



# **Ratification: Tax Treaty with Netherlands**

Select Committee on Finance

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# Tax Treaty Ratification Process

- Before a tax treaty can come into force, it has to be ratified by Parliament
- Ratification can only take place after the signing of the tax treaty
- In SA, the ratification process is done in accordance with S231 of the Constitution read with S108(2) of the Income Tax Act, 1962
- The tax treaty presented today for ratification constitutes what we believe to be in the best interest of SA



# Reasons for SA/Netherlands Tax Treaty

- Renegotiation of an existing tax treaty. First tax treaty between South Africa and Netherlands came into force on 20 January 1972
- The revised tax treaty signed on 10 October 2005 will terminate the old tax treaty
- This tax treaty has been ratified by Netherlands. South Africa delayed ratification pending renegotiation of the article dealing with taxation of dividends due to the proposed changes to South African domestic tax legislation: Conversion of Secondary Tax on Companies (STC) to a dividend tax at shareholder level
- Implementation of the proposed STC conversion is subject to renegotiation of other tax treaties that have a zero rate withholding tax on dividends
- The revised tax treaty with Netherlands presented to Parliament today represents one of those treaties
- The revised tax treaty also addresses certain aspects that are not present in the old treaty



# SA/Netherlands Tax Treaty: Investment Flows

- **Investments by Netherlands**

- Total investments by Netherlands into South Africa were R31,9 billion in 2005 and R30,7 billion in 2006
- Major Netherlands investors in South Africa include ABN Amro, Philips Electronics, Endemol, KNP BT, Insinger De Beaufort

- **Investments by South Africa**

- Total investments by South Africa into Netherlands amounted to R16,8 billion in 2005 and R21,4 billion in 2006
- Major South African investors in Netherlands include Dimension Data, Sasol, Old Mutual, SAB Miller, PetroSA, Sanlam, Sappi, Naspers



# SA/Netherlands Tax Treaty: Trade Flows

- **Exports to Netherlands**

- Exports to Netherlands were: R14,8 billion in 2005, R18 billion in 2006 and R19,8 billion in 2007
- The goods exported to Netherlands mainly consist of metals, minerals and agricultural products

- **Imports from Netherlands**

- Imports from Netherlands were: R5,4 billion in 2005, R7,5 billion in 2006 and R8,9 billion in 2007
- The goods imported from Netherlands mainly consist of pharmaceutical and agricultural products



**Thank You**