

Dear Valued Client

Dividend Withholding Tax

In the Budget Speech the Minister of Finance announced that Secondary Tax on Companies (STC) would be replaced by Dividend Withholding Tax (DWT) on 1 April 2012. The rate of taxation will be 15% unless exemption from or a reduced rate apply. The purpose of this communication is to inform you of this change and its impact on you and the steps you need to take to inform us of your current tax status.

The difference between DWT and STC

STC is a tax on all dividends declared by South African resident companies which is levied at the company level, whereas DWT is a tax levied at the beneficiary level. The aim of the amendment is to bring South Africa in line with international best practice where the tax is levied on the beneficiaries and not on the company.

Administration

PSG Securities Limited as a regulated intermediary will withhold the DWT and will be paid over to SARS. From 1 April 2012 you will therefore receive the gross dividend paid and the 15% DWT on the gross dividend will be levied separately unless you qualified for the exemption and we are in possession of your declaration.

Taxable persons and entities include:

- Natural persons (individuals): Individuals will be taxed directly according to the new DWT law at a rate of 15%.
- Foreign investors: Foreign investors 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 are:

- a company which is a resident;
- the Government, a provincial administration or a municipality;
- a public benefit organisation;
- a trust contemplated in section 37A (i.e. rehabilitation trust);
- an institution, board or body contemplated in section 10(1)(cA) (ex. Water Board, Tribal Authority etc.);
- fund contemplated in section 10(1)(d)(i) or (ii) (i.e. Pension/Provident/RA/Benefit Fund);
- a person contemplated in section 10(1)(t) (ex. CSIR, SANRAL, ARMSCOR, etc.);
- a shareholder in a registered micro business, as defined in the Sixth Schedule;
- a person that is not a resident and the dividend is a dividend contemplated in paragraph (b) of the definition of 'dividend' in section 64D (i.e. non-resident company listed on JSE).

Declaration form

If you are an exempt entity or a foreign investor, as mentioned above, you need to provide us as the regulated intermediary with the required declaration. In the absence of the required declaration the regulated intermediary is required to automatically withhold 15% DWT even though the beneficial owner may be entitled to an exemption from or reduction of DWT.

We require a declaration Form DTD (EX), to be filled out if you are an exempt entity or Form DTD (RR) if you are a foreign investor who qualifies for a reduction. Forms are available from our office and our website www.psgonline.co.za. Original forms need to be returned to us via post PO Box 61295, Marshalltown, 2107.

Contact us with your enquiries

If you have any queries, or require further information, please contact us on 0860 774 774, or e-mail us at compliance@psgonline.co.za or go to <http://www.psgonline.co.za/newsletter/january-trade.php> to read more on Dividend Withholding Tax.

Yours faithfully

PSG Wealth