

# RATIFICATION: TAX TREATY PROTOCOLS WITH IRELAND AND SWEDEN

SELECT COMMITTEE ON FINANCE

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**national treasury**  
Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

## Tax Treaty Ratification Process

- 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 South Africa, ratification process is done in accordance with section 231 of the Constitution read with section 108(2) of the Income Tax Act
- The tax treaty presented today for ratification constitute what we believe to be the best interest of South Africa



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## Reasons for these tax treaty protocols

- Implementation of the proposed STC conversion is subject to renegotiation of nine tax treaties, having a zero rate withholding tax on dividends;
- These included Australia, Cyprus , Ireland, Malta, Netherlands, Oman, Seychelles, Sweden and United Kingdom;
- The renegotiation also addressed certain aspects that are not present in the old treaties;
- The SA-Ireland tax treaty protocol was signed on 17 March 2010;
- The SA-Sweden tax treaty protocol was signed on 7 July 2010

## SA-IRELAND investment flows

### Investment by Ireland

- Total investments by Ireland into South Africa were:
  - R1,5 billion in 2005
  - R1,9 billion in 2006
  - R2, 4 billion in 2007
  - R1,9 billion in 2008
- Irish companies or representative offices operating in South Africa include Independent News and Media; Guinness; Spectra Group; Howard Holdings; ESB International; etc

### Investment by South Africa

- Total investments by South Africa into Ireland were:
  - R33, 4 billion in 2005
  - R45, 4 billion in 2006
  - R51, 4 billion in 2007
  - R 44,6 billion in 2008
- South African companies or representative offices operating in Ireland include AECI Ltd; Alexkor; Anglo Platinum; Coronation; Dimension Data, Datatec; Sasol Ltd, Investec; Old Mutual; SABMiller; Sappi Ltd etc, etc.

## SA-Ireland dividends flows

## SA - IRELAND 2007

| Country        | Outward dividend payments *(Estimate, Rands @ Nominal value) | Potential tax (Rands @ Nominal value) |         |
|----------------|--|---------------------------------------|---------|
|                |  | @ 5%                                  | @ 10%   |
| <i>Ireland</i> | 3,333,824  | 166,691                               | 333,382 |

## SA-Ireland dividends flows

## SA - IRELAND 2008

| Country        | Outward dividend payments *(Estimate, Rands @ Nominal value) | Potential tax (Rands @ Nominal value) |            |
|----------------|--|---------------------------------------|------------|
|                |  | @ 5%                                  | @ 10%      |
| <i>Ireland</i> | 462,657,071  | 23,132,854                            | 46,265,707 |

## SA-Ireland dividends flows

### SA - IRELAND 2009

| Country        | Outward dividend payments *(Estimate, Rands @ Nominal value) | Potential tax (Rands @ Nominal value) |            |
|----------------|--|---------------------------------------|------------|
|                |  | @ 5%                                  | @ 10%      |
| <i>Ireland</i> | 171,545,047  | 8,577,252                             | 17,154,504 |

## SA-Ireland dividends flows

### SA - IRELAND

| Country        | Outward dividend payments *(Estimate, Rands @ Nominal value) | Potential tax (Rands @ Nominal value) |            |
|----------------|--|---------------------------------------|------------|
|                |  | @ 5%                                  | @ 10%      |
| <i>Ireland</i> | 585,739,015  | 29,286,951                            | 58,573,902 |

## SA-Ireland dividends flows

SA – SWEDEN  
2007

| Country       | Outward dividend payments *(Estimate, Rands @ Nominal value) | Potential tax (Rands @ Nominal value) |            |
|---------------|--|---------------------------------------|------------|
|               |  | @ 5%                                  | @ 15%      |
| <i>Sweden</i> | 371,931,106  | 18,596,555                            | 55,789,665 |

## SA-Ireland dividends flows

SA – SWEDEN  
2008

| Country       | Outward dividend payments *(Estimate, Rands @ Nominal value) | Potential tax (Rands @ Nominal value) |            |
|---------------|--|---------------------------------------|------------|
|               |  | @ 5%                                  | @ 15%      |
| <i>Sweden</i> | 325,685,155  | 16,284,258                            | 48,852,773 |

## SA-Ireland dividends flows

## SA – SWEDEN

2009

| Country       | Outward dividend payments *(Estimate, Rands @ Nominal value) | Potential tax (Rands @ Nominal value) |            |
|---------------|--|---------------------------------------|------------|
|               |  | @ 5%                                  | @ 15%      |
| <i>Sweden</i> | 571,397,705  | 28,569,885                            | 85,709,655 |

## SA-Ireland dividends flows

## SA – SWEDEN

| Country       | Outward dividend payments *(Estimate, Rands @ Nominal value) | Potential tax (Rands @ Nominal value) |            |
|---------------|--|---------------------------------------|------------|
|               |  | @ 5%                                  | @ 15%      |
| <i>Sweden</i> | 126,901,397  | 634,506,98                            | 190,352,09 |

## SA-Ireland Trade Flows

### Exports to Ireland

- Exports from South Africa to Ireland were:
  - R1,1 billion in 2005
  - R1,1 billion in 2006
  - R1,3 billion in 2007
  - R1,7 billion in 2008
  - R1,1 billion in 2009
- Main exports: base metals, machinery, mechanical and electrical appliances, base metals, mineral products etc

### Imports from Ireland

- Imports from Ireland to South Africa were:
  - R4 billion in 2005
  - R4,3 billion in 2006
  - R5,6 billion in 2007
  - R7,1 billion in 2008
  - R4,4 billion in 2009
- Main imports: works of art, collector's pieces & antiques, vegetable product, plastics & articles, live animals, animal products, wood, wood charcoal, natural or cultured pearls, raw hides & skins, leather, fur skins, umbrellas, headgear etc

## SA-Sweden Investments Flows

### Investment by Sweden:

- Total investments by Sweden in South Africa were:
  - R3,1 billion in 2005
  - R3,8 billion in 2006
  - R3,5 billion in 2007
  - R3,5 billion in 2008
- Swedish companies or representative offices operating in South Africa include: Atlas Copco, Electrolux, Ericson, Volvo, Scania, Svedala, Tetra Pak, Sandvik etc

### Investment by South Africa:

- Total investments by South Africa into Sweden were:
  - R991 million in 2005
  - R1,4 billion in 2006
  - R1,3 billion in 2007
  - R536 million in 2008
- South African companies or representative offices operating in Sweden include: Dimensions Data; Tiger Wheels; Sappi etc.

## SA-Sweden Dividends Flows

### SA - SWEDEN

| Country                       | Outward dividend payments *(Estimate, Rands @ Nominal value) | Potential tax (Rands @ Nominal value) |                    |
|-------------------------------|--|---------------------------------------|--------------------|
|                               |  | @ 5%                                  | @ 15%              |
| Sweden                        | 1,269,013,966  | 63,450,698                            | 190,352,095        |
| <b>Dividend Payment Total</b> | <b>1,269,013,966</b>   | <b>63,450,698</b>                     | <b>190,352,095</b> |

## SA-Sweden Trade Flows

### Exports to Sweden:

- Exports from South Africa to Sweden were:
  - R1, 5 billion in 2005
  - R2, 9 billion in 2006
  - R2, 9 billion in 2007
  - R3,4 billion in 2008
  - R2, 07 billion in 2009
- Main Exports: Wine of Fresh Grapes; Citrus and dried fruit; Safety Fuses; Grapes; Machinery; Aluminum Waste and Scrap; Fish etc

### Imports from Sweden:

- Imports from Sweden to South Africa were:
  - R4, 8 billion in 2005
  - R5, 8 billion in 2006
  - R8, 1 billion in 2007
  - R10 billion in 2008
  - R 9,4 billion in 2009
- Main Imports: Motor Cars; Fork Lifts Trucks; Paper and paperboard; Plates; Dishwashing Machines; Generators etc



THANK YOU

