unions	<a href="#">COSATU (Congress of South African Trade Unions)</a> <a href="#">FEDUSA (Federation of Unions of South Africa)</a>
Regulation Bodies	<a href="#">Department of Labour, Government of South Africa</a>

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## Investing

### FDI IN FIGURES

Compared to other countries in the African continent, the potential attractiveness of South Africa is high. However, its performance is relatively weak for FDI attraction, despite progress owing to investment potential in infrastructure. Still, the country leads in terms of FDI inflows in Africa, mostly thanks to SEZ programmes. The Musina/Makhado SEZ, along principal north-south route into the Southern African Development Community and close to the border with Zimbabwe, offers a strategic location to attract FDI. According to data published in the UNCTAD's [2019 World Investment Report](#), FDI inflows recovered in the country after several years of low-level, and increased by 166% in 2018, reaching USD 5.3 billion. This is related to the Government's campaign to attract \$100 billion of FDI by 2023. This large increase is mainly due to intracompany loans and equity inflows. During the year, Beijing Automotive Industry holding, BMW, Nissan and Mainstream Renewable Energy were the biggest investors. FDI stocks decreased by 17.5%, reaching almost \$129 billion in 2018. The new ANC administration led by Ramaphosa is expected to be more encouraging to foreign investors than the the previous president, Jacob Zuma (as an example, the latter had previously announced his intention to revise the Land Law in order to restrict propriety rights for foreigners). In 2017, European countries were active investors in South Africa (United Kingdom, Netherlands, Belgium, Germany and Luxembourg), as well as the United States, China, Australia and Japan. Most of the investment went to the financial, mining, manufacturing, transportation and retail sectors.

South Africa ranks 82nd out of 190 economies in the World Bank's [2019 Doing Business](#) report. The country has many attractive assets for investors such as an important demography; a diversified, productive and advanced economy; abundant natural resources; a transparent legal system, and a certain political stability. However, the country suffers from a high crime rate, increasing social unrest (strikes and demonstrations), high levels of corruption, and structural issues in electricity supply and logistics. Investors are also worried about the lack of clarity concerning policy and structural reforms. Investment potential is hampered by certain legal uncertainties which discourage foreign investors, despite the promulgation of the Protection of Investment Act in December 2015, which reinforces legal guaranties for foreign investors. By the end of 2018, Amazon announced that it would be constructing data centres in Cape Town, which will dramatically expand the computing capacity in the region, providing a boost to Cape Town's status as the tech and big data hub of Africa. This investment decision by Amazon will also be a significant boost to President Cyril Ramaphosa's plan to attract USD 100 billion of new investment to the country.

<b>Foreign Direct Investment</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
FDI Inward Flow <i>(million USD)</i>	2,235	2,007	5,334
FDI Stock <i>(million USD)</i>	135,454	156,103	128,809
Number of Greenfield Investments***	140	106	110
FDI Inwards <i>(in % of GFCF****)</i>	3.9	n/a	n/a
FDI Stock <i>(in % of GDP)</i>	46.5	n/a	n/a

Source: UNCTAD, Latest available data.

Note: \* The UNCTAD Inward FDI Performance Index is Based on a Ratio of the Country's Share in Global FDI Inflows and its Share in Global GDP. \*\* The UNCTAD Inward FDI Potential Index is Based on 12 Economic and Structural Variables Such as GDP, Foreign Trade, FDI, Infrastructures, Energy Use, R&D, Education, Country Risk. \*\*\* Green Field Investments Are a Form of Foreign Direct Investment Where a Parent Company Starts a New Venture in a Foreign Country By Constructing New Operational Facilities From the Ground Up. \*\*\*\* Gross Fixed Capital Formation (GFCF) Measures the Value of Additions to Fixed Assets Purchased By Business, Government and Households Less Disposals of Fixed Assets Sold Off or Scrapped.

### FDI INFLOWS BY COUNTRY AND INDUSTRY



Main Investing Countries	2017, in %	Main Invested Sectors	2017, in %
United Kingdom	27.0	Financial and insurance services, real estate and business services	44.6
The Netherlands	18.0	Mining and quarrying	21.2
Belgium	14.8	Manufacturing	15.9
United States	6.7	Transport, storage and communication	10.2
Germany	4.9	Wholesale and retail trade, catering and accomodation	6.5
China	4.7	Community, social and personal services	1.4
Japan	3.8		
Australia	3.6		
Luxembourg	2.7		
Mauritius	1.1		
Switzerland	1.1		

Source: [South African Reserve Bank, Quarterly Bulletin June 2019](#)- Latest available data.

Form of Company Preferred By Foreign Investors	Private Limited
Form of Establishment Preferred By Foreign Investors	Simple process of establishment, do not require to have statutory general body meetings like public companies, and do not have to submit their annual financial statements with the Registrar.
Main Foreign Companies	<a href="#">Global companies in South Africa</a>
Sources of Statistics	<a href="#">Department of trade and industry</a> <a href="#">South African Reserve Bank</a> <a href="#">Business Map</a>

## WHAT TO CONSIDER IF YOU INVEST IN SOUTH AFRICA

### Strong Points

South Africa has large market potential, well developed infrastructure and a competitive domestic economy. The country's democracy is also well-established and the rule of law is observed. The country has put into place economic reforms, which have led to macro-economic stability, as well as tax and customs reductions.

South Africa main assets are:

The business climate is good and state financial management is competent.

The country enjoys a good-sized and active stock exchange.

South Africa has shifted from its traditional industries to production and financial services, which are the main contributors to GDP.

The tourism and retail sectors have great potential.

The mining sector is a major part of the economy. It is the world's largest producer of chrome, manganese, platinum, vanadium and vermiculite. It is the second largest producer of ilmenite, palladium, rutile and zirconium. It is the world's third largest coal exporter. South Africa is also a huge exporter of diamonds and iron ore ([U.S. Geological Survey](#)).

The country also enjoys a strategic geographical location, that makes it an ideal hub to access the sub-Saharan markets.

**Weak Points**

The economic stability of the country has been weakened by the corruption scandal that hit former President Zuma. In addition, investors are worried by the general orientation of public policies, in particular economic policies, and the issue of structural reforms. Other problems may discourage foreign investors:

- Increased labour strikes in recent years, which rating agencies have warned could further lower South-Africa's credit rating
- Violence and corruption continue to hinder the economy, while income inequality remains high
- Access to electricity is insufficient because of a lack of investment.
- Lack of high-skilled labour force
- Immigration laws make the employment of foreign workers more complicated.
- Import-export process may be difficult.
- Economy depends on the ore prices and FDI inflows.
- Market entry is very competitive, as the market is very mature.

**Government Measures to Motivate or Restrict FDI**

Nearly all business sectors are open to foreign investors. Government approval is not required and there are few restrictions on how or how much foreign entities can invest. Additionally, the Government has put in place various measures to encourage foreign investments, including simple tax rules, investment incentives, a better regulatory policy on competition and protection of intellectual property. Below are a few examples of these measures:

- The [Foreign Investment Grant](#), a cash grant, which provides up to 15% of the value of new machinery and equipment
- The Skills Support Programme, which provides up to 50% of training costs and 30% of workers' salaries
- The [Industrial Policy Project](#) programme, which offers tax allowances

For a list of other government incentives for FDI, please visit the Department of Trade and Industry's [website](#). The government created a Unique Investment Desk in 2017.

Despite these measures and a developed economy, some elements may indicate that the government is not convinced of the importance of FDI. Thus, some laws are approved without an initial analysis of the consequences they may have on certain economic sectors.

**PROTECTION OF FOREIGN INVESTMENT**

Bilateral Investment Conventions Signed By South Africa  
 Organizations Offering Their Assistance in Case of Disagreement  
 Member of the Multilateral Investment Guarantee Agency

South Africa is a signatory to 40 bilateral investment treaties. These treaties are available to view and download on [UNCTAD's Investment Policy Hub](#).

[ICCWBO](#) , International Chamber of Commerce

Yes, Visit: [MIGA](#)

**Country Comparison For the Protection of Investors**

	South Africa
Index of Transaction Transparency*	8.0

	South Africa
Index of Manager's Responsibility**	8.0
Index of Shareholders' Power***	8.0

Source: Doing Business - Latest available data.

Note: \*The Greater the Index, the More Transparent the Conditions of Transactions. \*\*The Greater the Index, the More the Manager is Personally Responsible. \*\*\* The Greater the Index, the Easier it Will Be For Shareholders to Take Legal Action. \*\*\*\* The Greater the Index, the Higher the Level of Investor Protection.

## PROCEDURES RELATIVE TO FOREIGN INVESTMENT

Freedom of Establishment	Guaranteed
Acquisition of Holdings	Possible.  Companies have to appoint a South African resident as the company's legal representative. Moreover, foreign companies have to appoint an auditor.
Obligation to Declare	No government approval is required for foreign investors to establish a new business or invest in South Africa apart from the approval required under the exchange control regulations.  The investor will be required to appoint a consultant, auditor, and/or legal advisor to register a company on his/her behalf. The company should be registered within 21 days and must also register with the tax office.
Competent Organisation For the Declaration	<a href="#">South African Reserve Bank (SARB)</a>
Requests For Specific Authorisations	Virtually all sectors are open to foreign investors. Very few restrictions apply only to foreign companies.  For example, a foreign bank establishing a branch in South Africa may be required to employ a certain minimum number of local residents in order to obtain a banking licence and may be obliged to have a minimum capital base.  Restrictions also exist regarding the ownership of immovable property by foreign companies. Foreign companies are required to register as external companies before immovable property may be registered in their names.

## OFFICE REAL ESTATE AND LAND OWNERSHIP

Possible Temporary Solutions	Renting. However in case the foreign company is of national interest, the South African government provides temporary space for a limited period, say up to 2 years.
The Possibility of Buying Land and Industrial and Commercial Buildings	Yes
Risk of Expropriation	As per the <a href="#">Expropriation Act of 1975</a> and the <a href="#">Expropriation Act Amendment of 1992</a> , the government is entitled to expropriate private property for reasons of public necessity or utility.

## INVESTMENT AID

### Forms of Aid

The various forms of aid and incentives provided by government are:

Foreign Investment Grant: provide up to 15 % of the value of new machinery per entity for relocation to South Africa.

Industrial Development Zones: provide duty-free import of production-related materials and zero VAT on materials sourced from South Africa.

The Skills Support Program : provides up to 50% of training costs and 30% of worker salaries for a maximum of three years to encourage the development of advanced skills.

The Strategic Investment Project Program : offers a tax allowance of up to 100% (maximum if USD 86 million per project) on the cost of buildings, plant and machinery, for strategic investments of at least USD 70 million).

The Critical Infrastructure Facility: supplements funds up to 30% of the development costs of qualifying infrastructure projects.

The Business Process Outsourcing & Off-Shoring (BPO&O): incentive for companies offering services to offshore clients (\$5400-8800 US and training support).

Incentive for industrial projects using unused and new manufacturing assets (Green field investments) and expansions of existing industrial projects: 12 % tax incentive.

Sector Specific Assistance Scheme (SSAS): financial support for industry associations, joint action groups and export councils.

Film and Television Production Rebate Scheme: rebate of 15 % for foreign productions and 25% for South African productions.

Automotive Production and Development Program (APDP): scheme to promote the automobile industry (20% of the value of investment in productive assets).

For more details on investments aids, visit the [DTI website](#).

### Privileged Domains

Infrastructure development (sectors like transportation, telecommunications, and energy), job creation, environment protection, development of manpower skills, creation of healthy competitiveness.

### Privileged Geographical Zones

The first Industrial Development Zone (IDZ) was set up in South Africa in 2001. IDZs offer duty-free import of production-related materials and zero VAT on materials sourced from South Africa, along with the right to sell into South Africa upon payment of normal import duties on finished goods. There are no exemptions from other laws or regulations, such as environmental and labor laws.

IDZs are currently located at Coega near Port Elizabeth, in East London, Richards Bay, and at Johannesburg International Airport.

### Free Zones

No free zones or free ports exist in South Africa.

### Organizations Which Finance

[Industrial Development Corporation \(IDC\)](#)

[Development Bank of Southern Africa \(BDSA\)](#)

[Overseas Private Investment Corporation \(OPIC\)](#)

[African Development Bank.](#)

[Small Business Development Corporation \(SBDC\)](#)

## INVESTMENT OPPORTUNITIES

### The Key Sectors of the

Mineral exports, industrial sector which includes railway rolling stock, synthetic fuels,

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National Economy	and mining equipment and machinery, tourism, financial services, health, fruit production, energy (electricity, renewable, petrol), transport infrastructure, telecommunication and information technologies and the online sale sector.
High Potential Sectors	Business process outsourcing and notably call centres.  Tourism, which benefits from the beauty of the landscape, is a buoyant sector.  FDI in the manufacturing sector is desired, South Africa stresses its comparative advantage in terms of costs of production.
Privatization Programmes	The government is considering privatisation of the postal service, the telecommunications services ( <a href="#">TELKOM</a> ) and railway lines. In 2017, the government announced its intention to partially privatise numerous state-owned assets, including South African Airways.
Tenders, Projects and Public Procurement	<a href="#">South African Government Information</a> , <a href="#">Tenders SA-Tenders</a> , <a href="#">Tenders in South Africa Cape Business News</a> , <a href="#">Trade Offers Tenders Info</a> , <a href="#">Tenders in South Africa DgMarket</a> , <a href="#">Tenders Worldwide</a>

#### SECTORS WHERE INVESTMENT OPPORTUNITIES ARE FEWER

Monopolistic Sectors	Investments in banking, insurance and broadcasting industries. FDI in mining, energy and defence sectors must be submitted to the government for approval. Restrictions on the level of borrowing for foreign companies also exist.
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#### FINDING ASSISTANCE FOR FURTHER INFORMATION

Investment Aid Agency	<a href="#">Department of Trade and Industry South Africa</a> <a href="#">The New Partnership for Africa's Development</a>
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