

COUNTRY PROFILE



South Africa

Tax overview

Corporate Income Tax	27%
Personal Income Tax	45%, progr.
Gift Tax	25%, progr.
Inheritance Tax	25%, progr.
Wealth Tax	None

Legal System

The legal system is a mixture of civil law (Dutch and Roman) and English common law. There is freedom of testation, and there are no forced heirship rules.

Corporate Income Taxation

Corporations incorporated in South Africa, and corporations with an effective place of management in South Africa, are taxed on their worldwide income at a rate of 27%.

Personal Income Taxation

South African resident individuals are taxed on their worldwide income at progressive rates up to 45%. Residents are subject to gift and inheritance tax at rates up to 25%, depending on amounts.

Anti-Avoidance Rules

South Africa has General Anti-Avoidance Rules, as well as Transfer Pricing, Thin Capitalization, and Controlled Foreign Corporation (CFC) rules.

Controlled Foreign Corporations

CFCs are defined as foreign corporations in which more than 50% of the participation or voting rights are held directly or indirectly by one or more South African residents. However, CFC rules do not apply where the South African resident holds 10% or less of the shares in the foreign company. CFC rules impute the net income of CFCs to shareholders resident in South Africa under certain circumstances. Foreign corporations that meet substance requirements are exempt from CFC rules.

Trusts

South Africa recognizes trusts under its domestic law. South Africa has not adopted the Hague Convention on the recognition of trusts, but recognizes foreign trusts under conflicts of laws principles. Under the Income Tax Act (1962), trusts are treated as separate taxpayers, although certain trusts are treated as fiscally transparent. Under the attribution rules, the settlor, and not the trust, is liable for tax on trust income and gains. Under the distribution or conduit rules, the beneficiary and not the trust is liable to tax on income and gains. The Act provides for the taxation of non-resident trusts.

Foreign Investment Protection

South Africa has agreements with a number of jurisdictions for the protection of investments that provide for international arbitration in the event of nationalization or expropriation, including with Mauritius. South Africa unilaterally terminated the agreements with France, Germany, Luxembourg, Netherlands, Spain, Switzerland, and the UK.

Double Tax Treaties (DTTs)

South Africa has a wide network of DTTs.

OECD Multilateral Convention

South Africa is a signatory to the Multilateral Convention on Mutual Administrative Assistance in Tax Matters. The Convention requires signatories to exchange information "on request," and authorizes spontaneous and automatic exchange.

Common Reporting Standard (CRS)

South Africa adopted CRS for the automatic exchange of account information, and signed the Multilateral Competent Authority Agreement.

FATCA

South Africa has a FATCA Model 1 IGA with the US for the automatic exchange of account information.

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