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Doing Business in
SOUTH AFRICA

Contents

INTRODUCTION

UHY is an international organisation providing audit and accountancy, tax, business management and consultancy services through financial business centres in nearly 100 countries.

Business partners work together across the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in South Africa has been provided by the office of UHY representatives:

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A detailed firm profile can be found in section eight, UHY in South Africa.

Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at January 2026.

We look forward to helping you do business in South Africa.

BUSINESS ENVIRONMENT

South Africa's high level of industrialisation, its position as a key manufacturing hub and services destination on the African continent and its strong financial sector are key attractions for investors. It is one of the most technologically resourced countries in Africa. It consistently ranks highly in terms of internet bandwidth capacity and broadband usage and has some of the highest mobile phone penetration rates on the continent.

Whether it is in mining, manufacturing, agriculture, clothing and textiles, services, tourism or the ocean economy, South Africa's business environment is as diverse as it is sophisticated, and its export basket will increasingly mirror this diversity as the country seeks higher productivity and enhanced global competitiveness.

With an economy predominantly based on free market principles with some areas of state control, foreign direct investment is actively encouraged by both the private and public sectors. There is a long history of involvement by British, German and American interests – today, active investors also include the Netherlands, Belgium, Luxembourg, Japan, China, and Australia, with focus on financial and insurance services, manufacturing, mining and quarrying, transport, trade and community services.

While other African economies such as Nigeria enjoy their country's vast deposit of natural endowments such as crude oil, many economic experts have argued that South Africa is the continent's best economy because of its sustainable capacity for development. Well-developed and improving infrastructure, plus established trade links with the rest of the continent make South Africa a suitable base for generating investment and trade with the rest of Africa, particularly in the sub-Saharan region.

In 2024 South Africa celebrated 30 years of democracy. In the country's May 2024 national election, the governing African National Congress (ANC) lost its three-decade majority and formed a coalition government, the GNU (Government of National Unity) with the Democratic Alliance and other smaller parties. South Africa President Cyril Ramaphosa was re-elected as ANC party president, promising to continue his efforts on anti-corruption measures and foreign investment, setting the scene to accelerate ongoing economic revival and growth.

Nevertheless, the government recognises key challenges which remain. In 2012, with rising unemployment and growing income inequality the country adopted its National Development Plan (NDP) 2030 to tackle poverty and unemployment. But with targets behind schedule for economic growth and employment, the new GNU is adapting it into a fresh operational strategy – the Medium-Term Development Plan (MTDP) 2024-2029. The original NDP 2030 still exists as the country's overarching vision for development, but key operational components have been prioritised by the MTDP, which focuses on driving inclusive growth and job creation, tackling poverty and the high cost of living and building a capable, ethical state. Policy adjustments include structural reforms in energy, rail and port infrastructure and climate and tax reforms to incentivise emission reductions, beginning in 2026.

The former National Industrial Policy Framework (NIPF) remains the foundational framework for South African industrialisation and diversification, but implementation and action plans have changed, with a stronger sectoral focus, cross-government working and collaboration with the private sector, delivered through 'Master Plans' across the following priority sectors.

- Energy, oil, gas & chemicals
- Green hydrogen
- Green industrial & climate sustainable tech
- Automotive
- Mining equipment
- Heavy transport equipment (inc trucks & trains)
- Steel and metal fabrication
- Retail, clothing, textiles, footwear & leather
- Food and beverages
- Sugar
- Poultry
- Consumer durables and electronics
- Furniture, forestry and timber industries
- Pharmaceuticals

- Cosmetics, skincare, haircare and other FMCG
- Medical devices
- Advanced manufacturing
- Global business services and digital services
- Film production, music and fashion
- Export of professional services
- Oceans economy

THE ECONOMY

South Africa has the most sophisticated free-market economy on the African continent.

Over the last quarter-century, the country has made remarkable progress in expanding opportunities for its people, most of whom still live with the effects of the apartheid system. Millions of poor South Africans have been provided with homes, social support, electricity and water. The Black middle-class has grown significantly and access to healthcare and education has been expanded.

Despite the fragility inherent in coalition governments, the country is striving to emerge from a period of stagnation. While real GDP growth in 2023 and 2024 of <1% is low, forecasts of 1.4%-1.6% for 2025-2026 though modest, are positive; and in support of its growth ambitions, the government has pledged over ZAR 1 trillion investment in roads, rail, energy and water infrastructure. Economic policy has focused on controlling inflation, with some success – 2025's average consumer price index inflation of 3.2% was among the lowest for 21 years. However, the country still faces constraints, including skill shortages, declining global competitiveness, high debt-servicing costs and an unemployment rate (c.32% in 2025) that is among the highest in the world.

While recognising the importance of these challenges, South Africa is nevertheless classified by the World Bank as an 'upper middle-income country' with an abundant supply of natural resources, well-developed financial, legal, communications, energy, and transport sectors – the Johannesburg Securities Exchange (JSE) is Africa's largest and among the top 20 in the world.

PRIVATISATION

The public sector's role in South Africa's economy has historically always been substantial in comparison with the private sector's role. However, the government is commercialising, restructuring and increasing private sector involvement in government-controlled enterprises through the 'Master Plans', sectoral implementation of national industrial policy. See page 2 above.

IMPORTS, EXPORTS AND FREE TRADE AREAS

Most of South Africa's exports to industrialised countries consist of primary and intermediate commodities. A large proportion of exports consist of unprocessed raw materials, with the mining industry contributing the greatest proportion of the country's total exports. However, more of South Africa's raw materials are now being processed in South Africa before being exported.

South Africa is a major exporter of platinum, gold and diamonds, as well as other metals and minerals. The country is also a key exporter of maize, wine and fruit. Main export partners are China, Germany, the USA, Japan, India and the UK.

Imports include mainly machinery and equipment, chemicals, petroleum products and foodstuffs, with China, Germany, the USA and India chief import partners.

INDUSTRIAL AND TRADE ORGANISATIONS

Numerous public and private development agencies, as well as other agencies, provide advice and assistance to further economic development.

BLACK ECONOMIC EMPOWERMENT AND AFFIRMATIVE ACTION

Black Economic Empowerment (BEE) has been a central policy of the South African government since 1994, aimed at accelerating the participation of Black South Africans in the economy.

It was formalised into legislation through the Broad-Based Black Economic Empowerment (BBBEE) Act of 2003, which provides the legislative framework for its implementation and measurement, steered by the Black Economic Empowerment Advisory Council.

BBBEE involves the economic empowerment of all Black people (which, subject to certain limitations, includes Black, Indian and Coloured South Africans), and covers four key areas:

- direct ownership and management participation – increasing the number of Black people who manage, own and control enterprises and productive assets
- skills development and employment equity – achieving equitable representation in all occupational categories and at all levels of the workforce
- preferential procurement and enterprise development – promoting preferential procurement from empowered enterprises and investment in enterprises owned or managed by Black people
- socioeconomic development initiatives.

IMPLEMENTATION AND MEASUREMENT

BBBEE is implemented primarily through the Codes of Good Practice, which set out targets and measurement criteria. Sector-specific codes may also be issued under Section 9 of the Act, allowing industries to tailor these requirements.

Companies are assessed using a scorecard system, with points awarded across defined elements. Based on their score, businesses are assigned a BBBEE status level from Level 1 (highest) to Level 8 (lowest). This status determines their procurement recognition and is a key factor in accessing public sector contracts and remaining competitive in supply chains. BBBEE status is verified by accredited rating agencies or, for smaller entities, may be confirmed by affidavit. Misrepresentation of BBBEE status ('fronting') is a criminal offence and may result in fines or imprisonment.

SCORECARD FRAMEWORK

The current Generic Codes (revised in 2013 and amended in 2019) allocate points across five elements:

- ownership (25 points) – percentages of Black, and Black female, ownership
- management control (15 points) – voting rights, senior positions, executive control
- skills development (20 points) – investment in Black employees, comprising bursary expenditure (2.5%) and learnership expenditure (3.5%) following 2019 amendments to the Generic Codes
- enterprise and supplier development (ESD) (40 points) – investment in developing smaller Black-owned companies
- socioeconomic development (5 points), investment in business-relevant communities and charities.

Bonus points may be earned for exceeding targets, but these do not count towards minimum threshold requirements.

2019 AMENDMENTS

In 2019, further amendments to the Generic Codes of Good Practice were gazetted. Key changes included:

- EMEs and QSEs may only benefit from enhanced Level 1 or Level 2 recognition if Black ownership is measured using the direct flow-through principle. The modified flow-through principle can no longer be used for this purpose.

- The target for procurement from 51% Black-owned suppliers was raised from 40% to 50% of total measured procurement spend, with points awarded increasing from nine to 11.
- A new 'designated group supplier' category was introduced, referring to suppliers that are 51% Black-owned and owned by unemployed Black people, Black youth, Black people with disabilities, Black people living in rural areas or Black military veterans.
- The 'empowering supplier' criteria were reduced from five to four requirements, removing the condition that 85% of a service industry supplier's labour costs be paid to South African employees.

SECTOR CODES

Where a sector code applies, companies must be measured against that code rather than the Generic Codes. While many sectors still follow the generic framework, industry-specific variations are becoming more common, often with stricter or differently weighted targets. Recent developments include updated codes in sectors such as ICT, legal and financial services.

EMPLOYMENT EQUITY

The Employment Equity Amendment Act 4 of 2022, effective from January 2025, introduces sector-specific workforce targets. Employers with more than 50 employees must align their employment equity plans accordingly.

An Employment Equity Compliance Certificate is now required for state contracts, confirming adherence to targets (or providing justification for non-compliance), submission of reports, and compliance with labour laws. Non-compliance may affect eligibility for public sector contracts and certain regulated activities.

SMALL AND MICRO ENTERPRISES

BBBEE compliance is simplified for smaller businesses:

- Exempt Micro Enterprises (EMEs) (turnover ≤ ZAR 10 million) qualify automatically for BBBEE status based on Black ownership and can confirm this via affidavit
- qualifying Small Enterprises (QSEs) (turnover ZAR 10-50 million) are assessed on a simplified scorecard but may also qualify for enhanced status based on ownership.

These thresholds have remained unchanged since 2013 and may be subject to future revision.

MULTINATIONALS

Multinational companies may use Equity Equivalent Investment Programmes (EEIPs) as an alternative to direct ownership. These allow contributions to skills development, enterprise support or social initiatives to count towards BBBEE ownership requirements, subject to approval by the Department of Trade, Industry and Competition (DTIC). Foreign investors are not required to cede ownership, but ownership structures can materially affect BBBEE outcomes and commercial positioning.

PROPOSED 2026 AMENDMENTS

Draft amendments to the Generic Codes, published in January 2026, propose significant changes, including:

- introduction of a Transformation Fund as an alternative mechanism within enterprise and supplier development
- greater emphasis on procurement from 100% Black-owned businesses
- stricter impact-based measurement (e.g. job creation, business growth).

These proposals remain under review and are not yet in force as of April 2026.

SUMMARY

BBBEE compliance is a key consideration for doing business in South Africa, particularly in relation to government contracts and supply chains. While participation is not legally mandatory in all cases, BBBEE status is often a practical requirement for doing business in South Africa, particularly in government-related sectors and established supply chains. The framework continues to evolve, with recent employment equity reforms already in force and further changes under consideration. Businesses should monitor developments closely and seek specialist advice where necessary.

FOREIGN INVESTMENT

EXCHANGE CONTROL

Exchange control in South Africa is administered by the South African Reserve Bank (SARB), with significant authority delegated to authorised dealers (primarily commercial banks), which manage most foreign exchange transactions within an evolving regulatory framework that is being progressively modernised, with selective liberalisation alongside enhanced compliance requirements.

Non-residents can generally transfer capital into and out of South Africa, provided transactions are conducted through authorised dealers and comply with applicable regulatory and tax requirements, with banks reporting such transactions to SARB.

However, exchange controls continue to apply to residents and to transactions between residents and non-residents.

There are generally no exchange control restrictions on foreign investors acquiring companies or businesses in South Africa, and the introduction of equity capital typically does not require SARB approval, provided transactions are properly reported through authorised dealers.

However, the acceptance of foreign loans by South African residents (including local subsidiaries or branches of foreign companies) remains subject to exchange control approval, with repayment terms governed by the conditions of that approval and administered through authorised dealers.

The sale or redemption proceeds of assets owned by non-residents may be freely transferred from South Africa. There are no thin capitalisation rules imposed in terms of exchange controls, but the rate of interest payable on foreign loans will be limited by SARB – though interest is freely transferable from South Africa once approval has been granted.

Dividends declared by South African subsidiaries of foreign companies and profits distributed by a branch of a foreign company operating in South Africa may be remitted abroad, provided that the dividend has been declared out of (or the branch profits distributed from) realised reserves.

Following SARB's Exchange Control Circular 16/2025, banks must now be satisfied that the non-resident recipient is tax compliant with the national South African Revenue Service (SARS) before remitting funds offshore. This applies to a broad range of South African-source payments including dividends, rental income, trust distributions, directors' fees and royalties.

Residents, including resident entities, may effect payment for services rendered by non-residents, provided that the fees payable are not calculated based on a percentage of turnover, income, sales or purchases, nor may payments be made in respect of cost-sharing or cost-allocation arrangements. An exception exists where percentage-based fees are normal in the trade concerned, in which case such payments are permissible.

The payment of licence fees and royalties to non-residents has been significantly liberalised, and South African resident entities are no longer required to obtain SARB approval to remit royalties and fees payable to non-resident related parties. Payments are now processed through authorised dealers (commercial banks), provided transactions are concluded at arm's length at fair market prices. However, royalties associated with a process of local manufacture remain subject to a separate application process to the DTIC.

SARB approval is required for the sale of all forms of South African-owned intellectual property rights (IPR). Approval is generally granted by SARB if the transaction occurs at arm's length and at fair market value. IPR owned by non-residents is not subject to any restrictions in terms of repatriation of profits, royalties, or proceeds from sales.

Payment for imports may be made through an authorised dealer, against the submission of customs stamped documentation evidencing the receipt of the merchandise in South Africa. The receipt of export proceeds by residents is controlled. Foreign currency export proceeds must be repatriated within 30 days unless otherwise directed. However, exporters who are customer foreign currency (CFC) account holders can retain funds in these accounts and are not obliged to convert the funds into rand.

Income earned abroad by resident individuals can be held abroad unless it derives from merchandise exports.

Residents (natural persons) over the age of 18 may avail themselves of a single discretionary allowance of up to ZAR 1,000,000 per calendar year (ZAR 200,000 for a child) which may be used for any one of or all the following categories of allowances:

- study
- holiday and business travel
- maintenance payments
- gifts or loans to non-residents.

South Africans may freely invest in foreign firms listed on South African stock exchanges. Residents who are taxpayers of good standing and over 18 are also permitted to make investments up to ZAR 10 million per calendar year in other countries or alternatively hold foreign currency deposits with an authorised dealer.

Transfers above the single discretionary allowance of ZAR 1 million require an Approval for International Transfer (AIT) from SARS, which has replaced the previous foreign investment allowance tax clearance process and involves more extensive disclosure requirements including worldwide assets and liabilities.

As of March 2020, only the first ZAR 1.25 million earned from foreign service income is exempt from tax in South Africa, as long as more than 183 days are spent outside the country in any 12-month period and, during the 183-day period, 60 days are continuously spent outside South Africa.

Foreign nationals temporarily resident in South Africa may, subject to completing formalities through an authorised dealer, conduct their affairs on a residency basis while resident in South Africa and may expatriate accumulated earnings or capital introduced.

TABLE 1

Restrictions on earnings or capital

EARNINGS/CAPITAL	
Listed securities	No restrictions
Real estate	No restrictions
Equity investment	No restrictions
Loans	All foreign loans subject to approval

South African banks are permitted to commit up to 25% of their capital in direct and indirect foreign liabilities. In addition, pension funds, life insurers, collective investment scheme (CIS) managers and discretionary financial services providers registered as institutional investors with the Financial Surveillance Department (FinSurv) may each invest up to 45% of their retail assets in foreign portfolio investments.

INWARD INVESTMENT

The JSE is a valuable commodity in South Africa's economy, and the largest exchange in Africa. Its efficient, secure market with world class regulation, trading, clearing, settlement assurance and risk management makes it one of the top 20 exchanges in the world in terms of market capitalisation.

As South Africa's only full-service securities exchange, it connects buyers and sellers in five different markets:

- equities, including a primary and secondary board
- equity derivatives
- agricultural/commodity derivatives
- interest rate instruments
- currency derivatives.

The JSE provides companies with the opportunity to raise capital in a highly regulated environment through its markets. The Main Board is for established companies and is segmented into a prime segment and a general segment. The prime segment is the default and applies to all companies included in the FTSE/JSE All Share Index, while the general segment, introduced in September 2024, offers medium-sized companies a listing with less stringent requirements, designed to encourage more companies to access the public markets. The Alternative Exchange (AltX) continues to serve smaller, high-growth companies which may become the powerhouses of the future. Listing on the JSE can provide a company with many benefits including access to capital to grow the business, an enhanced public profile, an ability to attach a value to the company, the facilitation of Black economic empowerment deals and, if an international company, a listing which can be used as a springboard into the rest of Africa.

The JSE completed a major overhaul of its listings requirements through the Simplification Project, the revised requirements receiving formal approval from the Financial Sector Conduct Authority (FSCA) in December 2025. The objective was to modernise and streamline the framework using plain language, reducing unnecessary complexity while maintaining appropriate standards of market integrity and investor protection. The JSE retains close alignment with international standards and continues to offer strong investor protections.

It is also worth noting that since 2017 several new exchanges have been licensed in South Africa, including the Cape Town Stock Exchange and A2X Markets, which are becoming more attractive to smaller issuers and for diversified instruments. The JSE nonetheless remains by far the largest exchange in Africa by market capitalisation and the primary venue for listings in South Africa.

REPATRIATION OF FUNDS

TABLE 2

Repatriation of funds

FUNDS	
Dividends	No restrictions
Interest	No restrictions**
Royalties	12% withholding tax*
Equity investments	No restrictions**
Loans subject to approval	Readily granted**

* Assumes no double tax treaty relief exists

** Provided exchange control approval was obtained on initial investment

DIVIDENDS

Dividends can be freely remitted (provided the shares are endorsed 'non-resident' and the dividend will not cause the business to be 'over-borrowed'). The remitting bank may call for an auditor's report.

INTEREST

Provided that exchange control approval has been obtained in advance in respect of the loan and the interest payable (ie. approval is required for the receipt of the loan) and if prior approval for a loan has been obtained, interest may be paid without separate approval. Repayment of capital is subject to separate approval.

ROYALTIES

Earnings from royalties may be remitted provided that a royalty agreement has been approved by the SARB and/or the DTI, and provided the application for approval to remit the royalty is supported by the auditor's certificate.

MANAGEMENT FEES

For exchange control purposes, management fees can be freely remitted, provided that the fee is not based on a percentage of sales, turnover, purchases, etc. A detailed invoice specifying the services and the basis of the fee must be submitted to the entity's bankers when effecting payment.

INVESTMENT INCENTIVES

The government actively seeks to encourage commercial activity and attract foreign capital by offering investment incentives and industrial financing schemes. These programmes remain the backbone of the current investment landscape today.

Incentive schemes are listed below, with key schemes described in the following sections:

ACTIVE INVESTMENT INCENTIVES

- **AIS:** Automotive Investment Scheme (now includes the Electric Vehicle/Green Hydrogen expansion).
- **GBS:** Global Business Services Incentive (formerly BPS – see below).
- **ADEP:** Aquaculture Development and Enhancement Programme.
- **BIS:** Black Industrialists Scheme (consolidated BBSDP and MCEP).
- **CIP:** Critical Infrastructure Programme.
- **EMIA:** Export Marketing and Investment Assistance.
- **Film and TV:** South African Film and Television Production Incentives.
- **CTLF:** Clothing, Textile, Leather and Footwear Master Plan (consolidated CTCIP).
- **SPII:** Support Programme for Industrial Innovation (see below).
- **Isivande Women's Fund:** Specialised fund for women-owned enterprises.
- **Section 12L:** Energy Efficiency Tax Incentive.
- **Section 11D:** Research and Development (R&D) Tax Incentive (formerly THRIP-linked).
- **DTI Incentives:** Special Economic Zone (see below) tax benefits (Corporate Tax at 15% and Employment Tax Incentives).
- **Agro Processing Support Scheme (APSS):** Successor to manufacturing grants for the food/beverage sector.
- **Tourism Transformation Fund:** Successor to the **TSP**.

RESEARCH & DEVELOPMENT INCENTIVES

South Africa's Research and Development (R&D) and Support Programme for Industrial Innovation (SPII) have been refined to put more emphasis on B-BBEE ownership, digital innovation and intellectual property retention.

INNOVATION FUNDING IN SOUTH AFRICA

South Africa's innovation funding environment is supported by a combination of industrial, science and technology-focused institutions. While programmes have evolved over time, the current system is primarily coordinated through the Department of Science and Innovation (DSI), the DTIC and the National Research Foundation (NRF).

These institutions support innovation at different stages of the development cycle, ranging from early-stage research through to applied industrial development and commercialisation.

Historically, one of the key collaborative funding mechanisms was the Technology and Human Resources for Industry Programme (THRIP). THRIP supported joint research and development between industry and academic institutions, with a strong focus on developing technical skills and applied research capacity within South Africa.

Although THRIP has since been discontinued, its role has largely been absorbed into newer or parallel programmes administered by the DSI and NRF. These continue to support:

- collaborative research between universities and industry
- skills development in science, engineering and technology fields
- applied research aligned to industrial needs.

For investors and companies operating in South Africa, access to innovation support is therefore typically achieved through a combination of DTIC industrial funding mechanisms (such as SPII), DSI/NRF research collaboration programmes and tax-based incentives such as the Section 11D R&D allowance (see below).

SUPPORT PROGRAMME FOR INDUSTRIAL INNOVATION (SPII)

The SPII is a funding initiative administered by the DTIC. It provides financial assistance for developing innovative products and processes in South African industry.

SPII is focused on the development phase of innovation, after basic research has been completed and up to the point at which a pre-production prototype has been developed. It does not fund early-stage research or post-development activities such as production scaling, marketing or market rollout. In practical terms, SPII supports projects that have already demonstrated technical feasibility but still require engineering development, prototyping and testing before they can be commercialised.

The programme also supports broader economic transformation by improving access to development funding for historically disadvantaged groups, including Black-owned, women-owned and youth-owned enterprises.

SPII funding schemes

SPII operates through three schemes, differentiated by project scale, funding intensity and repayment structure.

1 Product Process Development (PPD) Scheme

The PPD supports small, micro and individual innovators undertaking early-stage development work. It provides grants of up to ZAR 2 million, funding between 50% and 85% of qualifying development costs, depending on ownership profile:

- Up to 25% B-BBEE ownership: 50% of qualifying costs
- 25% to ≤50% B-BBEE ownership, or majority women/youth/disabled ownership: 75%
- 50% B-BBEE ownership: 85%

The funding is non-repayable.

2 Matching Scheme

The Matching Scheme supports more advanced development projects undertaken by established enterprises. It provides grants of up to ZAR 5 million, funding between 50% and 75% of qualifying costs, depending on ownership profile:

- Up to 25% B-BBEE ownership: 50%
- 25% to ≤50% B-BBEE ownership, or majority women/youth/disabled ownership: 65%
- 50% B-BBEE ownership: 75%.

The scheme requires co-funding from the applicant and is non-repayable.

3 Partnership Scheme

The Partnership Scheme supports large-scale, strategically significant innovation projects with higher commercial risk. It provides a minimum grant of ZAR 10 million, typically covering around 50% of qualifying development costs.

Funding is structured as a conditionally repayable grant, with repayment linked to commercial success. In practice, repayment is usually recovered through a levy on sales over an agreed period. Where commercialisation is not achieved, repayment obligations may be reduced or waived, subject to programme conditions.

Eligibility

To qualify for SPII funding, applicants must be South African registered entities developing products or processes with clear commercial potential beyond a single end-user application. Intellectual property generated through the project must remain in South Africa for at least three years following completion.

Projects must be within the development phase at the time of application:

- PPD projects: generally less than 70% complete
- Matching Scheme projects: generally less than 50% complete.

Applicants must hold valid SARS tax compliance status and provide a valid B-BBEE certificate or affidavit. Projects developed exclusively for a single client or internal use are not eligible.

SPII prioritises projects aligned with South Africa's industrial policy objectives, including digital technologies (including AI-enabled systems), renewable and low-carbon energy technologies, circular economy and resource efficiency solutions and advanced manufacturing and automation.

RELATED INCENTIVE: R&D TAX ALLOWANCE (SECTION 11D)

Qualifying companies may also access the Section 11D research and development tax incentive, which provides a 150% tax deduction on eligible R&D expenditure. The incentive is currently extended to 31 December 2033.

It also allows retrospective claims for qualifying expenditure incurred up to six months prior to application, subject to approval. It operates independently of SPII but is often used alongside it to reduce overall innovation costs.

OTHER INVESTMENT INCENTIVES

GLOBAL BUSINESS SERVICES (GBS)

South Africa's incentives framework for offshore services is centred on the GBS incentive, which replaced the Business Process Services (BPS) programme in 2019. The incentive is aimed at attracting foreign investment and supporting employment in internationally traded services.

Foreign investors establishing operations in South Africa to service offshore clients may be eligible for support under the GBS incentive. Qualifying activities typically include contact centres, shared services, IT-enabled services, and other back-office or remote service functions delivered to international markets.

Support is provided in the form of a grant over a defined period, linked primarily to the number of jobs created and maintained. Eligibility is subject to minimum job creation thresholds, service eligibility criteria and ongoing compliance requirements. Funding levels and programme parameters may vary, and investors are generally encouraged to engage early with the DTIC to confirm current requirements and application processes.

SECTOR-SPECIFIC ASSISTANCE SCHEME (SSAS)

The SSAS is designed to support export promotion and market access initiatives across priority sectors. The scheme primarily provides funding to industry bodies rather than individual companies.

Foreign investors typically access SSAS support indirectly through participation in recognised industry associations, export councils or joint action groups. They use SSAS funding to undertake collective export development activities, including marketing, trade promotion and capacity building within specific sectors.

The scheme comprises two main components. 'Generic Funding' supports established industry bodies with operational and marketing-related costs, including export promotion activities and industry coordination. 'Project Funding for Emerging Exporters' focuses on developing new export capacity, supporting initiatives aimed at expanding the participation of South African-based firms in international markets.

Support is generally provided on a cost-sharing basis and is subject to eligibility criteria, sector prioritisation and approval by the DTIC. As funding is channelled through industry organisations, investors are advised to engage with relevant sector bodies to identify opportunities to participate in funded programmes and export initiatives.

SSAS forms part of a broader suite of export support measures. Companies may also benefit from complementary programmes such as the Export Marketing and Investment Assistance scheme (EMIA), which helps with participation in international trade missions and exhibitions, alongside other sector-specific incentives.

AUTOMOTIVE INVESTMENT SCHEME (AIS)

The Automotive Investment Scheme (AIS) is a key incentive programme supporting investment in South Africa's automotive sector. It provides financial support for investments in new or replacement vehicle models and component manufacturing, with the aim of increasing production capacity, improving competitiveness and strengthening the local supply chain.

The AIS forms part of the broader Automotive Production and Development Programme (APDP), which runs to 2035 and is designed to promote large-scale, export-oriented production and higher levels of local content.

Both vehicle manufacturers and component suppliers linked to original equipment manufacturer (OEM) supply chains may qualify. While scale of production remains an important factor, the scheme is applied flexibly, with incentives typically linked to the size of the investment, the extent of localisation, and the applicant's role in domestic and global supply chains.

Support is generally provided as a grant linked to qualifying investment in productive assets. Eligibility is subject to minimum investment requirements, production scale considerations and alignment with sector policy objectives. As programme parameters may evolve in line with industrial policy priorities, investors are advised to engage early with the DTIC to confirm current requirements and application processes.

CAPITAL PROJECTS FEASIBILITY PROGRAMME (CPFP)

The Capital Projects Feasibility Programme helps develop export opportunities for South African capital goods and services.

The programme provides cost-sharing support for feasibility studies undertaken by South African entities for projects located outside South Africa. These studies are intended to assess the viability of projects that, if implemented, are expected to generate downstream export opportunities for South African firms.

Foreign investors may access the CPFP indirectly by partnering with a South African-registered entity. Applications must be submitted by the South African partner, and projects should demonstrate a clear link to future exports of South African goods or services.

Support is provided as a cost-sharing grant covering a portion of feasibility study costs. As a guide, funding has historically been capped at approximately ZAR 8 million per project**,** with support typically covering up to 50% of study costs for projects outside Africa and a slightly higher proportion for projects within Africa. Actual funding levels and cost-sharing ratios may vary depending on the nature, location and strategic value of the project, and applicants are advised to confirm current limits with the DTIC.

CRITICAL INFRASTRUCTURE PROGRAMME (CIP)

The CIP is designed to support investment by co-funding infrastructure that is essential to the viability of new or expanded projects.

Foreign investors establishing operations in South Africa may be eligible for support where infrastructure constraints would otherwise limit investment. Qualifying infrastructure may include roads, bulk services and other site-specific enablers required for industrial or commercial development.

Support is provided as a cost-sharing grant linked to qualifying infrastructure expenditure. Funding has historically ranged between 10% and 30% of eligible costs, subject to a maximum threshold, and is assessed based on the economic benefits of the project, including job creation and investment impact.

Eligibility is subject to the infrastructure being deemed critical to the investment and to compliance with programme requirements. Investors are encouraged to engage early with the DTIC to confirm current parameters and application processes.

MANUFACTURING COMPETITIVENESS SUPPORT

The Manufacturing Competitiveness Enhancement Programme (MCEP), introduced under earlier industrial policy frameworks, is no longer open to new applications and should be regarded as a legacy programme.

In its place, manufacturing support in South Africa is now delivered through a range of updated incentives and financing mechanisms administered by the DTIC and development finance institutions such as the Industrial Development Corporation. These include sector-specific incentives, investment support schemes and concessional financing aimed at improving productivity, competitiveness and localisation.

Foreign investors in the manufacturing sector may access support through a combination of grants and financing instruments, depending on the nature of the investment, sector alignment and policy priorities. Engagement with the DTIC and relevant financing institutions is recommended to identify appropriate support mechanisms.

FILM AND TELEVISION PRODUCTION INCENTIVES

South Africa offers a package of incentives to support film and television production. These include the Foreign Film and Television Production and Post-Production Incentive and the South African Film and Television Production and Co-Production Incentive.

Foreign investors and production companies filming in South Africa may be eligible for support under these schemes, which are designed to encourage international productions, develop local industry capability and promote skills transfer. South Africa remains a competitive filming destination due to its diverse locations, established production infrastructure and cost advantages.

Support is typically provided in the form of a rebate on qualifying South African production expenditure (QSAPE). The co-production incentive offers a base rebate (historically around 35% of qualifying spend), with the potential for additional incentives linked to local participation and transformation criteria. Maximum grant values and detailed eligibility requirements apply and may vary depending on the production structure.

Eligibility is subject to meeting minimum local expenditure thresholds, compliance with programme requirements and approval by the DTIC. Investors and production companies should engage with the DTIC and local production partners to confirm current incentive scope and application processes.

LOCAL INCENTIVES

South Africa's provinces each maintain dedicated investment promotion agencies, such as Wesgro, Gauteng Growth and Development Agency and Trade & Investment KwaZulu-Natal, which support and facilitate inward investment.

Investors may benefit from a range of location-specific support measures, which can include assistance with land and premises, infrastructure development, permitting and regulatory processes, and access to local supply chains and workforce development initiatives.

While direct financial incentives may be available in certain cases, support is typically provided on a project-specific basis and is often aligned with national incentive programmes. Investors should consult with provincial agencies to identify suitable locations and available support.

SPECIAL ECONOMIC ZONES (SEZ)

South Africa's Special Economic Zones (SEZ) programme has evolved from the earlier Industrial Development Zones (IDZ) framework, with existing IDZs now incorporated into a broader, more flexible SEZ regime.

The SEZ programme is designed to promote industrial development and attract investment in targeted locations.

These zones are designated areas, often located near major transport hubs such as ports and airports, where businesses can benefit from purpose-built infrastructure and a range of support measures. Several of South Africa's original IDZs, including Coega, Richards Bay, East London, Saldanha Bay and Dube Trade Port, now form part of this expanded SEZ network, alongside newer zones across the country.

Companies operating within SEZs may benefit from access to serviced industrial land, streamlined administrative processes and customs-controlled areas, which can allow for relief on duties and VAT for qualifying imports used in export-oriented production, subject to compliance with applicable regulations.

In addition, certain fiscal incentives may be available to qualifying companies, including a reduced corporate income tax rate, employment-related tax incentives and accelerated depreciation allowances.

SEZs are generally most suitable for export-oriented or large-scale industrial projects that can benefit from location-specific incentives and integrated infrastructure. For investments primarily serving the domestic market or requiring greater location flexibility, a standard commercial or industrial location may be more appropriate.

Investors should check with SEZ operators and the DTIC at an early stage to assess site suitability, infrastructure availability and applicable incentives.

CUSTOMS AND EXCISE WAREHOUSES

Customs and excise warehouses are licensed facilities regulated by SARS that allow for the storage and, in certain cases, processing of goods under customs control.

Companies importing goods into South Africa may use these warehouses to defer payment of customs duties and import VAT. Duties and taxes become payable only when goods are removed from the warehouse to enter the domestic market, while goods that are re-exported may not attract such charges.

In certain cases, approved manufacturing or processing activities may be undertaken within bonded warehouses, subject to prior authorisation and compliance with customs requirements. This can be particularly relevant for export-oriented operations or businesses involved in regional distribution.

Customs and excise warehouses operate alongside customs-controlled areas within SEZ programme. While both offer potential duty and VAT relief for qualifying goods, bonded warehouses are facility-specific and can be established in various locations, whereas SEZ benefits are linked to designated geographic zones and broader investment criteria.

Use of customs and excise warehouses is subject to licensing and ongoing compliance with customs regulations. Investors are advised to engage with SARS or customs specialists to determine suitability and applicable requirements.

SETTING UP A BUSINESS

South Africa's corporate framework is primarily governed by the Companies Act 71 of 2008, which has modernised company law. While the Act replaced the Companies Act of 1973, existing close corporations established under the Close Corporations Act of 1984 may continue to operate, although new close corporations can no longer be registered. In practice, most investors operate through profit companies.

The Act distinguishes between profit and non-profit companies:

- A non-profit company is incorporated for public benefit purposes. Its income and assets may not be distributed to its members but must be applied to its stated objectives.
- A profit company is incorporated with the objective of generating returns for its shareholders.

The principal forms of business entity in South Africa are:

- Public (Ltd) and private ((Pty) Ltd) companies
- Partnerships
- Sole proprietorships
- Business trusts
- External companies (branches of foreign companies).

METHODS OF INVESTMENT

Forming a company

The most common approach for foreign investors is to establish a company in South Africa, either wholly foreign-owned or jointly with local or international partners. A private company ((Pty) Ltd) is the most widely used form, offering limited liability and flexibility, as opposed to a public company (Ltd). Both private and public companies are regulated by the Companies Act 71 of 2008.

Acquisitions and mergers

Investors may also enter the market by acquiring an existing business. This can be done by purchasing an existing 'off the shelf company', acquiring a going concern, or buying shares in an established private or public company.

Depending on the nature and size of the transaction, approval from competition authorities may be required. In addition, certain transactions may be subject to the Takeover Regulations.

Joint Ventures

Investors may establish joint ventures with South African partners, either through a locally incorporated company or through contractual arrangements.

Other ways of doing business

In addition to establishing a legal entity, foreign investors may operate through licensing, distribution, agency or management agreements. These arrangements are commonly used where a full local presence is not required. Further detail is provided later in this section.

BUSINESS ENTITIES

Public and private companies

Incorporation in South Africa is relatively straightforward and is handled through the Companies and Intellectual Property Commission.

A public company (Ltd) may offer its shares to the public and is typically used for larger or listed businesses. A private company ((Pty) Ltd) is more commonly used and is subject to fewer regulatory requirements. There is no restriction on foreign shareholding, and no minimum capital requirement applies. A private company may have a single shareholder, and there is no requirement for shareholders or directors to be South African residents. However, companies must maintain records of directors, including nationality and residence.

Shares held by non-residents must be appropriately endorsed for exchange control purposes.

Partnerships

An investor may form a partnership with another investor or a South African. Partnerships may be formed by two or more people up to a maximum of 20.

A partnership is not a separate legal entity in South Africa, it is simply an agreement between the partners. It does not provide limited liability, meaning each partner is jointly and individually liable for all debts and obligations of the partnership. For tax purposes, the partnership itself is not taxed. Instead, profits and losses are shared between the partners and taxed in their own hands through their personal tax returns. For VAT purposes, however, a partnership is treated as a single 'person' and can register as a VAT vendor in its own name if it carries on taxable activities and meets the registration threshold.

Sole proprietorship

A sole proprietorship is owned and operated by a single individual. It does not have separate legal personality, and the owner is personally liable for all business obligations.

Business trust

An investor can set up a business trust by lodging a trust deed with the Master of the High Court. Control of the trust is vested in the trustees (up to 20), who hold and manage the assets on behalf of beneficiaries. Trusts do not have full legal personality, although they are recognised for certain purposes, including taxation.

Branches/external companies

Foreign companies may establish a branch in South Africa rather than incorporating a subsidiary. This requires registration as an external company with the Companies and Intellectual Property Commission within 20 business days of starting business activities.

MERGERS AND ACQUISITIONS

Business and asset acquisitions

An investor may acquire a business as a going concern or purchase specific assets. Certain transactions require approval by shareholders, typically by a 75% majority of disinterested shareholders. Dissenting shareholders may apply to the court for review .Transactions may also fall within the scope of the Takeover Regulations.

Share acquisitions

An investor may acquire all or part of the shares in a South African company as an alternative to establishing a new entity or investing directly into assets.

In private companies, share acquisitions are typically negotiated and agreed directly with existing shareholders. Where a transaction results in a change of control or falls within the definition of an 'affected transaction', the Companies Act 71 of 2008 and the Takeover Regulations may apply.

In public or widely held companies, acquisitions are more regulated. A formal offer to shareholders may be required under the Takeover Regulations. If at least 90% of shareholders accept the offer, the remaining minority shareholders may be compulsorily acquired, subject to statutory requirements.

A scheme of arrangement may alternatively be used where a structured acquisition is preferred, subject to approval by shareholders and the court.

Where the company is listed on the JSE, additional requirements apply under the JSE Listings Requirements, including shareholder approval for significant or related-party transactions and JSE approval for the listing of any new shares issued in connection with the transaction.

Regulatory and other issues

Mergers and acquisitions are subject to review under the Competition Act 89 of 1998. The Competition Commission assesses notifiable transactions based on their impact on competition and relevant public interest considerations, including employment and the competitiveness of South African industries.

Certain sectors, such as banking, insurance, mining and defence, may also require additional regulatory approvals from sector-specific authorities.

Employment considerations are important in all transactions. In share acquisitions, the target company continues to exist and employment relationships remain unchanged. In business transfers, employees generally transfer automatically where the business is sold as a going concern, with continuity of employment terms and conditions.

South African labour law provides strong protections for employees in transfer situations. Any retrenchments following an acquisition must be handled in accordance with fair procedure and substantive requirements to avoid unfair dismissal claims.

Pension fund and medical aid arrangements must also be considered, and where applicable, employee benefits should be preserved or properly transferred.

REPRESENTATIVES, DISTRIBUTORS AND FRANCHISING

There is no specific legislation governing agency, distribution or franchising in South Africa, which are regulated by common law.

Foreign investors are generally free to enter representation, agency, distribution and franchising agreements with South African parties. These are widely used structures for marketing and distributing goods and services in the South African market.

No formal requirements apply for the conclusion of these agreements, and they may be verbal or written. However, written agreements are strongly recommended for legal certainty and enforcement. The parties are free to choose the governing law of the contract, provided there is a sufficient connection to that law. They may also agree on the applicable court jurisdiction or provide for arbitration to resolve disputes.

Commission, distribution fees and franchise royalties are not regulated and may be freely negotiated between the parties.

However, certain regulatory and tax considerations must be considered:

- transfer pricing: Where transactions occur between related parties (including where a foreign company holds a significant shareholding in a South African entity), SARS may adjust pricing to an arm's-length basis and disallow non-market-related deductions.
- thin capitalisation/financial assistance: Where a non-resident provides funding to a South African company in which it holds a significant interest, interest deductions may be limited if the level of debt is considered excessive relative to equity.
- exchange control: Payments of royalties, licence fees or similar charges to non-residents are subject to exchange control approval. Where no local manufacturing is involved, approval is typically required from SARB. Where local manufacturing is involved, approval is generally obtained via the DTIC, after which exchange control authorisation follows.

South Africa is also a party to the Convention on Agency in the International Sale of Goods (1983), which provides a uniform framework for agency relationships in cross-border commercial transactions between contracting states.

LABOUR

LABOUR RELATIONS ACT

The main law governing workers' rights in South Africa is the Labour Relations Act (LRA) of 1995.

The LRA regulates employment relations and provides mechanisms for resolving disputes between employers and employees. It covers, among other areas:

- unfair dismissal
- unfair labour practices
- dispute resolution
- collective bargaining
- strikes and lockouts.
- transfer of undertakings as a going concern

Dismissal

An employee may be dismissed, including on notice in terms of a contract, but such termination must still be both substantively and procedurally fair under the LRA.

A fair dismissal is one where the employer has a fair reason (substantive fairness) and followed a fair procedure (procedural fairness). The LRA recognises three main grounds for fair dismissal:

- misconduct of the employee
- incapacity (poor performance or ill-health/injury)
- operational requirements of the employer (retrenchment).

Unfair labour practices

The LRA protects employees against unfair labour practices, including unfair conduct by employers relating to:

- demotion
- suspension
- provision of benefits
- unfair disciplinary action short of dismissal .

Dispute resolution

South Africa has a structured statutory dispute resolution system.

The Commission for Conciliation, Mediation and Arbitration (CCMA) is the primary body for resolving labour disputes. It provides accessible dispute resolution services and may, in certain cases, issue awards such as reinstatement or compensation. Decisions of the CCMA may be reviewed by the Labour Court.

The court system includes the Labour Court (with status equivalent to a High Court for labour matters) and the Labour Appeal Court. However, private arbitration and mediation are increasingly used where agreed between the parties.

Collective bargaining

Collective bargaining in South Africa primarily takes place through:

- bargaining councils (industry or sector-based bodies)
- trade unions and employer organisations
- workplace-level or company-level agreements.

Bargaining councils regulate wages and conditions of employment in specific sectors (e.g. construction, engineering, motor manufacturing), provided they have sufficient representation of employers and unions within the sector. While legislation still provides for statutory councils, these are rarely used in practice today.

Wage bargaining in South Africa is therefore a mixed system**,** combining sectoral bargaining, company-level agreements, and industry-specific arrangements rather than a fully centralised model.

Right to strike

The right to strike is protected under both the Constitution and the LRA, subject to compliance with statutory requirements. To be protected, a strike must generally follow procedural steps, including conciliation through the CCMA or a bargaining council and the issuing of a certificate of non-resolution (or lapse of the statutory period).

Employees participating in a protected strike are legally protected against dismissal for striking.

The LRA also recognises:

- secondary (sympathy) strikes (subject to limitations)
- protest action to promote or defend socio-economic interests
- certain essential services are subject to restrictions and may not strike under specific conditions.

Transfer of undertakings

Section 197 of the LRA provides that where a business, or part of a business, is transferred as a going concern, the employment contracts of affected employees automatically transfer to the new employer by operation of law. The new employer steps into the shoes of the previous employer and assumes all rights and obligations in respect of transferring employees, subject to agreed terms.

THE BASIC CONDITIONS OF EMPLOYMENT ACT

The Basic Conditions of Employment Act 75 of 1997 (BCEA) establishes minimum employment standards in South Africa, including:

- working hours
- leave entitlements
- prohibition of child and forced labour
- payment of remuneration
- notice periods and termination payments.

The BCEA applies to all employees unless more favourable terms apply through contract, collective agreement, or sectoral determination.

Employment conditions may also be regulated by bargaining councils or sectoral determinations issued under the Act.

Working hours

Under the BCEA, employees (excluding senior management, certain travelling staff, and those working less than 24 hours per month) may not work more than:

- 45 hours per week
- 9 hours per day (if working 5 days or fewer per week)
- 8 hours per day (if working more than 5 days per week)

Overtime is limited to a maximum of ten hours per week and must be agreed. Overtime is generally paid at 1.5 times the normal wage rate.

Work on Sundays is paid at double pay, unless Sunday work is part of normal working hours, in which case it is paid at 1.5 times the normal rate.

Work on public holidays is voluntary by agreement and is generally paid at double the normal rate.

Leave

Employees are entitled to at least 21 consecutive days' annual leave per year (or equivalent accrual basis). Leave must be taken within six months after the end of the leave cycle unless otherwise agreed. Payment in lieu of leave is only permitted on termination of employment.

Sick leave

Employees are entitled to a sick leave cycle of up to six weeks over a 36-month period. During the first six months of employment, sick leave accrues at one day for every 26 days worked.

An employer may require a medical certificate if an employee is absent for more than two consecutive days or more than twice in an eight-week period

Maternity leave

Pregnant employees are entitled to up to four consecutive months of maternity leave. Leave may start at any time from four weeks before the expected birth date, or earlier if medically required. Employees may not work for six weeks after birth unless certified fit by a medical practitioner. Employees are also protected from performing hazardous work during pregnancy and breastfeeding.

Family responsibility leave

Employees who have been employed for longer than four months are entitled to three days' paid family responsibility leave per year in specified circumstances, including birth or illness of a child and death of specified close family members (including spouse, life partner, parent, child, grandparent, sibling, or adoptive relations). Reasonable proof may be required.

Payment of remuneration

Employers must pay employees:

- in South African currency
- at agreed intervals (daily, weekly, fortnightly, or monthly)
- by cash, cheque, or electronic transfer.

OTHER EMPLOYMENT LEGISLATION

Employment Equity Act

The Employment Equity Act 55 of 1998 prohibits unfair discrimination in employment policies and practices on grounds including:

- race
- gender
- sex
- age
- religion.

The Act also requires designated employers to implement affirmative action measures to promote equitable representation in the workplace. Designated groups include Black people (Africans, Coloured people and Indians), women and people with disabilities.

Affirmative action measures may include targeted recruitment, training, and numerical targets aimed at improving representation.

While the Act does not impose fixed quotas, recent regulatory developments have introduced sectoral employment equity targets, which designated employers must consider in their compliance planning.

Skills Development and Levies Act

The Skills Development Act 97 of 1998 aims to improve the skills of the South African workforce by establishing Sector Education and Training Authorities (SETAs) which are responsible for developing and implementing sector-specific skills development plans, promoting workplace training, and supporting national skills priorities.

The Skills Development Levies Act 9 of 1999 requires most employers to pay a compulsory skills development levy, currently set at 1% of total payroll.

These levies are collected by SARS and distributed to SETAs to fund training initiatives and skills development programmes. Employers who meet certain criteria may qualify for grants or rebates linked to training activities.

Unemployment Insurance Act

The Unemployment Insurance Act 63 of 2001 establishes the Unemployment Insurance Fund (UIF), which provides short-term relief to workers who become unemployed or are unable to work due to maternity, illness, adoption, or reduced work circumstances.

The Unemployment Insurance Contributions Act 4 of 2002 requires both employers and employees to contribute to the UIF. Contributions are made monthly and are based on a capped percentage of employee remuneration, subject to a statutory ceiling.

Occupational Health and Safety Act

The Occupational Health and Safety Act 85 of 1993 sets out the minimum legal framework for ensuring safe and healthy working environments in South Africa. Employers are obliged to provide safe and healthy workplaces for employees and all people who are affected by their operations.

South Africa is in the process of modernising its occupational health and safety regime through the Occupational Health and Safety Amendment Bill. Proposed amendments to occupational health and safety legislation are under consideration but as at 2026, the amendment Bill has not yet been enacted into law.

The proposed changes are expected to significantly strengthen compliance obligations and move South African workplaces toward a more structured, preventative safety model. Organisations are likely to be required to implement more formalised occupational health and safety management systems, incorporating:

- systematic identification and assessment of workplace risks
- documented control and mitigation measures
- ongoing monitoring and reporting mechanisms
- continuous improvement processes embedded into daily operations.

If enacted in its current form, the reforms would represent a meaningful shift from a largely compliance-based framework to a more proactive, systems-driven approach aligned with international best practice.

For investors and employers, this signals an increasing regulatory emphasis on workplace safety, governance, and accountability, with stronger enforcement expectations and greater operational responsibility placed on organisations.

Compensation for occupational injuries and diseases

The Compensation for Occupational Injuries and Diseases Act 130 of 1993 establishes a statutory, no-fault compensation system for employees who are injured, become ill, or die because of workplace activities.

Employers are required to register with the Compensation Fund and pay annual assessments, calculated based on payroll and the employer's industry risk classification.

The Compensation Fund provides benefits including:

- medical expenses
- income replacement for temporary or permanent disability
- compensation to dependants in the event of death

In most cases, employees are not entitled to bring civil claims against their employer for workplace injuries or diseases covered by the Act, as compensation is provided through this statutory system.

Employee benefits

Employers in South Africa may offer a range of additional employee benefits, including share incentive schemes, housing or loan assistance, healthcare support (including HIV/AIDS programmes), and post-employment medical benefits.

These arrangements are generally governed by contract or trust law, but are also subject to key labour legislation, including the Labour Relations Act 66 of 1995**,** the Employment Equity Act 55 of 1998**,** the Basic Conditions of Employment Act 75 of 1997**,** and the Constitution, particularly in relation to non-discrimination and fair labour practices.

In the context of a transfer of a business as a going concern, employee benefits are protected under the Labour Relations Act. Existing rights and obligations, including retirement fund arrangements and other benefits, generally transfer to the new employer unless otherwise agreed. This is broadly comparable to the approach under the EU's Acquired Rights Directive.

TAXATION

THE TAX SYSTEM AT A GLANCE

South Africa operates a residence-based income tax system, introduced in 2001. Under this system, South African tax residents are generally taxed on their worldwide income.

Employment income earned from foreign sources by South African tax residents may qualify for relief, subject to a foreign employment income exemption threshold (currently ZAR 1.25 million per tax year).

The South African tax system comprises both direct and indirect taxes.

Direct taxes include:

- personal income tax
- corporate income tax
- capital gains tax (CGT)
- dividends tax.

Indirect taxes include:

- value added tax (VAT)
- securities transfer tax (STT)
- transfer duty.

Income tax and capital gains tax are imposed under the Income Tax Act 58 of 1962.

PERSONAL INCOME TAX

TAX RESIDENCY

An individual is regarded as a South African tax resident if they are either:

- ordinarily resident in South Africa, or
- meet the physical presence test.

Under the physical presence test, an individual is considered a tax resident if they are present in South Africa for:

- more than 91 days in the current tax year
- more than 91 days in each of the preceding five tax years
- more than 915 days in total over those five preceding years.

Tax residency is determined on a facts-and-circumstances basis and may also be affected by the application of double taxation agreements where relevant.

INCOME

Income subject to tax in South Africa includes, among other sources, the following:

- salaries
- annuities
- remuneration and other employment-related benefits:
  - this includes lump sums received from pension or provident funds, as well as gains arising from the disposal of equity instruments granted to employees or directors (subject to specific vesting rules)

– non-cash benefits, or 'fringe benefits', such as the private use of a company car, are specifically valued and included in gross income.

- compensation for loss of employment or variation of employment
- restraint of trade payments
- income from non-employment sources, such as investment income.

'Income' is calculated by deducting exempt income from gross income, which includes all amounts received or accrued that are not specifically exempt.

'Taxable income' refers to the aggregate of:

- income, less allowable deductions and allowances, plus
- amounts required to be included or deemed to be included in taxable income under the Income Tax Act 58 of 1962, including net capital gains.

TAX RATES

Individuals pay tax at progressive tax rates depending on their taxable income, with the year of assessment for individuals running from 1 March-28 February.

Income is taxed at progressive marginal rates ranging from 18% to 45%, depending on the level of taxable income. For the 2025/2026 tax year, the top marginal rate of 45% applies to taxable income exceeding ZAR 1,817,001 per annum.

For each tax year, tax thresholds apply for personal income which is exempt from tax. The table below shows the tax thresholds for the 2025/2026 tax year.

TABLE 3

Income exemption thresholds, tax year ending 28 February 2023

CATEGORY	AMOUNT (ZAR)
For people under 65	95,750
For peoples 65 years and older	148,217
For people aged 75 years and older	165,689

Tax rebates for individuals are as follows:

Primary rebate	ZAR 17,235
Secondary rebate (for people 65 years and older)	ZAR 9,444
Tertiary rebate (for people 75 years and older)	ZAR 3,145

EMPLOYMENT DEDUCTIONS

Tax resident employees are required to contribute to the Unemployment Insurance Fund (UIF). Employees contribute 1% of monthly remuneration to the UIF, subject to a remuneration ceiling (currently ZAR 17,712 per month). Employers are required to contribute a matching 1% on behalf of employees.

The employer is responsible for deducting both contributions at source and paying them over to SARS.

CORPORATE INCOME TAX

TAX RESIDENCY

A company is tax resident in South Africa if it is incorporated in South Africa, or it is effectively managed in South Africa.

INCOME

South African tax resident companies are taxed on their worldwide income, regardless of where it is earned. Relief from double taxation may be available through foreign tax credits, subject to statutory limitations and conditions.

Non-resident companies, including branches of foreign companies, are generally taxed only on income derived from South African sources or sources deemed to be in South Africa. This includes capital gains arising from South African immovable property or rights in immovable property, as well as assets attributable to a South African permanent establishment. The application of a double taxation agreement (DTA) may modify this position.

South African tax law also includes controlled foreign company (CFC) rules, which may attribute certain income of a foreign company to South African resident shareholders where specific control thresholds are met. Various exemptions may apply, particularly where the CFC has a substantive economic presence outside South Africa.

TAX RATES

The current corporate income tax rate in South Africa is 27%.

Trusts are generally taxed at a flat rate of 45%, although special trusts are taxed on a sliding scale equivalent to individual income tax rates (18-45%). Separate tax rates also apply to certain insurance company funds, typically ranging between 27% and 30%, depending on the type of fund.

Companies distributing after-tax profits by way of dividends are subject to dividends tax at a rate of 20%, which is generally withheld at source by the company paying the dividend.

Dividends paid to non-resident shareholders are also subject to dividends tax at 20%, although this rate may be reduced under an applicable double taxation agreement.

The distribution of profits by a South African branch of a foreign company is not subject to dividends tax. In addition, there is no further South African tax on the remittance of branch profits offshore, provided the profits have already been subject to South African income tax.

SMALL BUSINESS CORPORATIONS – TAX RATES

Small Business Corporations (SBCs) are subject to income tax at progressive rates depending on taxable income.

For the tax year 1 April 2026-31 March 2027, the SBC tax rates are as follows:

- 0% on taxable income up to ZAR 99,000
- 7% on taxable income from ZAR 99,001 to ZAR 365,000
- 21% on taxable income from ZAR 365,001 to ZAR 550,000
- 27% on taxable income above ZAR 550,000.

An SBC is defined as a close corporation, private company or co-operative with an annual turnover not exceeding ZAR 20 million, subject to meeting additional qualifying requirements under tax legislation.

MICRO BUSINESSES – TAX RATES

Micro businesses are subject to a simplified turnover tax system, which replaces several other taxes with a single tax based on turnover.

To qualify, a business (including sole proprietors, partnerships, close corporations, companies and co-operatives) must have an annual turnover of less than ZAR 1 million.

For the tax year 1 March 2026-28 February 2027, turnover tax applies as follows:

- 0% on taxable turnover up to ZAR 600,000
- 1% on taxable turnover from ZAR 600,001 to ZAR 950,000
- 2% on taxable turnover from ZAR 950,001 to ZAR 1,400,000
- 3% on taxable turnover above ZAR 1,400,000.

Turnover tax replaces income tax, capital gains tax, provisional tax, dividends tax, and (where the business is not VAT registered) value added tax, thereby significantly simplifying compliance for qualifying micro businesses.

CAPITAL GAINS TAX (CGT)

Capital gains tax (CGT) is not a separate tax but forms part of income tax and applies to individuals, companies and trusts. A capital gain arises when an asset is disposed of for proceeds that exceed its base cost. CGT applies to assets disposed of on or after 1 October 2001, when the tax was introduced.

Not all assets are subject to CGT, and certain capital gains and losses are specifically excluded under the Income Tax Act 58 of 1962.

For non-resident sellers of South African immovable property, a withholding tax mechanism applies. The amount withheld by the purchaser is treated as an advance payment towards the seller's final income tax liability.

South African tax residents are subject to CGT on worldwide assets. Non-residents are generally only subject to CGT on South African immovable property, assets attributable to a South African permanent establishment, and certain indirect interests in immovable property (such as shares in property-rich companies).

Public benefit organisations may qualify for full or partial exemptions from CGT.

Certain transactions are treated as deemed disposals for CGT purposes, including death, emigration, and donations of assets by residents.

For the 2025/2026 tax year (applicable in 2026 practice), the effective CGT rates are as follows:

- individuals and special trusts: maximum effective rate of 18%
- companies and branches of foreign companies: maximum effective rate of 21.6%
- other trusts: maximum effective rate of 36%.

DIVIDENDS TAX

Dividends tax (DT) is a tax charged at 20% on shareholders when dividends are paid to individuals, trusts or non-residents by South African companies. It is generally withheld at source by the company paying the dividend or, where applicable, by a regulated intermediary.

DT replaced the former secondary tax on companies (STC) to align South Africa with international practice, where the recipient rather than the company is taxed on dividends; and improve the attractiveness of South Africa as an investment destination by removing an additional layer of corporate taxation

DT is triggered by the payment of a dividend by any:

- South African tax resident company
- foreign company whose shares are listed on the JSE.

Dividend payments by headquarter companies or non-resident companies are not subject to South African dividends tax.

WITHHOLDING TAX

South Africa imposes a 15% withholding tax on royalties payable to non-residents. In addition, a withholding tax applies to the disposal of immovable property by non-residents at the rate of 7.5% for individuals, 10% for companies and 15% for trusts. A double taxation agreement (DTA) may provide relief from or a reduction in these withholding taxes.

Withholding tax on interest

Withholding tax on interest (WTI) is imposed at a rate of 15% on interest from a South African source paid to non-resident individuals and companies.

Interest is exempt in certain cases, including where it is paid by any sphere of South African government, by a South African bank, or in respect of listed debt instruments. Exemptions may also apply where the non-resident meets specific physical presence or permanent establishment criteria, or under an applicable DTA.

Withholding tax on service fees

A withholding tax at a rate of 15% applies to certain service fees paid to or for the benefit of foreign persons.

The tax may be reduced or eliminated under a DTA or where specific exemptions apply, including where the recipient:

- is present in South Africa for more than 183 days in a 12-month period
- carries on services through a South African permanent establishment and is registered as a taxpayer
- receives payments in respect of services rendered as an employee.

GROUP TAXATION AND ROLLOVER TAX RELIEF

South African tax legislation does not generally recognise group taxation.

However, subject to strict requirements, rollover relief is available for certain qualifying intra-group restructuring transactions. For this purpose, the definition of a 'group of companies' is limited and generally excludes non-resident companies. Public benefit organisations are also excluded from the definition.

SPECIFIC TAX REGIMES

Gold mining companies are subject to a specific tax formula under the Income Tax Act 58 of 1962, rather than the standard corporate tax system. Oil and gas companies are taxed under separate provisions set out in the Act, which apply a tailored regime to upstream petroleum activities.

Diamond mining and other non-gold mining companies are generally taxed at the standard corporate income tax rate applicable to companies, unless specific sectoral provisions apply.

In addition, the Minerals and Petroleum Resources Royalty Act 28 of 2008 imposes a royalty on the extraction and transfer of mineral resources. The royalty is calculated as a percentage of gross sales derived from the relevant mineral resource. The applicable rates differ depending on whether the mineral is refined or unrefined, with maximum rates of 5% for refined minerals and 7% for unrefined minerals.

Small mining operations may qualify for exemption from the royalty where gross sales from all mineral resources transferred during a year do not exceed ZAR 10 million, subject to additional conditions, such as that the royalties that would otherwise have been payable do not exceed ZAR 100,000 and that the extractor is a South African tax resident.

Farming operations, including game farming, are subject to specific tax provisions under the Income Tax Act, reflecting the nature and timing of agricultural income and expenditure.

FISCAL YEAR AND TAX RETURNS

A company's financial year-end may vary, and this determines its annual tax period for assessment purposes. Tax returns for companies must generally be submitted within 12 months after the end of the company's financial year.

TRANSFER PRICING RULES

The Income Tax Act 58 of 1962 contains transfer pricing rules broadly aligned with those applied in most industrialised countries. SARS has issued a Practice Note on transfer pricing, which is based on the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations.

THIN CAPITALISATION

The Income Tax Act also contains thin capitalisation provisions aimed at preventing excessive debt funding of South African subsidiaries or associated local companies by non-resident lenders.

In terms of SARS guidance, a general benchmark is that shareholder funding should not exceed a debt-to-equity ratio of 3:1, although SARS may apply a substance-over-form approach depending on the facts of each case.

CURRENCY GAINS/LOSSES

The Income Tax Act contains detailed provisions governing the taxation of foreign exchange gains and losses. These rules are complex and depend on the nature of the taxpayer, the transaction and the underlying asset or liability.

DEDUCTIONS

The deductibility of expenses for income tax purposes applies equally to resident and non-resident taxpayers.

The Income Tax Act provides a general deduction formula, together with specific provisions allowing for deductions or allowances in respect of categories of expenditure.

To be deductible under the general deduction formula, expenditure or losses must be:

- actually incurred
- during the year of assessment
- in the production of income
- not of a capital nature
- laid out or expended for the purposes of trade.

CAPITAL ALLOWANCES

Capital allowances, which provide relief for the diminution in value of assets due to wear and tear, are calculated on the lesser of the cost of the asset to a connected person or its market value at the date of acquisition.

In general, SARS determines the applicable allowance rates depending on the type of asset and its use. These allowances apply to capital expenditure that would otherwise not be deductible under the general deduction formula.

Specific allowances and deductions include, among others:

- Intellectual property (including patents, inventions, copyrights, designs, and know-how)
- Machinery, plant, implements, utensils and articles (excluding certain manufacturing assets)
- Scientific, technological research and development expenditure

- taxpayers may deduct 150% of qualifying R&D expenditure incurred in South Africa, provided it is directly related to scientific and technological research and development activities
  qualifying buildings, machinery, plant, utensils and articles used for R&D purposes may be depreciated over three years at 50% in year one, 30% in year two and 20% in year three

- Commercial buildings and residential units
- Manufacturing machinery or plant
  – a special allowance applies for new or used plant and machinery first brought into use for manufacturing purposes, being:
  ▪ 40% of cost in the year first brought into use
  ▪ 20% in each of the following three years.

Additional sector-specific allowances exist for areas including biofuels, agriculture, hotels, ships, aircraft, mining, pipelines, electricity transmission and railway lines, airports and ports.

Taxpayers investing in designated urban development zones may qualify for enhanced allowances. Refurbishment of buildings in such zones qualifies for a 20% annual allowance over five years. New commercial or residential buildings constructed in such zones qualify for an allowance of 20% in the first year, followed by 8% per annum over the subsequent 10 years.

LOSSES

Assessed tax losses may be carried forward to subsequent tax years and may be set off against future taxable income or used to increase an existing assessed loss. In general, assessed losses may be carried forward indefinitely, provided the taxpayer continues to carry on a trade.

An assessed loss incurred from a trade carried on outside South Africa may not be set off against income derived from a South African trade – so it is important to distinguish whether a person has merely expanded their local trade abroad or whether a separate trade is being carried on outside South Africa.

Compromises or concessions with creditors may reduce an assessed loss in certain circumstances. The Income Tax Act also contains specific anti-avoidance provisions aimed at preventing the trading in assessed losses.

Recent amendments to the Act provide for the ringfencing of assessed losses arising from secondary trades, with the result that such losses may only be set off against income derived from the same secondary trade.

Additional restrictions apply to the utilisation of losses arising from transactions between connected persons.

OTHER TAXES

VAT

South Africa levies value added tax (VAT) at 15% on the supply of goods and services by registered vendors. VAT is applied at each stage of the production and distribution chain, with vendors charging output tax on supplies made and claiming input tax credits for VAT incurred on business purchases.

VAT is also imposed on the import of goods and certain services into South Africa, subject to specific exclusions. Certain supplies are exempt from VAT or subject to a zero rate, including most exports of goods and services rendered outside South Africa or to non-residents, provided the relevant conditions are met.

Any person carrying on an enterprise in South Africa is required to register as a VAT vendor if taxable supplies exceed ZAR 1 million (excluding VAT) in any 12-month period. Voluntary registration is permitted where taxable supplies exceed ZAR 50,000 per annum, subject to compliance with the relevant requirements. Qualifying micro businesses registered under the turnover tax system may also elect to register for VAT if the conditions for voluntary registration are met.

SECURITIES TRANSFER TAX (STT)

The Securities Transfer Tax Act (STT) imposes a tax on the transfer of securities in South Africa. It came into effect on 1 July 2008 and replaced both stamp duty and uncertificated securities tax.

STT is levied at a rate of 0.25% on the greater of the market value of the security or the consideration paid.

A 'transfer' is defined broadly and includes the sale, assignment, cession or disposal of a security. However, it excludes transactions that do not result in a change of beneficial ownership, the issue of a security, and the redemption or cancellation of a security in the context of the liquidation or deregistration of the issuing company.

STAMP DUTY

The Stamp Duties Act was repealed with effect from 1 April 2009. However, stamp duty may still apply in limited cases, including leases of fixed property executed before that date, at a rate of 0.5% on the quantifiable rental consideration.

EXCISE AND CUSTOMS DUTIES

Excise duties are imposed on certain locally manufactured goods, with equivalent customs duties applied to the importation of the same categories of goods.

These duties apply at varying rates and typically cover goods such as alcohol, tobacco products and perfumes, among others.

ESTATE DUTY

Estate duty is a tax on the transfer of wealth upon death. It is levied on the worldwide estates of deceased persons who are residents of South Africa, and on South African-situated assets of non-residents.

The duty is charged at a rate of 20% on the first ZAR 30 million of dutiable estate value, and 25% on the amount exceeding that threshold.

Estate duty is only calculated on the value of the estate above ZAR 3.5 million. Additional deductions may be claimed, including liabilities of the estate, bequests to public benefit organisations, and assets accruing to a surviving spouse.

DONATIONS TAX

Donations tax is levied on the gratuitous disposal of property by a South African resident. Where property is disposed of for less than its market value, SARS may treat the transaction as a deemed donation, with the actual consideration (if any) deducted when calculating the tax.

Donations tax is charged at a flat rate of 20% on the aggregate value of donations up to ZAR 30 million, and 25% on the amount exceeding that threshold.

Certain donations are exempt from donations tax, including donations made to approved public benefit organisations.

Individuals are entitled to an annual exemption of ZAR 100,000 on donations made during a year of assessment. Non-natural persons are exempt in respect of casual gifts up to ZAR 10,000 per year. Non-residents are not subject to donations tax, even where South African assets are donated. Public companies that are South African tax residents are also exempt from donations tax.

TRANSFER DUTY

Property transfer duty is charged on a progressive scale in the case of immovable property depending on the value of the property acquired by natural persons, companies, close corporations, and trusts. The tax is calculated on the purchase price (or market value, if higher) and applies to natural persons, companies, close corporations, and trusts. The rate increases as the property value rises, with different marginal rates applied to each value band. This means that only the portion of the property price falling within each band is taxed at the corresponding rate, rather than the full value being taxed at the highest applicable rate.

VALUE OF PROPERTY (Rand)	RATE
0 – 1,000,000	0%
1,000,001 – 1,375,000	3% of the value above ZAR 1,000,000
1,375,001 – 1,925,000	ZAR 11,250 + 6% of the value above ZAR 1,375,000
1,925,001 – 2,475,000	ZAR 44,250 + 8% of the value above ZAR 1,925,000
2,475,001 – 11,000,000	ZAR 88,250 + 11% of the value above ZAR 2,475,000
11,000,001 and above	ZAR 1,026,000 + 13% of the value above ZAR 11,000,000

CGT – INDIVIDUALS

Capital Gains Tax (CGT) was introduced in South Africa in 2001. CGT is triggered not only on actual disposals of assets but also on deemed disposals, such as death, emigration, and the donation of assets by a resident. The effective CGT rate for natural persons (and special trusts) is 18%.

CGT is not a separate tax but forms part of the normal income tax calculation, where only a portion of the capital gain is included in taxable income.

TAXATION OF PENSION PAYMENTS

Receipts by residents from retirement funds may include lump sums, annuities or a combination of both. Annuities are specifically included in the definition of gross income and are therefore subject to normal tax.

In the case of non-residents, only annuities from a South African source are included in their gross income. Emigrants or residents who earned a pension in respect of offshore services may qualify for an exemption from tax on their foreign pension or social security payments, depending on the source of the income and any applicable double taxation agreements.

Lump sums are subject to different provisions. A portion of the lump sum payment is exempt – in the case of withdrawal from a fund, a lifetime exemption of ZAR 27,500 applies, while a lifetime exemption of ZAR 550,000 applies on death or retirement. The balance is taxed at progressive rates, with a maximum rate of 36% applying to amounts above the highest threshold, in accordance with the applicable SARS tax tables.

A lump sum received by an emigrant or a resident from a foreign pension fund or social security system may also qualify for exemption, depending on the source of the income.

SKILLS DEVELOPMENT LEVY

This levy is charged to fund education and training for South Africa's workforce and is determined by an employer's salary bill – if an employer expects to pay more than ZAR 500 000 over the next 12 months, they will be liable to pay SDL. It is imposed on employers at 1% of the gross payroll. The levy is collected by SARS (along with employees' tax and Unemployment Insurance Fund contributions).

DOUBLE TAXATION AGREEMENTS (DTAS)

South Africa is party to an extensive network of double taxation agreements (DTAs) and protocols, aimed at eliminating double taxation and preventing fiscal evasion. These agreements allocate taxing rights between jurisdictions and provide mechanisms for relief from double taxation.

South Africa has concluded DTAs with more than 90 countries, including most major trading partners in Africa, Europe, Asia, the Middle East and the Americas. The status of individual agreements varies, with some in force, others signed but not yet effective, and a number currently under negotiation or renegotiation.

In addition to DTAs, South Africa has entered into agreements with several countries to amend existing arrangements. These protocols typically update provisions relating to withholding taxes, exchange of information and anti-avoidance measures.

Given that the status of DTAs and protocols is subject to change, reference should be made to SARS or the National Treasury for the most up-to-date list of agreements in force.

ACCOUNTING AND REPORTING

INTRODUCTION

South Africa has a modern accounting framework aligned with international standards, supporting transparent and consistent financial reporting.

The system is underpinned by the Companies Act 71 of 2008, which replaced the 1973 Act and introduced a more flexible, principles-based approach to corporate regulation. The legislation is less prescriptive than earlier law and is designed to promote transparency, efficiency and ease of compliance for companies.

DIFFERENT FORMS OF COMPANIES

The Companies Act distinguishes between profit and not-for-profit companies.

Not-for-profit companies are subject to specific governance requirements relating to their purpose, governance structure, and key transactions such as fundamental changes and winding-up, while also benefiting from certain exemptions under the Act.

Profit companies are divided into four categories:

- **Private companies**
  These are companies that are not state-owned and whose Memorandum of Incorporation restricts the transfer of shares and prohibits the offering of securities to the public.
- **Personal liability companies**
  Companies where directors are jointly and severally liable, together with the company, for its debts and liabilities.
- **State-owned companies**
  Companies that qualify as state-owned enterprises under the Public Finance Management Act or are owned by a municipality.
- **Public companies**
  Companies that are not classified as private, personal liability, or state-owned companies, and which may offer securities to the public.

TRANSPARENCY AND ACCOUNTABILITY

The Companies Act requires all companies to comply with measures designed to promote transparency and accountability. In general, companies must:

- maintain at least one registered office in South Africa and file its address (or principal office) with the Companies and Intellectual Property Commission (CIPC)
- keep prescribed company records in written or electronic form for a minimum of seven years
- maintain accurate and complete accounting records
- prepare annual financial statements
- file an annual return with the CIPC, including financial statements and other prescribed information.

Public companies and state-owned companies are required to have their annual financial statements audited. Certain categories of private companies may also be required to do so, as determined by regulation.

Where an audit is not mandatory, companies may choose either to have their financial statements audited voluntarily or to have them independently reviewed. The requirements for an independent review, including applicable standards and qualifications, are set out in the regulations to the Act.

Audit and reporting requirements are further influenced by a company's public interest score (PIS), which determines the level of financial reporting and assurance required.

ENHANCED TRANSPARENCY AND ACCOUNTABILITY

As well as the general transparency and accountability requirements, certain companies are subject to further governance obligations.

Public companies, state-owned companies, and specific categories of private companies (as determined by the Minister in regulations) are required to appoint a company secretary, establish an audit committee comprising at least three members, and appoint an independent auditor.

All other private companies, personal liability companies, and not-for-profit companies are not automatically subject to these enhanced requirements but may elect to adopt them in their Memorandum of Incorporation.

COMPANY FINANCE

The authorisation and classification of shares, together with the rights, limitations, and other terms attaching to each class of shares, are set out in a company's Memorandum of Incorporation (MOI). These provisions may only be amended by special resolution of shareholders, unless the MOI provides otherwise.

The Companies Act also allows certain flexibility for boards of directors. Subject to the MOI, the board may alter the number of authorised shares within a class and may classify or reclassify shares without shareholder approval.

However, key shareholder protections are built into the framework. Shareholder approval is required for the issue of shares or options to directors and prescribed persons, as well as for the provision of financial assistance by a company for the acquisition of its own shares, subject to statutory solvency and liquidity requirements.

In addition, South Africa's corporate regulatory environment continues to evolve, including enhanced compliance obligations relating to corporate governance and beneficial ownership disclosure filings with the Companies and Intellectual Property Commission (CIPC), aimed at improving transparency in shareholding structures.

CAPITAL ADEQUACY

The Companies Act introduced a more flexible approach to capital requirements, moving away from fixed nominal share values and focusing instead on the overall financial health of a company.

Rather than minimum capital rules, companies must comply with a solvency and liquidity test before certain transactions. This requires that a company can meet its debts as they fall due and that its assets fairly exceed its liabilities, including any foreseeable obligations.

This approach is intended to support financial flexibility while ensuring that companies remain solvent and able to operate as going concerns.

Companies also have flexibility to structure a wide range of financial instruments to raise capital, subject to the requirements of the Act.

GOVERNANCE

Governance covers a broad range of company law matters, including shareholder representation by proxy, notice and conduct of meetings, election and removal of directors, disqualification of directors, board committees and meetings, disclosure of directors' personal financial interests, standards of conduct, director liability, prescribed officers, and the indemnification of directors.

STANDARDS OF DIRECTORS' CONDUCT

All directors are held to the same statutory standards of conduct under the Companies Act.

A director must exercise their powers and perform their functions:

- in good faith and for a proper purpose
- in the best interests of the company
- with the care, skill, and diligence that may reasonably be expected of someone in that position, considering their knowledge, experience, and qualifications.

DIRECTOR LIABILITY

Directors may be held jointly and severally liable for any loss, damage, or costs suffered by the company arising from a breach of their fiduciary duties or failure to meet the required standard of care, skill, and diligence.

In addition, liability may arise where a director:

- acts on behalf of the company without proper authority
- is knowingly involved in conduct intended to defraud shareholders, employees, or creditors
- signs financial statements that are materially false or misleading
- issues a prospectus containing an untrue statement.

These obligations are balanced by certain protections. Companies may, in permitted circumstances, provide indemnities, advance legal costs, or take out insurance to protect directors or the company. However, indemnification is not permitted for wilful misconduct or wilful breach of trust.

ENFORCEMENT

The Companies and Intellectual Property Commission (CIPC) is responsible for monitoring compliance with the Companies Act, investigating complaints, promoting compliance with financial reporting standards, and handling the registration and deregistration of companies and directors, as well as certain intellectual property functions.

The Companies Tribunal provides a forum for resolving certain company law disputes as an alternative to court proceedings. Its decisions are binding on the CIPC and the Takeover Regulation Panel where applicable.

The Takeover Regulation Panel regulates fundamental transactions such as mergers, acquisitions, and related corporate actions.

The Financial Reporting Standards Council advises the Minister of Trade, Industry and Competition on the development and implementation of financial reporting standards.

King IV report

Boards of directors are required to make complex decisions on a regular basis. The King IV Report on Corporate Governance provides a framework of principles and recommended practices to support good governance across South African organisations.

King IV builds on earlier versions of the King Code and sets out principles covering areas such as board leadership, audit committees, risk governance, internal audit, integrated reporting, compliance, stakeholder relationships, and significant transactions.

KING IV AND THE COMPANIES ACT

There is no legal requirement for companies to comply with King IV. However, it is widely recognised as best practice in corporate governance.

Unlike earlier versions of the Code, King IV is based on an 'apply and explain' approach, which assumes that its principles are applied and requires organisations to explain how they are implemented in practice.

Directors remain accountable under the Companies Act for their decisions and must be able to justify them in line with their duties to act in good faith, for a proper purpose, and in the best interests of the company, and to exercise reasonable care, skill, and diligence.

King IV therefore serves as a practical guide to support directors in meeting their statutory obligations and is generally regarded as an important reference point for effective governance in South Africa.

King IV remains the current widely applied corporate governance framework in South Africa. A successor framework, commonly referred to as King V, is under development and is expected to build on the same principles-based approach, but it is not yet formally in effect.

UHY IN SOUTH AFRICA

UHY Hellmann (SA)

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BRIEF DESCRIPTION OF FIRM

UHY Hellmann's partners and managers have extensive audit and tax experience in relation to the firm's clients, whose businesses fall into numerous industries and sectors such as manufacture, wholesale, retail, farming, real estate, technology, finance, leisure and professional services.

PRINCIPAL OPERATING SECTORS

Manufacturing
Wholesale
Retail
Farming
Real estate
Technology
Finance
Leisure
Professional services

LANGUAGES

Portuguese, Gugerati, Hebrew, English.

CURRENT PRINCIPAL CLIENTS

Confidentiality precludes disclosure of clients in this document.

OTHER COUNTRIES IN UHY CURRENTLY WORKING WITH, OR HAVE WORKED WITH IN THE PAST

Australia, Portugal, UK, Brazil, US. Spain.

BRIEF HISTORY OF FIRM

Anthony Pires De Azevedo B Com (Hons), C.A .(SA) Partner - (aged 40) Joined the firm as a trainee in 2010.
Carlos F.P. Pedregal B. Com, B. Acc, C.A (SA) – Partner (aged 68)
Joined the firm in 1986 and became a partner in 1987. Previously an accountant in commerce. Speaks Portuguese. Presently the senior partner.
Chimanlal Parbhoo-Kanjee. B.Com, B. Bompt (Hons) C.A (SA) – Partner (aged 69)
Partner in a small South African auditing firm for approximately 22 years before joining the firm as a partner in 2002. Speaks Gujerati.
Eric John Moss B. Com, B. Acc, C.A (SA) – Partner (aged 69)
Joined the firm as a partner in 1999. Previously an accountant in commerce.
The firm joined UHY in 1998.

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