PSG Asset Management

Dividend Withholding Tax

In the Budget Speech of February 2011, the Minister of Finance announced that Dividend Withholding Tax (DWT) will come into effect on 1 April 2012. This will replace the current Secondary Tax on Companies (STC). The purpose of this communication is to inform you of this change, its impact on your investment and the steps you need to take to inform us of your current tax status.

The difference between DWT and STC

In simple terms, Dividends Tax is a tax imposed on shareholders at a rate of 15% on receipt of dividends, whereas STC is a tax imposed on companies (at a rate of 10%) on the declaration of dividends. The Dividends Tax is a withholding tax as it should be withheld and paid to SARS by the company paying the dividend or by a regulated intermediary (i.e. a withholding agent interposed between the company paying the dividend and the beneficial owner), and not the person liable for the tax (i.e. the beneficial owner of the dividend).

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

- South African tax resident company; or
- Foreign Company whose shares are listed on the JSE.

Entities that are exempt

Dividends payable to the following beneficial owners could be exempt from Dividends Tax (provided the required "declaration" and "undertaking" are submitted to the company or withholding agent in time):

- South African resident companies Government (all three spheres)
- Public Benefit Organisations (approved in terms of section 30(3) of the Act)
- Mining rehabilitation trusts (section 37A of the Act)
- Section 10(1)(cA) persons
- Section 10(1)(d) funds (e.g. pension funds, provident funds and medical schemes)
- Section 10(1)(t) persons (e.g. CSIR and SANRAL)
- Shareholders in a registered micro business (6th Schedule to the Act) (insofar as dividends do not exceed R200,000 per year)
- Non-residents receiving dividends from foreign companies listed on the Johannesburg Stock Exchange
- Portfolios of collective investment schemes in securities
- Any person to the extent that the dividend constitutes income of that person
- Any person to the extent that the dividend was subject to the STC
- Fidelity or indemnity funds contemplated in section 10(1)(d)(iii)
- Dividends paid by a REIT (real estate investment trust) or a controlled property company (as defined in section 25BB) received or accrued before 1 January 2014 (insofar as it does not consist of a dividend *in specie*)
- A small business funding entity as contemplated in section 10(1)(cQ)
- A natural person in respect of a dividend paid on or after 1 March 2015, for a tax free investment.

Liability for payment of DWT

An investor becomes liable for DWT upon the payment of dividend by:

- a JSE-listed company;
- a foreign company with a listing on the JSE;
- an unlisted company; or
- a collective investment scheme in equities, i.e. a unit trust

Paying agents

DWT is levied at a rate of 15% of the gross dividend and will be withheld and paid over to the South African Revenue Service (SARS) on behalf of the investor, either by the company declaring the dividend, or a "paying agent", such as a regulated intermediary.

Paying agents who are regulated intermediaries include:

1. Central Securities Depository Participants (CSDP)
2. Authorised users or nominees of the JSE such as brokers.
3. A long-term insurer
4. Transfer Secretaries such as Linked Market Services (formerly Computershare)
5. A portfolio of collective investment scheme in securities (unit trust)
6. A linked investment service provider (LISP)

PSG Collective Investments is a regulated intermediary and will act as a paying agent to SARS in respect of all qualifying dividends declared by companies in respect of shares held in the collective investment portfolios administered by PSG Collective Investments.

Important information for foreign investors

Certain foreign investors may qualify for a reduced withholding tax rate as a result of the application of a Double Taxation Agreement (DTA) between South Africa and foreign investors' country of residence. However, in order to qualify for such reduced withholding tax rates, foreign investors may need to own a minimum percentage of shares in the underlying equities. Should you be a foreign investor which may qualify for such a reduced withholding tax rate, a reduced withholding tax form should be completed by the beneficial owner of the underlying shares submitted to us. A reduced withholding tax form has been attached to this letter **(Form DTD (RR)).**

Please also note that foreign investors will be exempted from DWT on dividends declared by dual listed companies. To qualify, please complete the declaration form by ticking "Par (i)" under the exemption section.

Declaration forms

In terms of the legislation, the onus is on the beneficiaries to inform the companies or paying agents if they are exempt from, or qualify for a reduction of DWT. If the recipient of a dividend is an exempt entity or a foreign investor, as mentioned above, they need to provide a declaration to the company declaring the dividend or the regulated intermediary. – In your case, this declaration would need to be submitted to PSG Collective Investments.

Return of Forms

Forms may be returned to us via post, fax (+27 21 799 8181) or email them to us via: (compliance@psgam.co.za).

Contact us with your enquiries

If you have any queries, or require further information, please contact us on **0800 160 6000**, or e-mail us at compliance@psgam.co.za.

PSG Asset Management
Cape Town
March 2015