



Exporting to **SOUTH AFRICA**

—
A guide for clients



Going Global



#GlobalAmbition

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Pretoria

Capital



South African Rand (ZAR)

Currency



60.14m¹

Population 2020



\$301.92bn²

GDP in 2020
(World Bank)



\$6,749³

GDP per capita 2020
(Marketline)



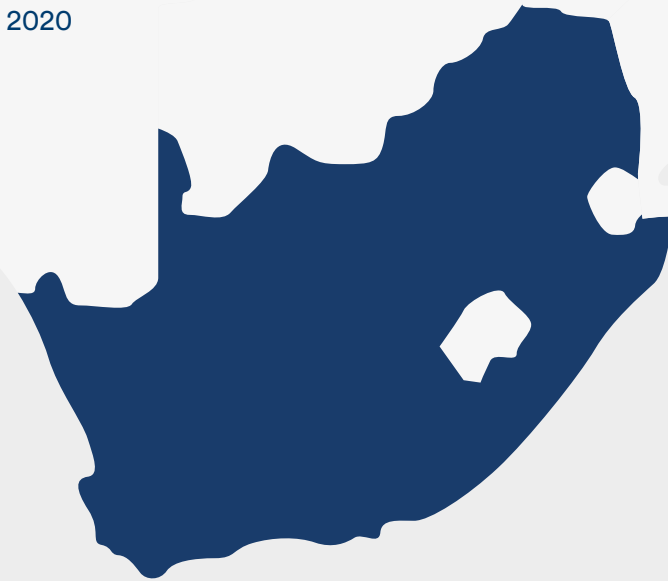
-6.95%⁴

GDP Growth
2020 (Marketline)



€96m⁵

Enterprise Ireland
Client Exports (2020)



For more information: Watch video



Why Export to South Africa

South Africa, with 60 million people, is an attractive option for Irish companies seeking an entry point into the Sub-Saharan Africa marketplace. The country, which offers a pro-business environment within the context of relative macroeconomic stability, covers 1.22 million square kms and is the world's largest producer of platinum, vanadium, chromium, and manganese.

Although there are still issues of unemployment, poverty and inequality, South Africa has a well-developed economy with global companies operating in finance, real estate, business services, manufacturing, wholesale and the retail trade. South Africa is the “Gateway to Africa” for investors due to its ease of doing business, continental expertise and ability to act as a base for critical services (e.g. auditing) for doing business on the rest of the continent.

South Africa is well integrated into the regional economic infrastructure as formalised by membership in the Southern African Development Community (SADC). In addition, the Southern African Customs Union (SACU) agreement with Botswana, Namibia, Lesotho, and Swaziland facilitates commercial exchanges.

South Africa is a member of the World Trade Organization (WTO), the G20, and BRICS (Brazil, Russia, India, China, and South Africa). In 2019, South Africa also joined the newly formed African Continental Free Trade Area (AFCTFA) which, amongst others, aims to reduce tariffs amongst all countries in Africa – this will go a long way to encourage intra-continental trade and facilitate the movement of goods and services amongst African countries.

A post-pandemic plan will prioritise investment, job creation and power supply. Commitments made to the IMF in return for a rapid financing will also add impetus to reforms in the face of resistance from vested interests. Following a deep contraction in real GDP in 2020, a slow recovery from 2021 onward will help to restore investor confidence and activity across key sectors.

The Government established the Presidential Infrastructure Coordinating Commission (PICC) to develop a 20-year infrastructure programme to ensure planning of infrastructure development. Projects which have been approved include the construction of ports, roads, railway systems, electricity plants, hospitals, schools and dams.

For Irish companies, opportunities exist in a variety of sectors, including Fintech, Life Sciences and medical devices, agri-technologies, and Information and Communications Technology (ICT).

Considered the “Gateway to Africa” Irish companies have much to benefit from this emerging and dynamic economy.

- South Africa is the ninth largest wine producer in the world, producing 3.4% of the world's wine.
- South Africa is ranked 1st in the world in platinum output, 2nd in palladium output, 7th in coal output and 11th in wool output.⁶
- South Africa is the location of choice for multinationals in Africa. Global corporates enjoy a supportive and growing ecosystem as a hub for innovation, technology and fintech.⁷
- South Africa has sophisticated financial, legal and telecommunications sectors and a number of global business process outsourcing (BPO) operations are located in the country.
- Ranked 84 out of 190 countries in the 2020 Ease of Doing Business Report.⁸
- South Africa rises to 51st in The Economist Intelligence Unit Business Environment Rankings for 2020-24.⁹
- South Africa has a wealth of natural resources (coal, platinum, gold, iron ore, manganese nickel, uranium and chromium) and enjoys increased attention from international explorations companies, particularly in the oil and gas sectors.¹⁰



Get Ready to Do Business in South Africa



Business culture

English is the primary language of business in South Africa and many of the customs around legal and tax affairs are based on an Anglo-Saxon model. However, the market is different to that in Ireland and you will need to be acutely aware of those cultural nuances as you are likely to encounter people from a variety of ethnic backgrounds.

- Networking and relationship-building are crucial to doing business in South Africa. Personal relationships are valued and initial meetings are often used to establish a rapport and to gauge mutual trust.
- Whenever possible, schedule face-to-face meetings to discuss business, in preference to communicating by email, letter or telephone.
- Schedule business appointments in advance - it may be difficult to arrange meetings with senior-level managers on short notice.

- Avoid scheduling meetings from mid-December to mid-January or the weeks surrounding Easter, as these are prime holiday times.

Full details on public holidays can be found at <https://www.gov.za/about-sa/public-holidays>

- It is good practice after a meeting to send an email summarising what was decided and the next steps.
- South Africa is two hours ahead of GMT. There is no daylight savings time (DST) in South Africa.



Travel and geography

South Africa's two main business centres are Johannesburg and Cape Town, with Durban and Gqeberha (formerly known as Port Elizabeth) being essential cities mainly due to the ports.

The largest international airport in the country is in Johannesburg, with two other international airports in Cape Town and Durban. There are regular and reliable airlines which link the large cities.

In light of global travel restrictions, we are advising all clients to regularly review the Government of Ireland advice at www.gov.ie/, travel advice from the Department of Foreign Affairs, business continuity advice from the Department of Enterprise, Trade and Employment and the World Health Organisation website.



Get ready to do business in South Africa

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ROUTES TO MARKET



South Africa's legal system is similar to Ireland's in many respects. The country's common law is based on a combination of the English and Dutch models. It is a highly regulated society, and you can expect significant amounts of paperwork in your compliance efforts.

All official documents and application forms are in English. Certain key areas of legislation differ substantially from the Irish business environment, such as Broad-Based Black Economic Empowerment (B-BBEE) and exchange controls. Careful planning for these and other aspects well in advance will smooth your journey into South Africa.

There are a variety of different approaches that can be considered when supplying the South African market, including:

Supplying directly

While distant from Ireland (flight times can be up to 12 hours with no direct flight connections) the South African market can be served remotely by the early-stage exporter who does not yet wish to set up a permanent base. The time difference in GMT+2 means that South Africa is only one or two in winter hours ahead of Ireland, which is an advantage for companies providing service and support to clients.

Agent

In South Africa an agent is a person who, for and on behalf of a principal, either introduces a third party to the principal by soliciting orders from the third party or concludes contracts with the third party on behalf of the principal.

The typical reward for an agent is a commission, which is received from the principal.

Distributor

A distributor buys and holds stock of a product, usually in return for exclusive rights to sell the product in a particular area or to a specific type of customer. The distributor holds the exclusivity to sell the product in the market, however, it has the additional requirement that he/she has to buy and hold stock and have a warehousing and distribution network available.

Establishing a local presence

The advantage to setting up a local presence is that it gives you more control over your company in the market from both an operational and a financial standpoint. However, when selling to specific sectors, you will be obliged to comply with B-BBEE legislation, and you should factor this into your strategy and hiring plans.

Also, it is important to consider the tax implications and seek professional advice before making your decision¹¹.

Pathfinders

Pathfinders can play a significant role given the scale of the market and the depth of knowledge and contacts required to penetrate niche areas.

Partnerships

A variety of partnership options are possible, including joint ventures, licensing, and R&D collaboration.



Things to Consider



Market landscape

While South Africa is a growing market and receptive to companies supplying to and investing in it, it's important that there is a key differentiator about your business, from a service, product or delivery mechanism perspective.

Be prepared to stay the course over lengthy sales cycles and visit the market often to show your commitment to the market and local partners.

South Africa is ranked 84th among 190 economies in the ease of doing business, according to the latest World Bank annual ratings.



EU South Africa trade agreement

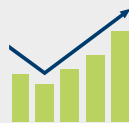
In 2016, the EU and South Africa – together with Botswana, Lesotho, Mozambique, Namibia and eSwatini – signed the Southern African Economic Partnership Agreement (SADC EPA) that regulates trade in goods between the two regions.

Under this agreement, the EU has fully or partially removed customs duties on 98.7% of imports from South Africa while guaranteeing full free access for the rest of the signatory countries.

Today the EU remains South Africa's biggest trade and investment partner.¹²

South Africa's exports to the EU are growing, and the composition of these exports is becoming more diverse. South Africa is gradually moving from mainly commodity-based products to a more diversified export profile that includes manufactured products. South Africa's primary exports to the EU are fuels and mining products, machinery and transport equipment, and other semi-manufactured goods¹³.

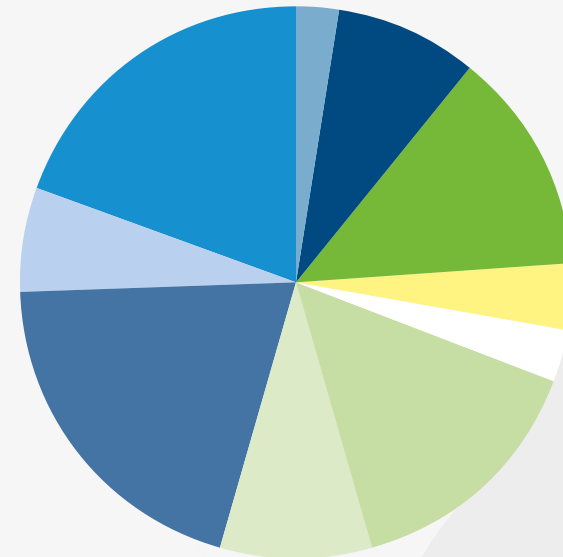
EU exports to South Africa are dominated by machinery and transport equipment, chemicals and other semi-manufactured machinery.



Market trends

South Africa is a country of abundant resources, an advanced industrial sector, robust financial systems, and a progressive legal framework. The state is politically stable with solid R&D capabilities, and an established manufacturing base. Ranked by the World Bank as an “upper middle-income country”, South Africa is the second largest economy in Africa, after Nigeria, based on GDP¹⁴.

Market landscape Sectoral composition of the South African economy in 2020



2.7%	Agriculture, forestry & fishing
8.4%	Mining & quarrying
12.9%	Manufacturing
3.8%	Electricity, gas & water
3.2%	Construction
14.8%	Wholesale & retail trade, catering & accommodation
8.9%	Transport, storage and communication
19.9%	Finance, Insurance, real estate & business services
6.0%	Community, social & personal services
19.4%	General government



Things to Consider

(continued)



Competitors

South Africa is a mature market with well-entrenched domestic and international competitors. New entrants need to research the market thoroughly to identify a niche offering that is innovative and cutting-edge in technology. Without this, it will be difficult to win new business.



Market research resources

Enterprise Ireland's Market Research Centre offers client companies access to market intelligence in the form of company, sector, market, and country information to explore opportunities and compete in international markets.

Further market research is available through the National Department of Trade and Industry at www.dti.gov.za. Statistics and open data are available from www.statssa.gov.za.



Boots on the ground

Because of the significance of relationship building in South African business culture, it is essential to visit South Africa regularly in the initial stages to build a strong and visible local presence. Depending on the nature of the business, aiming for in-market representation in the longer term can be significant, especially for products and services that require demanding technical and customer support.

Enterprise Ireland has an office in Johannesburg to support Irish companies visiting this market.

Invest SA has established a One Stop Shop which is geared towards providing investors with services to fast-track projects and reduce government red tape when establishing a business. It is part of the government's drive to become investor friendly by improving the business environment and lowering the cost of doing business, as well as making the process easier.

One Stop Shops house government entities such as the South African Revenue Service (to help with customs and tax), Home Affairs, Environmental Affairs, Eskom and the Companies and Intellectual Properties Commission under one roof. One Stop Shops have been rolled out in Tshwane in Gauteng (National office), Cape Town in the Western Cape and eThekweni in KwaZulu-Natal. For more details see: <http://www.investsa.gov.za/one-stop-shop/>



Key Growth Opportunities in South Africa



FinTech

South Africa has long been considered a global leader in FinTech innovation and adoption. The continent's low penetration rates for traditional banking services, coupled with high penetration of mobile phones, make it a fertile breeding ground for FinTech innovation. In many respects, the continent has been ahead of other developing and even developed markets. Online transacting has been growing steadily in South Africa for years, but 2020 saw online payments grow exponentially as consumers avoided touching cash or point-of-sale devices and as e-commerce increased dramatically. The pandemic also increased interest in smart and digital insurance. The shift from cash to digital forms of payment is set to continue.

In 2020, the global number of registered mobile money accounts topped 1.2 billion, 548 million of which are in Africa. At the same time, the number of accounts that are active on a monthly basis topped 300 million, 159 million of which are in sub-Saharan Africa¹⁵.

South Africa offers not only access to the internal FinTech market but also the opportunity to use the country as a springboard into the overall African market, in partnership with South African companies offering products and solutions in this space.



Information and Communications Technology (ICT)/Digital

South Africa's overall ICT market is expected to reach \$23.4 billion by 2021¹⁶. ICT is one of the fastest growing industries in South Africa. The country's cell phone market is also the 4th fastest growing in the world at a rate of 50% per year. Many business opportunities lie in developing access, control systems/security equipment, systems, and software development in the banking and financial services sector, along with exporting hardware, silicon processing for fibre optics, integrated circuits, and solar cells.

There is also a keen interest and growth in third-platform technologies such as cloud, mobile, data analytics and social, especially as they form a foundation for the Internet of Things (IoT), cybersecurity and artificial intelligence (AI) applications. Opportunities for Irish companies with products and services in these applications should explore opportunities in this market.



Agritech

Agriculture and farming remains vitally important to the South African economy. It is estimated that some 8.5 million people are directly or indirectly dependent on agriculture for their employment and income. Alongside the IT sector it is one of the fastest growing industries in South Africa, which is known for its vast lands and profitable farming opportunities. Agriculture, including forestry and fisheries, is vital to the country's economy. Agro-processing is one of the key industries within this sector, spanning the processing of freshwater aquaculture and mariculture, exotic and indigenous meats, nuts, herbs and fruit. It also involves the production and export of deciduous fruit and wine, confectionary manufacturing and the processing of natural fibres from cotton, hemp, sisal, kenaf and pineapple.

The South African agri-food sector has a number of competitive advantages, making it both an important trading partner and a viable investment destination. A world-class infrastructure, counter-seasonality to Europe, vast biodiversity and marine resources, and competitive input costs, make the country a major player in the world's markets.

Opportunities exist in the following subsectors for Irish companies with services and products to offer: Agricultural equipment and spares, animal nutrition and veterinary products, dairy processing equipment, agri and food processing equipment, meat-processing equipment, and sustainable food system consultancy. Another opportunity is in livestock tracking - it is estimated that more than ZAR100mn is lost through stock theft every year.

Key Growth Opportunities in South Africa

(continued)



Life Science/Medical Devices

South Africa has one of the most diverse healthcare markets in the world. Affluent urban areas offer high-quality facilities funded mostly by private medical funds, while rural areas are dependent on an under-resourced public healthcare system. Although private providers are highly efficient in the South African market, the government is exploring the implementation of a National Health Insurance (NHI) which is similar to the NHS in the UK. It aims to give universal access to medical services and will increase demand for hospital equipment and devices, as large-scale hospital refurbishment projects will be undertaken.

More than 90% of South Africa's medical device market is supplied by imports, mainly from the USA, Germany, Japan and the UK¹⁷. The medical device sector is an emerging market that is showing promise for Irish providers, and there are also openings to supply consumables and technology in hospitals and private clinics.

The market for pharmaceuticals is vibrant, with a particular focus on generics, due to price considerations.



Going Global

Legal & Taxation Information



Visa requirements

South Africa operates a visa system. For Irish companies at an early stage of expanding into the country, initial “interface” meetings require only having your passport stamped on entry at the airport or obtaining a 90-day visitor permit, also at the point of entry.

Travellers should ensure their passport is valid for at least six months from their intended date of departure. EU citizens travelling to South Africa without at least two blank pages in their passports – or with damaged documents – are likely to face immediate deportation.

If you intend staying more than 90 days for a project, you will require a work permit from South Africa’s Department of Home Affairs which lasts for a year and may be extended on the application.



Customs information

South Africa is a member of the World Trade Organisation (WTO) and follows the Harmonised System of import classification. There is also free trade between South Africa and the EU as a result of a Free Trade Agreement¹⁸.

Traders are subject to exchange control approval, administered by the South African Reserve Bank. Bonded warehouses are available at various points of entry. South African banks can accommodate all international transactions and are situated throughout the country. Most goods may be imported into South Africa without restrictions, but the Department of Trade and Industry is empowered to regulate, prohibit or ration imports.

Import permits are required only for specific categories of goods and must be obtained from the Director of Import and Export, prior to the date of shipment. Failure to produce a required permit could result in the imposition of penalties. Details can be found at <http://www.itac.org.za/pages/services/import-control>

It should be noted that 15% VAT will be levied on the value of the goods.



Corporate structures and Tax Broad-Based Black Economic Empowerment (B-BBEE)

B-BBEE is the critical instrument in the Government’s strategy to redress the inequalities of the past and to drive a far-reaching change in South African society. In a business context, its role is to enhance the participation of the black majority in South Africa’s economy. B-BBEE has been a critical driver of recent corporate activity, such as mergers and acquisitions.

In practical terms, what B-BBEE means for an Irish company looking to do business over a prolonged period in South Africa (mainly when supplying to Government or parastatals) is to work through a partner or establish a representative office. Furthermore, there will need to be significant black involvement at all levels of the company in order to comply with B-BBEE.

Companies must obtain certification and codes of good practice and are typically measured on a scorecard against seven criteria: Ownership, management, employment equity, skills development, preferential procurement, enterprise development and socio-economic development.

There are nine pieces of legislation around this initiative, which can be obtained from the Department of Trade and Industry’s website, see <http://bee.thedti.gov.za/>



Tax structures

South Africa has a standard VAT rate of 15% on taxable supplies. However, VAT registration is only required if the total taxable supplies exceed R1 million (€89,437) in a 12-month period. Even though the standard rate is 15%, there are some exempt supplies and zero-rated supplies.

In South Africa, the tax rate applicable for corporate income of both resident and non-resident companies is 28%. Details can be found at <http://taxsummaries.pwc.com/ID/South-Africa-Corporate-Taxes-on-corporate-income>.



Legal & Taxation Information

(continued)



Intellectual Property Rights (IPR)

There are four types of Intellectual Property (IP) in South African law.

1. Patents protect inventions.
2. Trademarks protect the unique name or symbol identifying a business or product.
3. Copyright protects the original works of authors, composers, artists, musicians, filmmakers and software developers.
4. Designs can be registered to protect the creative aspects of articles

There are also four Acts of Parliament that govern the above-mentioned types of IP. Details can be found at

<http://www.cipc.co.za/index.php/trade-marks-patents-designs-copyright/what-ip/>





Pre-visit support

Prior to engaging with an overseas market, client companies should engage with their Development Adviser (DA) and the Enterprise Ireland Market Research Centre in Dublin to ensure they leverage the full range of possible supports in preparation for engaging with the EI team in the market. Available support includes:

General market and country-level information

- Sector overview
- Validation of the opportunities for your product or service
- Evaluation of your market entry strategy
- Suggested channels to market
- Competitor analysis
- Relevant contacts/suggested itinerary

In-market support

- Introductions to buyers and decision-makers
- Identification of potential partners
- Facilitation of buyer visits to Ireland
- Assistance with product launches/workshops

Mentors

Enterprise Ireland has built up an excellent network of pathfinders in South Africa who are able to work with Irish client companies in developing their businesses. This includes market and sector specialists, business accelerators and Irish business associations.

International trade events programme

Every year Enterprise Ireland organises an extensive programme of events to support your business abroad. These include:

- Inward buyers' missions to Ireland
- Group stands at international trade fairs
- Overseas trade missions
- Study visits to gain knowledge of overseas markets

- Client knowledge events including seminars and workshops
- Networking events to build and enhance relationships with market contacts.

Further information is available at www.enterprise-ireland.com/events



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Rialtas na hÉireann
Government of Ireland



Ireland's EU Structural and
Investment Funds Programmes
2014 - 2020

Co-funded by the Irish Government
and the European Union



European Union
**European Regional
Development Fund**

Ireland's European Structural and Investment Funds Programmes 2014-2021.
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