PSG | Asset Management

ADVISOR NOTICE 11 |

February 2012

Dear Advisor

DIVIDEND WITHHOLDING TAX TO REPLACE SECONDARY TAX ON COMPANIES

As part of the February 2011 Budget speech the Minister of Finance announced the introduction of Dividend Withholding Tax (“DWT”) to replace the current Secondary Tax on Companies (“STC”) with effect from 1 April 2012.

The new DWT is a tax placed on investors who receive dividends, whereas STC is a tax payable by the company paying the dividend. This is done in order to ensure that South Africa is brought in line with international tax practice. It is compulsory to adhere with this new legislation by 1 April 2012.

An investor becomes liable for payment of DWT to the South African Revenue Service (SARS) upon the payment of a 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 (unit trust). The tax is levied at a rate of 15% of the gross dividend and will be withheld and paid over by PSG Asset Management Administration Services Limited (“PSG AMAS”) to SARS on behalf of the investor. The new DWT must be withheld and paid over to SARS by either the company declaring the dividend or a paying agent such as a regulated intermediary.

Paying Agents who are regulated intermediaries include:

- Central Securities Depository Participants (CSDP) such as Standard Bank and ABSA;
- Authorised users or nominees of the JSE such as brokers;
- A portfolio of a collective investment scheme in securities (unit trusts);
- A Long-term Insurer;
- Transfer Securities such as Linked Market Services (formerly Computershare).

Taxable persons and entities include natural persons (individuals) who will be taxed directly according to the new DWT law at a rate of 15% and foreign investors who will be subject to DWT at a rate of 15% but may be eligible for a reduction in DWT. Entities that are exempt from DWT include legal persons such as South African companies, public benefit organisations and retirement funds.

If the recipient of a dividend is an exempt entity or a foreign investor, the recipient needs to provide a declaration to PSG AMAS, attached to the communication your client will receive.

Certain foreign investors may qualify for a reduced withholding tax rate as a result of the application of a double taxation agreement between South Africa and the investors’ country of residence. In order to qualify for this however, such investors may need to own a minimum percentage of shares in the underlying equities. Foreign investors will also be exempt from DWT on dividends declared by dual-listed companies.

Should you have any enquiries, please contact your PSG AMAS Business Development Manager or one of our Client Service Consultants on 0800 117 180.

Yours faithfully,

Lizè Visser
Head of LISP

Mornè Rall
Client Service Manager