

SOUTH AFRICA:

INVESTMENT OPPORTUNITIES

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THE IMPORTANCE OF MINING TO THE SOUTH AFRICAN ECONOMY

- **Contribution of Mining to the Economy**
 - ✓ 1million jobs (500 000 direct & 500 000 indirect)
 - ✓ Accounts for 18% of GDP (8.6% direct)
 - ✓ Accounts for 20% of investment
 - ✓ Accounts for 13.2% of corporate tax receipts (R17billion in 2010)
 - ✓ Accounts for R6billion in royalties
 - ✓ R16.2- billion in dividends (2010)
 - ✓ R13-billion on interest to the banks (2010)
 - ✓ Total sales increased by 24.8% to R302.2billion in 2010



Source: SA Chamber of Mines via southafrica.info

TAX SYSTEM

- South Africa's Tax System among the most sophisticated in the world
- South Africa Ranks 24th out of 198 countries in ease of paying taxes*
- Double Taxation Agreement with: Canada, USA, France, Germany, Japan & UK
- One Tax System: National

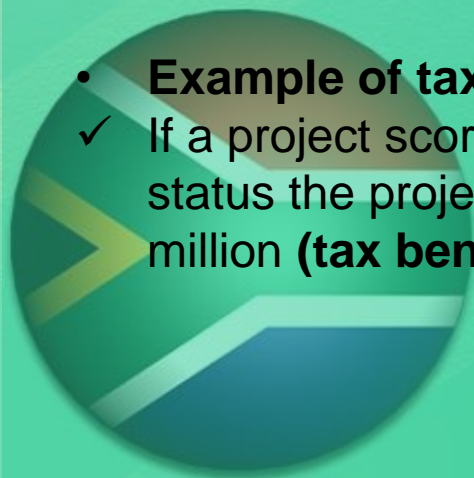
- **Tax offerings under Customs Controlled Areas (CCA – IDZs)**

- ✓ Relief from customs duty at time of importation
- ✓ Simplified customs procedures (clearance, release, stage consignments, etc)
- ✓ Fiscal incentives
- ✓ Subsidized infrastructure

Source: South African Revenue Service (SARS)

- **Example of tax benefits in IDZs:**

- ✓ If a project scores 8 points out of 10 which is referred as having preferred status the project will qualify to deduct 100% of the investment which is R220 million (**tax benefit R61.1million**)



INVESTMENT INCENTIVES

- **Automotive Investment Scheme (AIS)**
- **Business Process Outsourcing (BPS) & Offshore Investment**
- **Critical Infrastructure Program (CIP)**
- **Enterprise Investment Program (EIP)**
- **Mineral Beneficiation**
- **Manufacturing Investment Program (MIP)**
- **Film Incentive**



FINANCIAL INSTITUTIONS – FUNDING VEHICLES

- SA ranked 3rd for financial sector development *
- SA banks rated 2nd out of 144 countries for soundness**
- South African Reserve Bank – the Central Bank
- The Big 5: ABSA, FNB, Standard Bank, Capitec, Nedbank
- Anti-money Laundering laws comply with international obligations
- Technology Advanced Banking System

Source: http://www.southafrica.info/business/economy/sectors/financial.htm#.VD_ZuPldVqU

- **Capital Markets: JSE**

- ✓ 19th Largest Exchange in the World
- ✓ 5 Financial Markets: Equities, Bonds, Financial, Commodities & Interest Rate Derivates
- ✓ 400 Companies Listed
- ✓ AltX: Alternative Exchange for smaller capped, high-growth companies

* The Banking Association of South Africa: <http://www.banking.org.za/index.php/our-industry/2012-south-african-banking-sector-overview/>

** World Economic Forum Competitive Survey 2012-2013


BROAD-BASED BLACK ECONOMIC EMPOWERMENT



SUMMARY OF MINING INCENTIVES

- **Beneficiation:** value-added processing, transformation of a primary material to a finished product with higher export sales value
 - ✓ Large-Scale, capital intensive activities, eg: smelting
 - ✓ Sophisticated refining plants
 - ✓ Labour intensive, such as craft jewellery, metal fabrication and ceramic pottery
- **Incentives - 5 Value Chains Associated with 10 Minerals:**
 - ✓ Energy Commodities (coal, uranium, thorium)
 - ✓ Iron & Steel (iron ore, chromium, manganese)
 - ✓ Pigment & Titanium Production (titanium and vanadium)
 - ✓ Autocatalytic Converters & Diesel Particulate Filters (platinum)
 - ✓ Jewellery Fabrication (diamonds, gold and platinum)

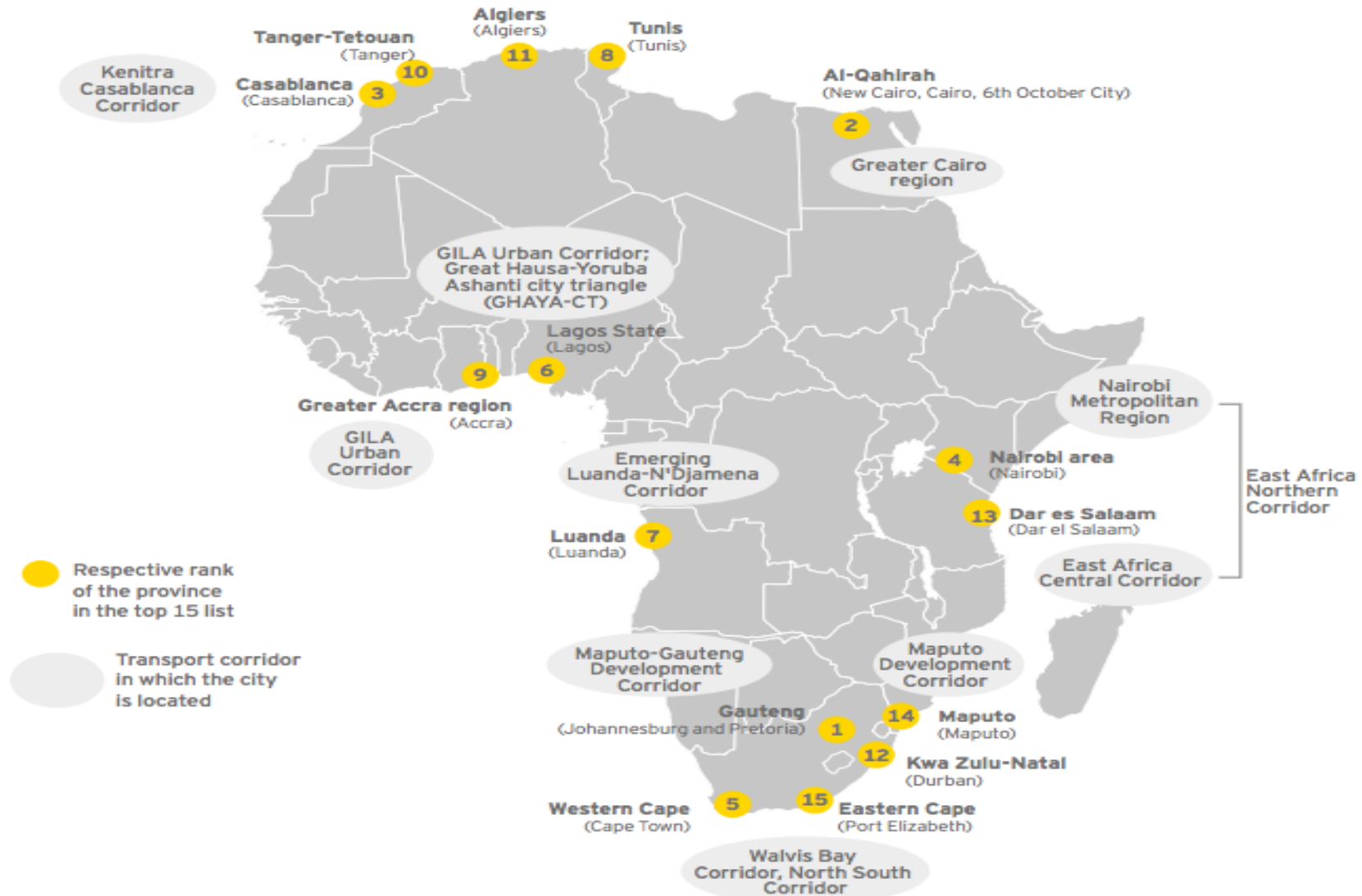
Source: <http://www.dmr.gov.za/beneficiation-economics.html> & Southafrica.info

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- **Major Mining Projects – Currently up for grabs!**
 - ✓ Platinum Group Metal Value Chain Beneficiation
 - ✓ Iron Ore Project
 - ✓ Chrome Oxide Green Pigment

Source: South African Project Book- Investment Opportunities – June 2014 (Available upon request)

FDI FLOWS IN AFRICA

Top 15 African destination states and provinces by number of projects (2007-13)



INDUSTRIAL DEVELOPMENT ZONES (IDZs)

- Purpose-built industrial estates geared for duty-free production for exports; transport, logistics and business services tailored for export-oriented industries
- **4 IDZs:**
 - ✓ Port Elizabeth (Coega IDZ)
 - ✓ East London (ELIDZ)
 - ✓ Richard's Bay (RBIDZ)
 - ✓ Gauteng (OR Tambo International Airport)
- **IDZs Serve 3 Economic Incentives:**
 - ✓ **Internationally Competitive** – position SA manufacturing industries by location, transaction fees lessened, fiscal incentives & improvement of infra
 - ✓ **Internationally Attractive** – Fiscal & non-fiscal incentives to attract FDI and foreign knowledge & technology
 - ✓ **Industrially Synergistic** – encourage the development of *clustering*

SPECIAL ECONOMIC ZONES (SEZs)

- Geographically designated areas for specific economic activities, supported through special arrangements and systems different from those that apply in the rest of the country
- **SEZ categories:**
 - ✓ **Industrial Development Zone:** leverage domestic and FDI
 - ✓ **Free Port:** duty- free area adjacent to a port
 - ✓ **Free Trade Zone:** duty-free area with storage & distribution facilities
 - ✓ **Sector Development Zone:** development of a specific sector
- **Benefits of operating within a SEZ**
 - ✓ 15% corporate tax
 - ✓ Building allowance
 - ✓ Employment incentive
 - ✓ Customs controlled area

Source: Department of Trade & Industry

(http://www.dti.gov.za/financial_assistance/financial_incentive.jsp?id=59&subthemeid=25)

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