

# RATIFICATION: TAX TREATY PROTOCOLS WITH IRELAND AND SWEDEN

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 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 protocols 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 General Investment Flows 2005 -2008

### 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
  - R44,6 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

SA-IRELAND Dividends Flows 2007			
SA to IRELAND			
Country	Outward dividend payments *(Estimate, Rands @ Nominal value)	Potential tax (Rands @ Nominal value)	
		@ 5%	@ 10%
Ireland	3,333,824	166,691	333,382

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SA-IRELAND Dividends Flows 2008			
SA to IRELAND			
Country	Outward dividend payments *(Estimate, Rands @ Nominal value)	Potential tax (Rands @ Nominal value)	
		@ 5%	@ 10%
Ireland	462,657,071	23,132,854	46,265,707

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### SA-Ireland Dividends Flows 2009

#### SA to IRELAND

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 Total Dividends Flows for 2007-2009

#### SA to IRELAND

Country	Outward dividend payments *(Estimate, Rands @ Nominal value)	Potential tax (Rands @ Nominal value)	
		@ 5%	@ 10%
<i>Ireland</i>	637,535,942	31,876,797	63,753,594

## SA-IRELAND Trade Flows 2005 - 2009

**NB: Merely indicate economic activity, have no bearing on the DTA**

### 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
  - R 1,7 billion in 2008
  - R 1,1 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 General Investments Flows 2005 - 2008

### 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 2007

#### SA to SWEDEN

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

### SA-SWEDEN Dividends Flows 2008

#### SA – SWEDEN

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

## SA-SWEDEN Dividends Flows 2009

### SA to SWEDEN

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-SWEDEN Total Dividends Flows 2007 - 2009

### SA to SWEDEN

Country	Outward dividend payments *(Estimate, Rands @ Nominal value)	Potential tax (Rands @ Nominal value)	
		@ 5%	@ 15%
<i>Sweden</i>	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

**NB: Merely indicates existence of economic activity, has no bearing on the DTA**

### 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, 7 billion in 2009
- Main Exports: Win 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