

# Doing Business 2011

South Africa

**Making  
a Difference for  
Entrepreneurs**

COMPARING BUSINESS REGULATION IN 183 ECONOMIES



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Doing Business 2011  
Business Reforms

*Doing Business 2011: Making a Difference for Entrepreneurs* is the eighth in a series of annual reports investigating regulations that enhance business activity and those that constrain it. *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 183 economies, from Afghanistan to Zimbabwe, over time.

A set of regulations affecting 9 stages of a business's life are measured: starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. Data in *Doing Business 2011* are current as of June 1, 2010\*. The indicators are used to analyze economic outcomes and identify what reforms have worked, where, and why.

The Doing Business methodology has limitations. Other areas important to business such as an economy's proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions, are not studied directly by Doing Business. To make the data comparable across economies, the indicators refer to a specific type of business, generally a local limited liability company operating in the largest business city. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. The data not only highlight the extent of obstacles to doing business; they also help identify the source of those obstacles, supporting policymakers in designing reform.

The data set covers 183 economies: 46 in Sub-Saharan Africa, 32 in Latin America and the Caribbean, 25 in Eastern Europe and Central Asia, 24 in East Asia and Pacific, 18 in the Middle East and North Africa and 8 in South Asia, as well as 30 OECD high-income economies.

The following pages present the summary Doing Business indicators for South Africa. The data used for this economy profile come from the Doing Business database and are summarized in graphs. These graphs allow a comparison of the economies in each region not only with one another but also with the "good practice" economy for each indicator.

The good-practice economies are identified by their position in each indicator as well as their overall ranking and by their capacity to provide good examples of business regulation to other countries. These good-practice economies do not necessarily rank number 1 in the topic or indicator, but they are in the top 10.

More information is available in the full report. *Doing Business 2011: Making a Difference for Entrepreneurs* presents the indicators, analyzes their relationship with economic outcomes and recommends reforms. The data, along with information on ordering the report, are available on the Doing Business website ([www.doingbusiness.org](http://www.doingbusiness.org)).

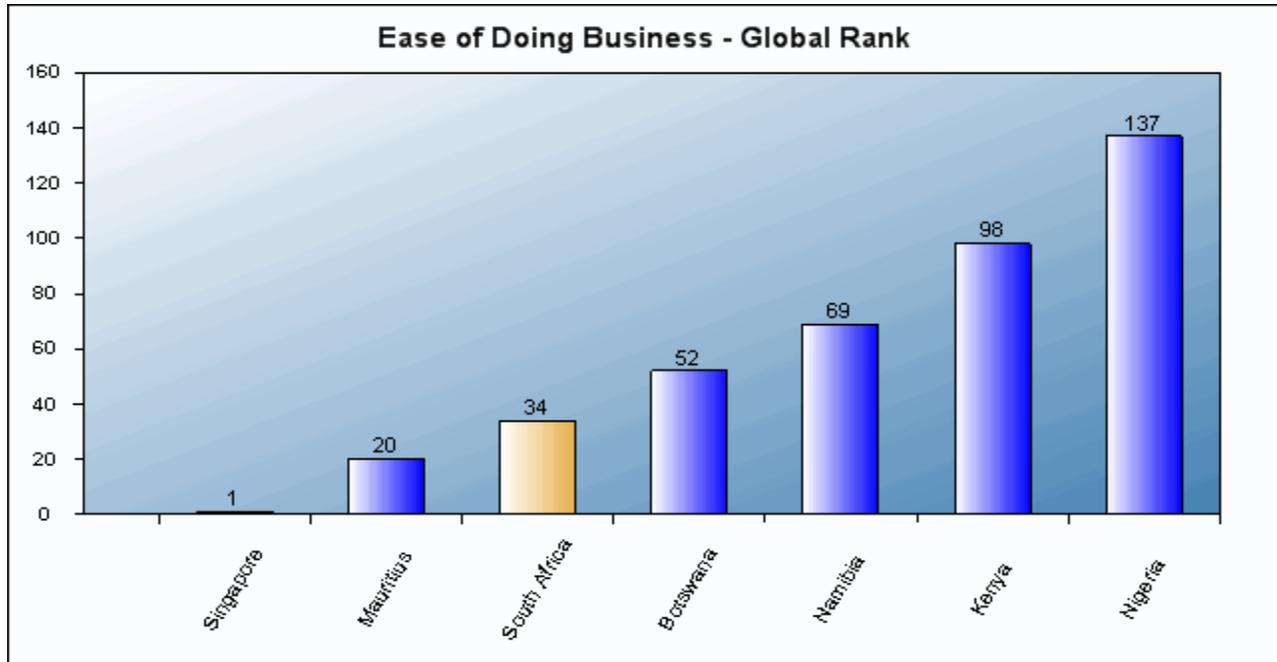
\* Except for the Paying Taxes indicator that refers to the period January to December of 2009.

Note: 2008-2010 Doing Business data and rankings have been recalculated to reflect changes to the methodology and the addition of new economies (in the case of the rankings).

## Economy Rankings - Ease of Doing Business

South Africa is ranked 34 out of 183 economies. Singapore is the top ranked economy in the Ease of Doing Business.

**South Africa - Compared to global good practice economy as well as selected economies:**



### South Africa's ranking in Doing Business 2011

Rank	Doing Business 2011
Ease of Doing Business	34
Starting a Business	75
Dealing with Construction Permits	52
Registering Property	91
Getting Credit	2
Protecting Investors	10
Paying Taxes	24
Trading Across Borders	149
Enforcing Contracts	85
Closing a Business	74

## Summary of Indicators - South Africa

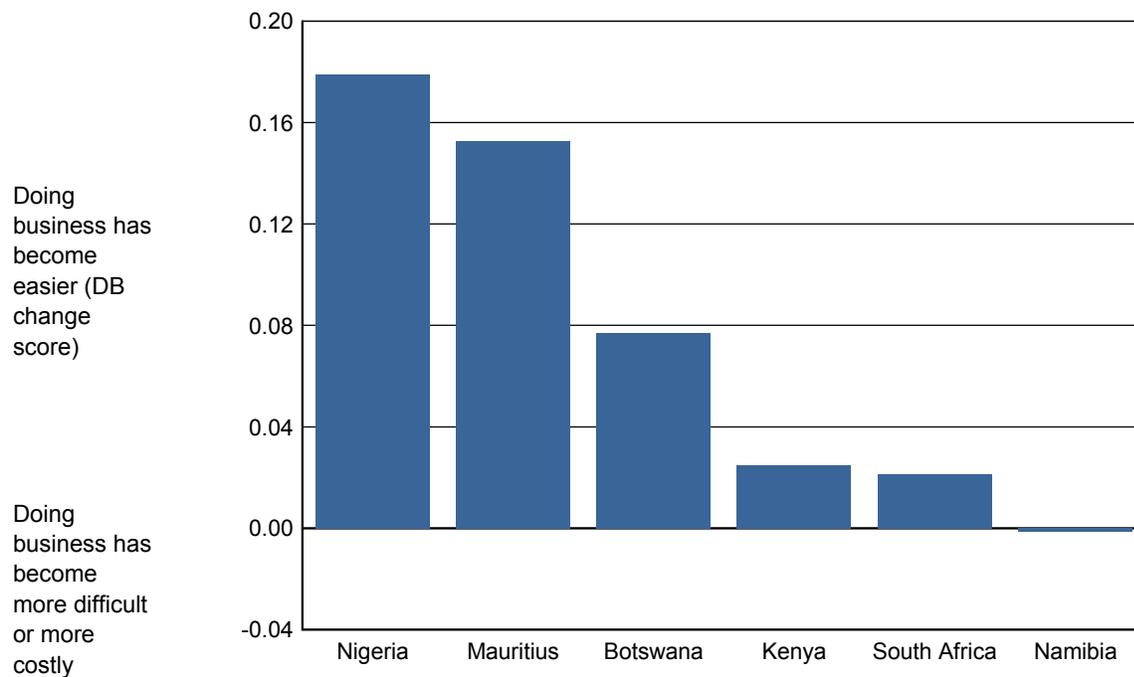
<b>Starting a Business</b>	Procedures (number)	6
	Time (days)	22
	Cost (% of income per capita)	6.0
	Min. capital (% of income per capita)	0.0
<b>Dealing with Construction Permits</b>	Procedures (number)	17
	Time (days)	174
	Cost (% of income per capita)	23.1
<b>Registering Property</b>	Procedures (number)	6
	Time (days)	24
	Cost (% of property value)	8.8
<b>Getting Credit</b>	Strength of legal rights index (0-10)	9
	Depth of credit information index (0-6)	6
	Public registry coverage (% of adults)	0.0
	Private bureau coverage (% of adults)	54.9
<b>Protecting Investors</b>	Extent of disclosure index (0-10)	8
	Extent of director liability index (0-10)	8
	Ease of shareholder suits index (0-10)	8
	Strength of investor protection index (0-10)	8.0
<b>Paying Taxes</b>	Payments (number per year)	9
	Time (hours per year)	200
	Profit tax (%)	24.4
	Labor tax and contributions (%)	2.5
	Other taxes (%)	3.7
	Total tax rate (% profit)	30.5
<b>Trading Across Borders</b>	Documents to export (number)	8
	Time to export (days)	30
	Cost to export (US\$ per container)	1531
	Documents to import (number)	9
	Time to import (days)	35
	Cost to import (US\$ per container)	1807

<b>Enforcing Contracts</b>	Procedures (number)	30
	Time (days)	600
	Cost (% of claim)	33.2
<b>Closing a Business</b>	Recovery rate (cents on the dollar)	34.4
	Time (years)	2.0
	Cost (% of estate)	18

The 5 year measure of cumulative change illustrates how the business regulatory environment has changed in 174 economies from *Doing Business 2006* to *Doing Business 2011*. Instead of highlighting which countries currently have the most business friendly environment, this new approach shows the extent to which an economy's regulatory environment for business has changed compared with 5 years ago.

This snapshot reflects all cumulative changes in an economy's business regulation as measured by the Doing Business indicators—such as a reduction in the time to start a business thanks to a one-stop shop or an increase in the strength of investor protection index thanks to new stock exchange rules that tighten disclosure requirements for related-party transactions.

This figure shows the distribution of cumulative change across the 9 indicators and time between *Doing Business 2006* and *Doing Business 2011*



Many economies have undertaken reforms to smooth the starting a business process in stages—and often as part of a larger regulatory reform program. A number of studies have shown that among the benefits of streamlining the process to start a business have been greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities. Economies with higher entry costs are associated with a larger informal sector and a smaller number of legally registered firms.

### Some reform outcomes

*In Egypt reductions of the minimum capital requirement in 2007 and 2008 led to an increase of more than 30% in the number of limited liability companies.*

*In Portugal creation of One-Stop Shop in 2006 and 2007 resulted in a reduction of time to start a business from 54 days to 5. In 2007 and 2008 new business registrations were up by 60% compared with 2006.*

*In Malaysia reduction of registration fees in 2008 led to an increase in registrations by 16% in 2009.*

### What does Starting a Business measure?

#### Procedures to legally start and operate a company (number)

- Preregistration (for example, name verification or reservation, notarization)
- Registration
- Post registration (for example, social security registration, company seal)

#### Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior contact with officials

#### Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes
- No professional fees unless services required by law

#### Paid-in minimum capital (% of income per capita)

- Deposited in a bank or with a notary prior to registration begins

**Starting a Business:** getting a local limited liability company up and running  
Rankings are based on 4 subindicators



### Case Study Assumptions

- Doing Business records all procedures that are officially required for an entrepreneur to start up and formally operate an industrial or commercial business.
- Any required information is readily available and that all agencies involved in the start-up process function without corruption.

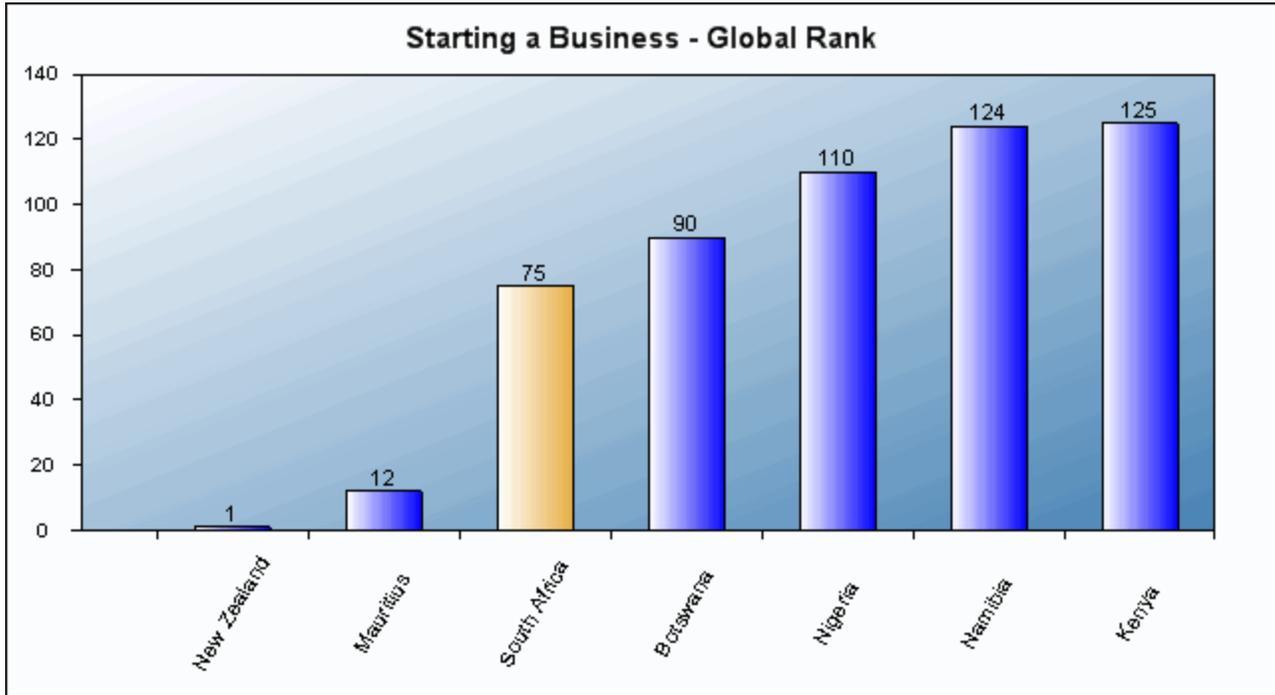
#### The business:

- is a limited liability company, located in the largest business city
- conducts general commercial activities
- is 100% domestically owned
- has a start-up capital of 10 times income per capita
- has a turnover of at least 100 times income per capita
- has at least 10 and up to 50 employees
- does not qualify for investment incentives or any special benefits
- leases the commercial plant and offices and is not a proprietor of real estate

## 1. Benchmarking Starting a Business Regulations:

South Africa is ranked 75 overall for Starting a Business.

Ranking of South Africa in Starting a Business - Compared to good practice and selected economies:



The following table shows Starting a Business data for South Africa compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Time (days)</b>	<b>Cost (% of income per capita)</b>	<b>Min. capital (% of income per capita)</b>
<b>Denmark*</b>			0.0	
<b>New Zealand*</b>	1	1		0.0

<i>Selected Economy</i>				
<b>South Africa</b>	<b>6</b>	<b>22</b>	<b>6.0</b>	<b>0.0</b>

<i>Comparator Economies</i>				
<b>Botswana</b>	10	61	2.2	0.0
<b>Kenya</b>	11	33	38.3	0.0
<b>Mauritius</b>	5	6	3.8	0.0
<b>Namibia</b>	10	66	18.5	0.0
<b>Nigeria</b>	8	31	78.9	0.0

\* The following economies are also good practice economies for :

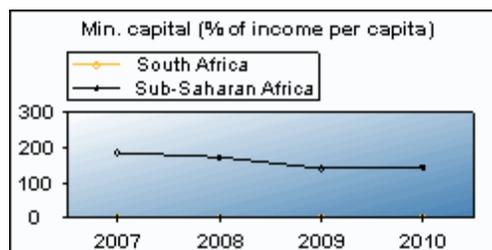
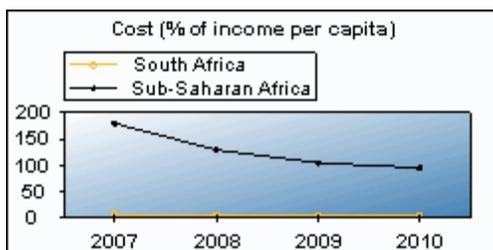
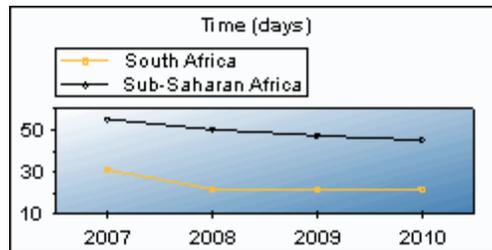
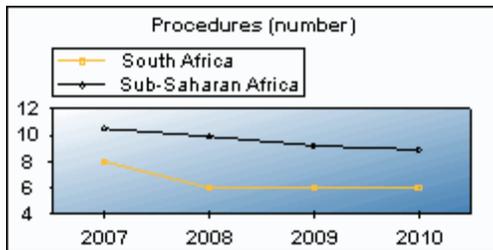
**Procedures (number):** **Canada**

**Cost (% of income per capita):** **Slovenia**

## 2. Historical data: Starting a Business in South Africa

Starting a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	66	75
Procedures (number)	8	6	6	6
Time (days)	31	22	22	22
Cost (% of income per capita)	7.1	6.0	5.9	6.0
Min. capital (% of income per capita)	0.0	0.0	0.0	0.0

3. The following graphs illustrate the Starting a Business sub indicators in South Africa over the past 4 years:



## What are the time, cost, paid-in minimum capital and number of procedures to get a local, limited liability company up and running?



This table summarizes the procedures and costs associated with setting up a business in South Africa.

### STANDARDIZED COMPANY

Legal Form: Private Limited Liability Company

City: Johannesburg

### Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Reserve a company name with the Registrar of Companies and pay fees	3	ZAR 50
2	Lodges formation documentation with CIPRO in Pretoria, Gauteng Province, South Africa for registration	6	ZAR 2,813
3	Open a bank account	1	no charge
4	Register with the office of the local receiver of revenue (SARS) for income tax, VAT, and employee withholding tax (PAYE and SITE).	12	no charge
5 *	Register with the Department of Labor for Unemployment Insurance.	4	no charge
6 *	Register with the Commissioner according to the Compensation for Occupational Injuries and Diseases Act.	10	no charge

\* Takes place simultaneously with another procedure.

## Starting a Business Details - South Africa

### Procedure 1 Reserve a company name with the Registrar of Companies and pay fees

**Time to complete:** 3

**Cost to complete:** ZAR 50

**Comment:** The company name can be reserved electronically via the Internet. Otherwise, the promoter must go to the CIPRO and pay the prescribed fee. The official at the CIPRO offices will submit the application electronically on the person's (company or individual) behalf. Once CIPRO has approved the propose company name, the reservation is valid for 2 months extended by a period of 1 month, within which the company can be incorporated. The name reservation application is processed only if the agent has a credit balance on his or her account. CIPRO officials assign a tracking number to the electronic name reservation and process it in that order. The filing takes 5 minutes; the approval/rejection process takes about 3–5 days depending on the availability of the Web site and the number of applications received and any backlog. In-person filing of a name reservation application at the CIPRO offices may take longer. A name reservation can be extended for another month by filing a name reservation extension form (Form CM6) and paying ZAR 20. When an applicant lodges documents with CIPRO the applicant would be required by CIPRO to open an agent account for the purpose of debiting the amount of any fees payable in connection with that lodgment and future lodgments. On lodgment of the reservation of name application (Form CM5) CIPRO will immediately debit the agent account with an amount of ZAR 50.

### Procedure 2 Lodges formation documentation with CIPRO in Pretoria, Gauteng Province, South Africa for registration

**Time to complete:** 6

**Cost to complete:** ZAR 2,813

**Comment:** A certificate to commence business is required by law (s172 of the Companies Act) before a company can legally trade or raise finance. The form CM46 – certificate to commence business is submitted together with the formation documentation. The Registrar will incorporate the company once all the following documents are submitted simultaneously:

- A copy of Cipro's letter advising that the name has been approved and reserved.
- One signed set of the certificate of incorporation, Memorandum and Articles of Association together with the necessary signatories pages. The memorandum of association must reflect the lodgement fees payable which are calculated based on the authorized share capital of the company as a flat rate of R350 plus R5 for every R1,000 or part thereof or, in the event of the company having shares of no par value, R5 for each 1,000 shares or part thereof. The minimum fee payable on a formation of a company is R415.
- Form CM22 (notice of registered office and postal address) in duplicate.
- Form CM29 (register of director and information pertaining to a company secretary).
- Form CM31 (consent to the appointment of the auditor) in duplicate. Every South African company must appoint a South African auditor.
- Forms CM27 A (consent to the appointment of the company secretary).
- Form CM46 (the certificate to commence business)
- Form CM47 (statement by each Director indicating there is adequate capital in the Company for the purpose of the company's business)

The Registrar will attend to the recording of the registration by allocating a registration number to the company and will release the Memorandum and Articles of Association, certificate of incorporation and certificate to commence business, one form CM22 and CM31. In addition to the

CM forms listed above a CM47 which is a statement by each Director indicating there is adequate capital in the Company for the purpose of the company's business, also needs to be completed by the directors of the Company and lodged with CIPRO.

### Procedure 3 Open a bank account

**Time to complete:** 1

**Cost to complete:** no charge

**Comment:** In order to open a bank account, the applicant needs to have a proof of who the directors are, and the original company documents. This procedure might take longer if required documentation are not in order.

### Procedure 4 Register with the office of the local receiver of revenue (SARS) for income tax, VAT, and employee withholding tax (PAYE and SITE).

**Time to complete:** 12

**Cost to complete:** no charge

**Comment:** Business with annual taxable income of more than ZAR 1,000,000 needs to register for VAT. The application for the registration of VAT is done on a VAT101 form. Cipro and the South African Revenue Service are linked electronically. Once a company is incorporated the relevant South African Revenue Service office is advised and an income tax number is allocated to such entity.

The company also has to register as an employer by means of "EMP 101e" form that caters for the necessary registration of all the withholding taxes applicable to the taxpayer including PAYE (Pay as You Earn. ie: employee tax) or SITE (inclusive of employee tax), UIF (Unemployment Insurance Fund). SITE always is payable on the "first" R60 000, whereafter PAYE is payable on the excess (e.g. amount after R60 000). The Employer is compelled to register as employer in terms of paragraph 15 of the 4th schedule to the Income Tax Act. If an employee earns less than ZAR60 000 SITE is payable and if the employee earns more than ZAR 1,00,000 PAYE is payable. No separate registration required for SITE. Any employer who is liable to register with SARS for the payment of employees' tax is also required to register with SARS for purposes of paying unemployment insurance fund contributions. An employer does not have a discretion whether to register with SARS or the Unemployment Insurance Commissioner (Department of Labour), as the liability of the employer to register and pay employees' tax and SDL will determine with whom an employer must be registered for UIF purposes.

With regards to VAT applications, SARS assesses the viability of the business as part of the registration process. The company must appoint a public officer in terms of section 101 of the Income Tax Act and must advise the relevant SARS office of the full name, residential and postal address of such person. This person must be a resident of South Africa. SARS also carries out a physical inspection of the business premises and performs an interview with the public officer (or the tax practitioner authorised to carry out the registration process) before the VAT registration application is processed

SARS introduced new verification procedures for VAT registration with effect from 13 November 2008 in an attempt to combat fraud. These requirements include 1) applications must be submitted in person or by a duly authorised and registered tax practitioner, 2) applications must be accompanied by proof of identity, bank particulars and documentation substantiating the physical business address.

### Procedure 5 Register with the Department of Labor for Unemployment Insurance.

**Time to complete:** 4

**Cost to complete:** no charge

**Comment:** To register for unemployment insurance, the company submits U18 & U19 application forms at once. Once the application is approved, the Department of Labour issues a reference number.

**Procedure 6 Register with the Commissioner according to the Compensation for Occupational Injuries and Diseases Act.**

**Time to complete:** 10

**Cost to complete:** no charge

**Comment:** Registration forms can be obtained from the Department of Labour's Web site ([www.labour.gov.za](http://www.labour.gov.za)). Businesses do not have to wait for the approval of registration to start operations. The relevant form is a W.As.2, and written notification will be sent once the completed application has been examined.

In many economies, especially developing ones, complying with building regulations is so costly in time and money that many builders opt out. Builders may pay bribes to pass inspections or simply build illegally, leading to hazardous construction. Where the regulatory burden is large, entrepreneurs may tend to move their activity into the informal economy. There they operate with less concern for safety, leaving everyone worse off. In other economies compliance is simple, straightforward and inexpensive, yielding better results.

### Some reform outcomes

*In Burkina Faso, a one-stop shop for construction permits, "Centre de Facilitation des Actes de Construire", was opened in May 2008. The new regulation merged 32 procedures into 15, reduced the time required from 226 days to 122 and cut the cost by 40%. From May 2009 to May 2010 611 building permits were granted in Ouagadougou, up from an average of about 150 a year in 2002-06.*

*Toronto, Canada revamped its construction permitting process in 2005 by introducing time limits for different stages of the process and presenting a unique basic list of requirements for each project. Later it provided for electronic information and risk-based approvals with fast-track procedures. Between 2005 and 2008 the number of commercial building permits increased by 17%, the construction value of new commercial buildings by 84%.*

### What does the Dealing with Construction Permits indicator measure?

#### Procedures to legally build a warehouse (number)

- Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates
- Completing all required notifications and receiving all necessary inspections
- Obtaining utility connections for electricity, water, sewerage and a land telephone line
- Registering the warehouse after its completion (if required for use as collateral or for transfer of warehouse)

#### Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior contact with officials

#### Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes

### Case Study Assumptions

#### The business:

- is a small to medium-size limited liability company in the construction industry, located in the economy's largest business city
- is 100% domestically and privately owned and operated
- has 60 builders and other employees
- has at least one employee who is a licensed architect and registered with the local association of architects

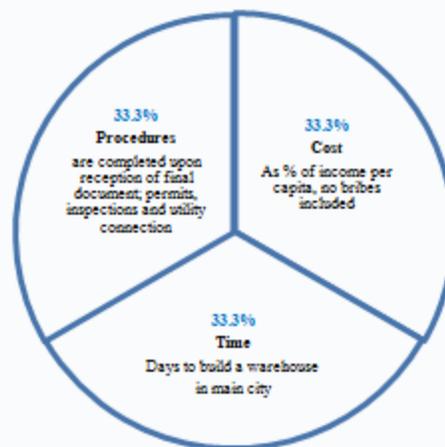
#### The warehouse:

- is a new construction (there was no previous construction on the land)
- has 2 stories, both above ground, with a total surface of approximately 1,300.6 sq. meters (14,000 sq. feet)
- has complete architectural and technical plans prepared by a licensed architect
- will be connected to electricity, water, sewerage (sewage system, septic tank or their equivalent) and a land telephone line
- will be used for general storage of non-hazardous goods, such as books
- will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements)

### Dealing with Construction Permits:

#### Building a warehouse

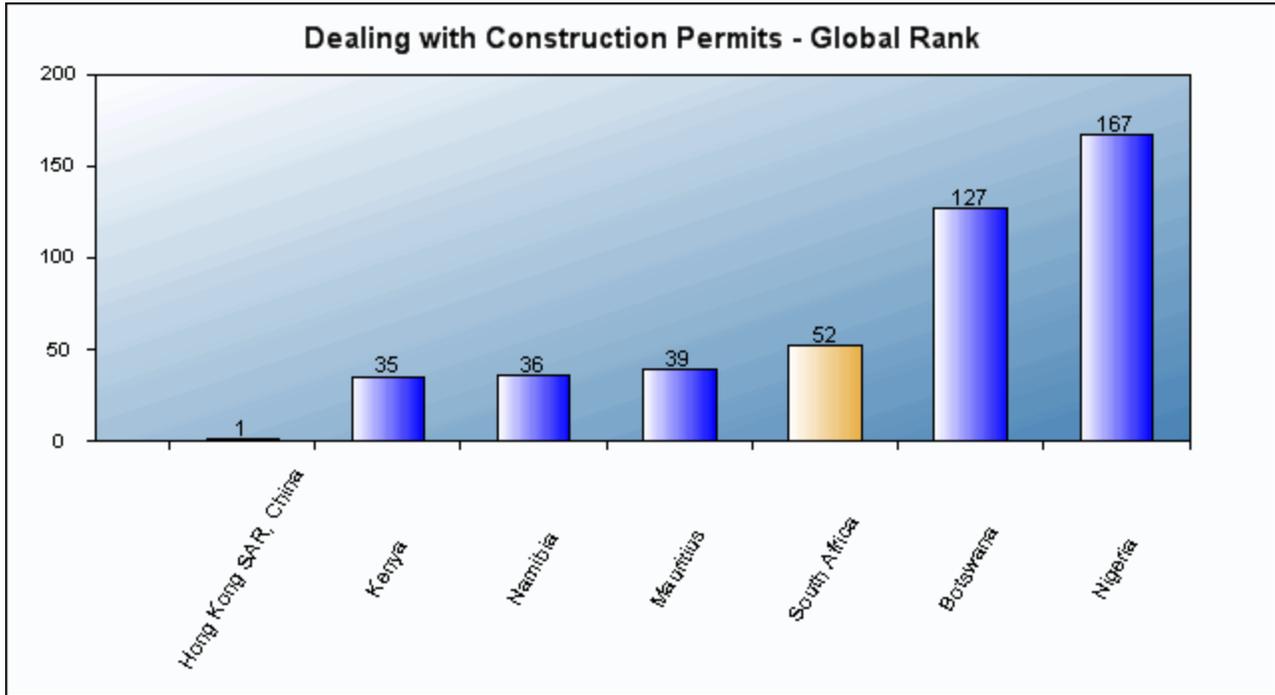
Rankings are based on 3 subindicators



## 1. Benchmarking Dealing with Construction Permits Regulations:

South Africa is ranked 52 overall for Dealing with Construction Permits.

Ranking of South Africa in Dealing with Construction Permits - Compared to good practice and selected economies:



The following table shows Dealing with Construction Permits data for South Africa compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Time (days)</b>	<b>Cost (% of income per capita)</b>
<b>Denmark</b>	6		
<b>Qatar</b>			0.8
<b>Singapore</b>		25	

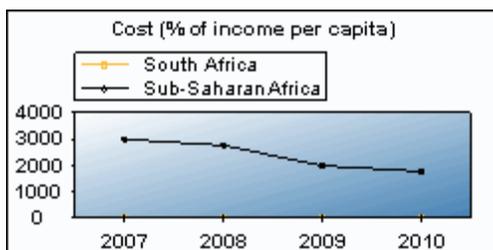
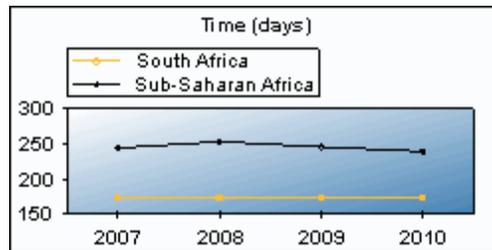
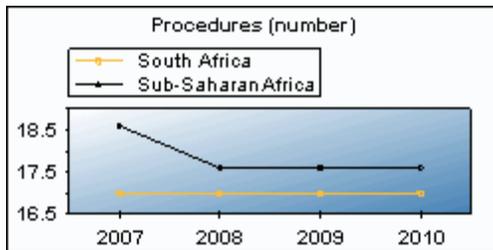
<i>Selected Economy</i>			
<b>South Africa</b>	<b>17</b>	<b>174</b>	<b>23.1</b>

<i>Comparator Economies</i>			
<b>Botswana</b>	24	167	264.5
<b>Kenya</b>	11	120	167.8
<b>Mauritius</b>	18	107	32.3
<b>Namibia</b>	12	139	113.0
<b>Nigeria</b>	18	350	597.5

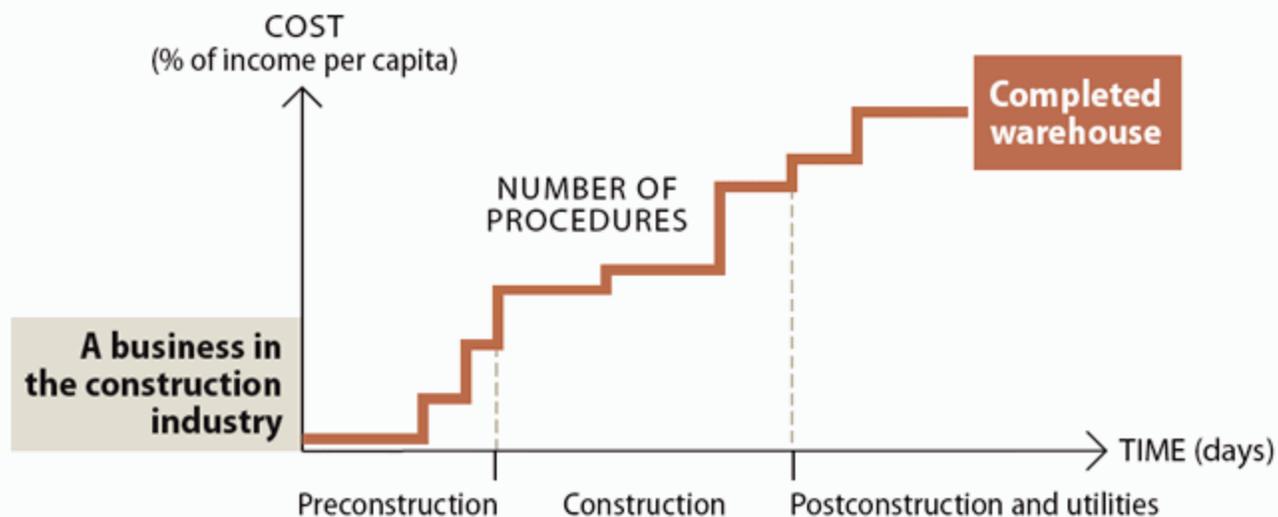
## 2. Historical data: Dealing with Construction Permits in South Africa

Dealing with Construction Permits data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	52	52
Procedures (number)	17	17	17	17
Time (days)	174	174	174	174
Cost (% of income per capita)	30.4	27.5	24.5	23.1

3. The following graphs illustrate the Dealing with Construction Permits sub indicators in South Africa over the past 4 years:



## What are the time, cost and number of procedures to comply with formalities to build a warehouse?



The table below summarizes the procedures, time, and costs to build a warehouse in South Africa.

### BUILDING A WAREHOUSE

City: Johannesburg

#### Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Submit site development/building plans to municipality for approval	90 days	ZAR 6,000
2 *	Submit copy of building plans to TELKOM to apply for telephone connection	20 days	ZAR 600
3 *	Submit occupational health and safety plan	7 days	no charge
4 *	Pay road repair deposit	30 days	ZAR 1,500
5	Submit notification of completion of excavation/ foundation work	1 day	no charge
6	Receive inspection of excavation and foundations work	1 day	no charge
7	Submit notification of completion of sewage/ plumbing work	1 day	no charge
8	Receive inspection of sewage and plumbing	1 day	no charge

9	Submit certificate of compliance (plumbing, sewage)	1 day	no charge
10	Submit notification of completion of electrical work	1 day	no charge
11	Receive inspection of electricity installations	1 day	no charge
12	Submit certificate of compliance (electricity installation)	1 day	no charge
13	Apply for electrical connection with local provider	74 days	no charge
14 *	Apply for water and sewerage connection	30 days	ZAR 1,350
15 *	Obtain telephone connection	1 day	ZAR 1,650
16	Receive final inspection by municipal authorities	1 day	no charge
17	Obtain occupational certificate	1 day	no charge

\* Takes place simultaneously with another procedure.

## Dealing with Construction Permits Details - South Africa

<b>Procedure</b>	<b>1</b>	<b>Submit site development/building plans to municipality for approval</b>
<b>Time to complete:</b>	90 days	
<b>Cost to complete:</b>	ZAR 6,000	
<b>Agency:</b>	Municipality	
<b>Comment:</b>	<p>Three copies of all plans are circulated internally among several departments within the municipality (usually zoning, water, structural, land survey, drainage/sewage, fire, and health departments). Site development plans may be approved first, which allows the company to start preliminary work on site. Building plans are usually approved by the time the site is ready for construction. The approved plans are returned to the company with all forms required in the future attached: notification of excavation, concrete work (if applicable), plumbing/sewage, and electrical work.</p> <p>The cost is determined by the municipality based on a sliding scale. The company has the option to call beforehand and request an estimate in about 1–2 days. By law, the time limit for plan approval is 30 days, but the municipality commonly extends the time, so the procedure can take up to 3 months to complete.</p>	
<b>Procedure</b>	<b>2</b>	<b>Submit copy of building plans to TELKOM to apply for telephone connection</b>
<b>Time to complete:</b>	20 days	
<b>Cost to complete:</b>	ZAR 600	
<b>Agency:</b>	Telkom SA Limited	
<b>Comment:</b>	<p>TELKOM reviews the plans and marks its requirements and where the connection is to be made. The application states when the service is required. This procedure can be done simultaneously with the previous one.</p>	
<b>Procedure</b>	<b>3</b>	<b>Submit occupational health and safety plan</b>
<b>Time to complete:</b>	7 days	
<b>Cost to complete:</b>	no charge	
<b>Agency:</b>	Municipality	
<b>Comment:</b>		
<b>Procedure</b>	<b>4</b>	<b>Pay road repair deposit</b>
<b>Time to complete:</b>	30 days	
<b>Cost to complete:</b>	ZAR 1,500	
<b>Comment:</b>	<p>BuildCo must pay a deposit in case any damage is done to public roads during construction.</p>	
<b>Procedure</b>	<b>5</b>	<b>Submit notification of completion of excavation/ foundation work</b>

**Time to complete:** 1 day  
**Cost to complete:** no charge  
**Agency:** Municipal Building Inspectorate  
**Comment:** A notification form is attached to the approved plans.

**Procedure 6 Receive inspection of excavation and foundations work**

**Time to complete:** 1 day  
**Cost to complete:** no charge  
**Agency:** Municipal Building Inspectorate  
**Comment:**

**Procedure 7 Submit notification of completion of sewage/ plumbing work**

**Time to complete:** 1 day  
**Cost to complete:** no charge  
**Agency:** Municipal Building Inspectorate  
**Comment:**

**Procedure 8 Receive inspection of sewage and plumbing**

**Time to complete:** 1 day  
**Cost to complete:** no charge  
**Agency:** Municipal Building Inspectorate  
**Comment:** This inspection takes place before closing up.

**Procedure 9 Submit certificate of compliance (plumbing, sewage)**

**Time to complete:** 1 day  
**Cost to complete:** no charge  
**Agency:** Municipality  
**Comment:** The company is required to submit an official certificate, issued by a registered plumber, confirming that the plumbing work has been completed according to the applicable legislation and standards. Self-certification is done by a certified professional.

**Procedure 10 Submit notification of completion of electrical work**

**Time to complete:** 1 day  
**Cost to complete:** no charge  
**Agency:** Municipal Building Inspectorate  
**Comment:** A notification form is attached to the approved plans.

#### **Procedure 11 Receive inspection of electricity installations**

**Time to complete:** 1 day  
**Cost to complete:** no charge  
**Agency:** Eskom  
**Comment:**

#### **Procedure 12 Submit certificate of compliance (electricity installation)**

**Time to complete:** 1 day  
**Cost to complete:** no charge  
**Agency:** Municipality  
**Comment:** The company is required to submit an official certificate, issued by a registered electrician, confirming that the electrical work has been completed according to the applicable legislation and standards.

#### **Procedure 13 Apply for electrical connection with local provider**

**Time to complete:** 74 days  
**Cost to complete:** no charge  
**Agency:** Municipality  
**Comment:** In Johannesburg, the municipality is both the electrical and the water service provider. The service is not supposed to be granted until the certificate of compliance has been submitted.

#### **Procedure 14 Apply for water and sewerage connection**

**Time to complete:** 30 days  
**Cost to complete:** ZAR 1,350  
**Agency:** Municipality  
**Comment:** The service should not be provided until the certificate of compliance has been submitted. This procedure can be done simultaneously with the previous one.

#### **Procedure 15 Obtain telephone connection**

**Time to complete:** 1 day  
**Cost to complete:** ZAR 1,650  
**Agency:** Telkom SA Limited  
**Comment:** This procedure can be done simultaneously with previous ones.

**Procedure 16 Receive final inspection by municipal authorities**

**Time to complete:** 1 day  
**Cost to complete:** no charge  
**Agency:** Municipality  
**Comment:** The inspection is a prerequisite to obtaining the occupational certificate.

**Procedure 17 Obtain occupational certificate**

**Time to complete:** 1 day  
**Cost to complete:** no charge  
**Agency:** Municipality  
**Comment:** This certificate is issued after the final inspection by the municipal authorities has been carried out and certifies that the building complies with the national and municipal building regulations.

Ensuring formal property rights is fundamental. Effective administration of land is part of that. If formal property transfer is too costly or complicated, formal titles might go informal again. *Doing Business* records the full sequence of procedures necessary for a business to purchase a property from another business and transfer the property title to the buyer's name. In the past 6 years 105 economies undertook 146 reforms making it easier to transfer property. Globally, the time to transfer property fell by 38% and the cost by 10% over this time. The most popular feature of property registration reform in these 6 years, implemented in 52 economies, was lowering transfer taxes and government fees.

### Some reform outcomes

*Georgia now allows property transfers to be completed through 500 authorized users, notably banks. This saves time for entrepreneurs. A third of people transferring property in 2009 chose authorized users, up from 7% in 2007. Also, Georgia's new electronic registry managed 68,000 sales in 2007, twice as many as in 2003.*

*Belarus's unified and computerized registry was able to cope with the addition of 1.2 million new units over 3 years. The registry issued 1 million electronic property certificates in 2009.*

### What does the Registering Property indicator measure?

**Registering Property:** transfer of property between 2 local companies

Rankings are based on 3 subindicators

### Procedures to legally transfer title on immovable property (number)

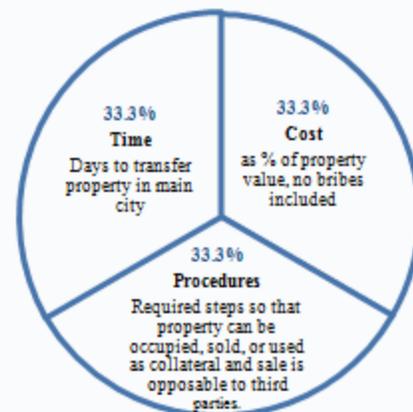
- Preregistration (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)
- Registration in the economy's largest business city
- Post registration (for example, transactions with the local authority, tax authority or cadastre)

### Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior personal contact with officials

### Cost required to complete each procedure (% of property value)

- Official costs only, no bribes
- No value added or capital gains taxes included



### Case Study Assumptions

#### The parties (buyer and seller):

- Are limited liability companies, 100% domestically and privately owned.
- Are located in the periurban area of the economy's largest business city.
- Have 50 employees each, all of whom are nationals.
- Perform general commercial activities.

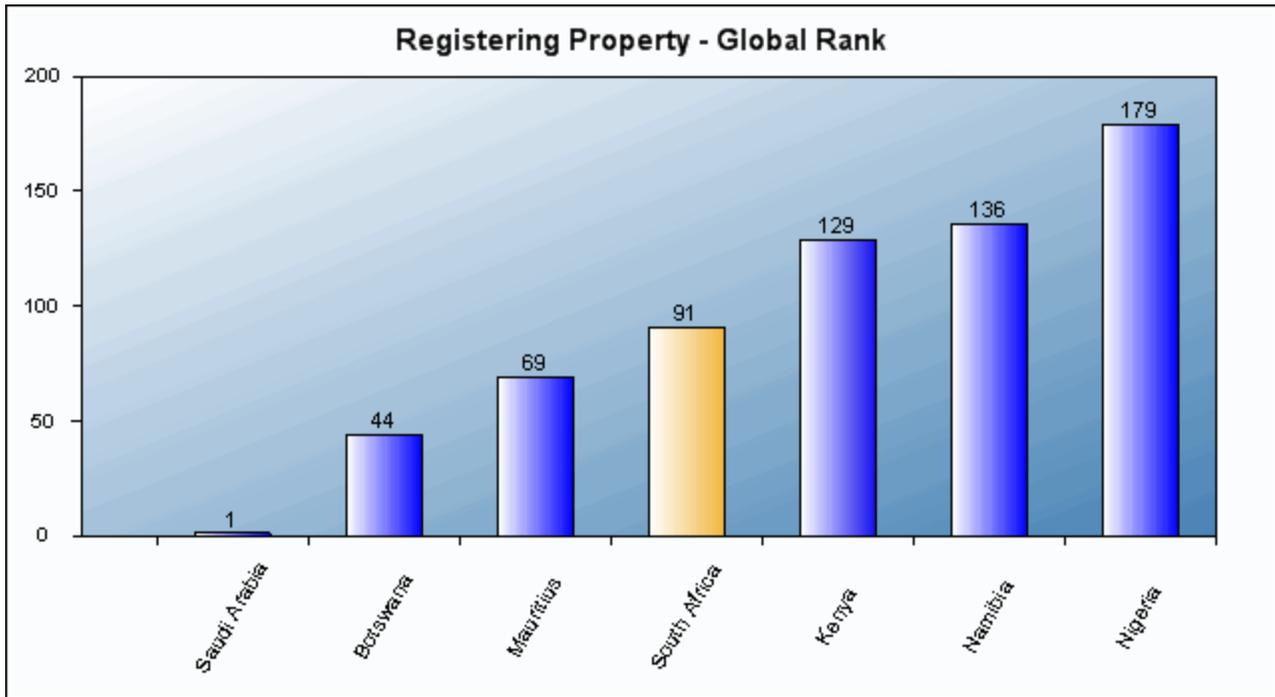
#### The property (fully owned by the seller):

- Has a value of 50 times income per capita. The sale price equals the value.
- Has no mortgages attached and has been under the same ownership for the past 10 years.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.
- Consists of a 557.4 square meters (6,000 square feet) land and 10 years old 2-story warehouse of 929 square meters (10,000 square feet) located on the land. The warehouse is in good condition and complies with all safety standards, building codes and legal requirements. The property will be transferred in its entirety.

## 1. Benchmarking Registering Property Regulations:

South Africa is ranked 91 overall for Registering Property.

Ranking of South Africa in Registering Property - Compared to good practice and selected economies:



The following table shows Registering Property data for South Africa compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Time (days)</b>	<b>Cost (% of property value)</b>
<b>New Zealand*</b>		2	
<b>Norway*</b>	1		
<b>Saudi Arabia</b>			0.0

<i>Selected Economy</i>			
<b>South Africa</b>	<b>6</b>	<b>24</b>	<b>8.8</b>

<i>Comparator Economies</i>			
<b>Botswana</b>	5	16	5.0
<b>Kenya</b>	8	64	4.2
<b>Mauritius</b>	4	26	10.6
<b>Namibia</b>	9	23	9.6
<b>Nigeria</b>	13	82	20.9

\* The following economies are also good practice economies for :

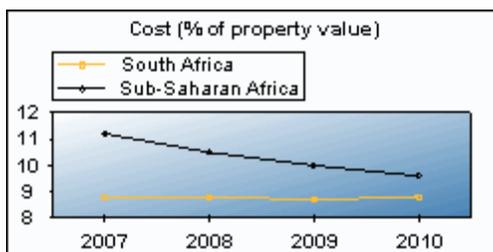
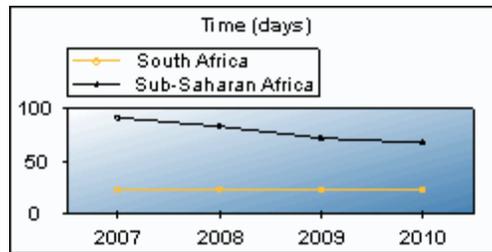
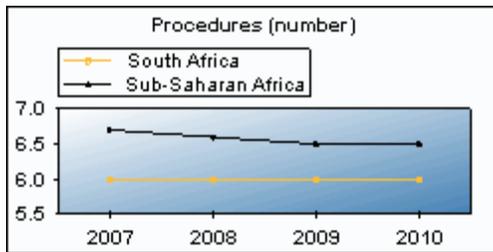
**Procedures (number): United Arab Emirates**

**Time (days): Saudi Arabia, Thailand, United Arab Emirates**

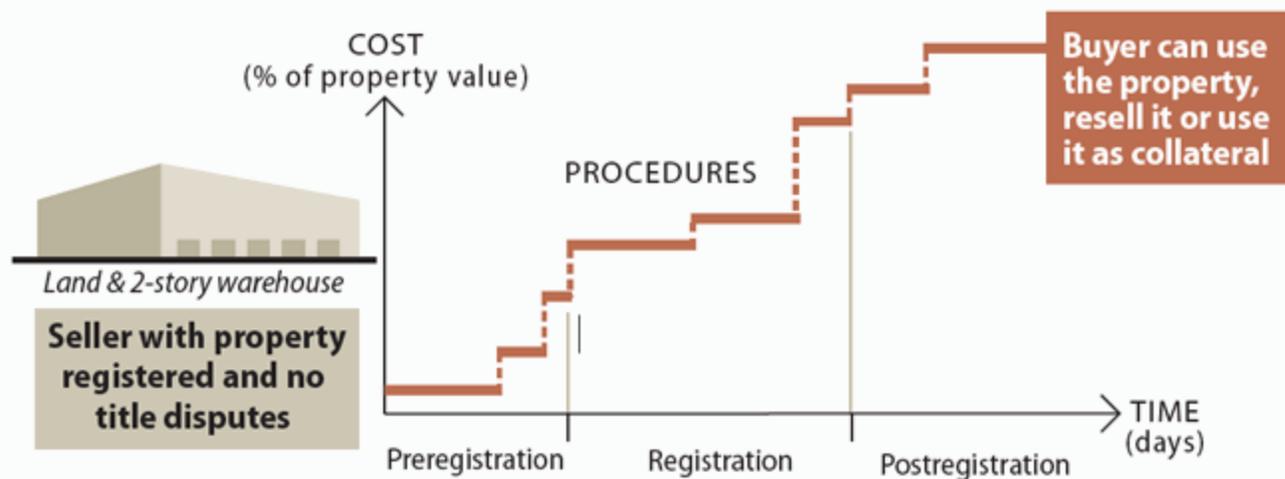
## 2. Historical data: Registering Property in South Africa

Registering Property data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	87	91
Procedures (number)	6	6	6	6
Time (days)	24	24	24	24
Cost (% of property value)	8.8	8.8	8.7	8.8

3. The following graphs illustrate the Registering Property sub indicators in South Africa over the past 4 years:



### What are the time, cost and number of procedures required to transfer a property between 2 local companies?



This topic examines the steps, time, and cost involved in registering property in South Africa.

#### STANDARDIZED PROPERTY

Property Value: 2,403,131.16

City: Johannesburg

#### Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	A conveyancer prepares the transfer deed	1 day	Transfer fee: ZAR 19,000 for a property of this value
2 *	Obtain a rates clearance certificate from the local authority	7-30 days (simultaneous with procedures 3 and 4)	Included in Procedure 1
3 *	Obtain a transfer duty receipt from the South African Revenue Services	5-7 days (simultaneous with procedures 2 and 4)	8% of property value (transfer duty)
4 *	The conveyancer prepares and collects all the required documentation	10 days (simultaneous with procedures 2 and 3)	Included in Procedure 1
5	Parties sign all the documentation at the conveyancer's office	1 day	Included in Procedure 1
6	The conveyancer lodges the deed at the Deeds Registry	6-14 days	ZAR 800 (registration fee)

\* Takes place simultaneously with another procedure.

## Registering Property Details - South Africa

### Procedure 1 A conveyancer prepares the transfer deed

<b>Time to complete:</b>	1 day
<b>Cost to complete:</b>	Transfer fee: ZAR 19,000 for a property of this value
<b>Comment:</b>	<p>A conveyancer prepares the deed of sale and drafts the transfer deed. He obtains the power of attorney, appointing him to appear before the Registrar. The service of an attorney / conveyancer is mandatory for the registration of the land. A conveyancer is an attorney who is permitted in terms of the Attorneys Act to perform specialized duties with regard to the conveyance of immovable property. The Deeds Registries Act empowers only conveyancers to prepare deeds of transfer and in doing so, assumes responsibility for certain facts set out in the deed and documents.</p> <p>Conveyancing fees are set by the Law Society for different property values, and are available at the Transfer Costs table in <a href="http://www.ghostdigest.co.za/code/C_20.html">http://www.ghostdigest.co.za/code/C_20.html</a> (Transfer fees)</p>

### Procedure 2 Obtain a rates clearance certificate from the local authority

<b>Time to complete:</b>	7-30 days (simultaneous with procedures 3 and 4)
<b>Cost to complete:</b>	Included in Procedure 1
<b>Agency:</b>	Municipality
<b>Comment:</b>	<p>The transferring conveyancer obtains a rates (taxes) clearance certificate from the local authority, on behalf of the seller only if in Johannesburg. Section 118 of the Local Municipality Act states that any act of transferring property must be accompanied by a rates clearance from the local authority. However, the local authority will only check the last 24 months--this is sufficient for the transfer to legally take place. If any taxes are owed from previous years, the seller is not exonerated--the taxes will still have to be paid by either the seller or the new owner as per agreement.</p>

### Procedure 3 Obtain a transfer duty receipt from the South African Revenue Services

<b>Time to complete:</b>	5-7 days (simultaneous with procedures 2 and 4)
<b>Cost to complete:</b>	8% of property value (transfer duty)
<b>Agency:</b>	South African Revenue Services
<b>Comment:</b>	<p>The transferring conveyancer obtains a transfer duty receipt/exemption certificate from the South African Revenue Services.</p> <p>As of March 2006, the transfer duty payable for legal entities is 8% of purchase price. The transfer duty scale for transactions concluded after 1 March 2006 is as follows for natural persons:</p> <ul style="list-style-type: none"><li>R0 to R 500,000 – exempt</li><li>R501,000 to R1,000,000 – 5%</li><li>R1,000,001 and above – 8%</li></ul> <p>As of September 2005, new transfer duty forms have been introduced, making it necessary to</p>

supply information to the Receiver of Revenue, including date of original purchase by the seller, and income tax numbers or VAT for both seller and purchaser. If either party owes tax, a query will be raised by the Receiver of Revenue, which could potentially delay the transfer of title.

#### Procedure 4 The conveyancer prepares and collects all the required documentation

**Time to complete:** 10 days (simultaneous with procedures 2 and 3)

**Cost to complete:** Included in Procedure 1

**Agency:** Registrar of Companies

**Comment:** The conveyancer, before lodging the documentation with the deeds registry to transfer the property to the new company, must also conduct a company search at the Registrar of Companies to ascertain the directors of both companies. All conveyancers are linked by internet to this authority and can perform the check online. Usually conveyancers will also ask clients to present them with such documents anyway. In so doing, the conveyancer will: Peruse the memorandum and articles of association of the companies to confirm the powers to acquire and alienate immovable property  
Obtain the necessary resolutions.  
Ensure compliance with the Financial Intelligence Center Act by obtaining proof from the companies of the physical/business address and Tax/VAT registration number with the South African Revenue Services. The conveyancer will also request this information from the clients before proceeding, and the check is done automatically at the time of paying transfer duty (procedure 3)--if a company does not have or quotes an incorrect Tax/VAT number, it will not be possible to pay transfer duty and the process will halt.

Section 228 of the Companies Act 61 of 1973, as amended by The Corporate Laws Amendment Act 24 of 2006 states that the Directors of a company shall not have the power, save by a special resolution of its members, to dispose of the whole or greater part of the assets of the company. Should the property in question therefore constitute the whole or greater part of the assets of the company, a special resolution will have to be passed by the members of the company in accordance with the requirements for such a special resolution in terms of the Companies Act and such resolution will also have to be registered with the Registrar of Companies before the transfer can be registered in the Deeds Office. This could substantially delay the transfer process.

#### Procedure 5 Parties sign all the documentation at the conveyancer's office

**Time to complete:** 1 day

**Cost to complete:** Included in Procedure 1

**Comment:** The conveyancer will have all documentation signed by seller and purchaser and obtain guarantees for purchase price. The documents to be signed by the parties are as follows:

1. Seller
  - 1.1 Power of attorney to pass
  - 1.2 Transfer duty declarations
  - 1.3 Affidavits (Solvency; FICA)
2. Purchaser
  - 2.1 Transfer duty declarations
  - 2.2 Affidavits (Solvency; FICA)

#### Procedure 6 The conveyancer lodges the deed at the Deeds Registry

**Time to complete:** 6-14 days

**Cost to complete:** ZAR 800 (registration fee)

**Agency:** Deeds Registry

**Comment:** The conveyancer lodges the deed at the Deeds Registry. The Registrar compares the draft deed with data in the register. There are two examinations at different levels. The standards are monitored and the deed is prepared for registration and execution. The Registrar executes the deed, updates the register and archives a copy. The registration fee depends on the value of the property and is obtained from the Transfer Cost table in [http://www.ghostdigest.co.za/code/C\\_20.html](http://www.ghostdigest.co.za/code/C_20.html) (D/O Levy column)

The following schedule for deeds office fees applies (Government Gazette no 31458 dated 26 September 2008):

Up to ZAR 150 000, the fee is ZAR 70

ZAR 150 000 to ZAR 300 000, the fee is ZAR 300

ZAR 300 000 to ZAR 500 000, the fee is ZAR 400

ZAR 500 000 to ZAR 1 000 000, the fee is ZAR 500

ZAR 1 000 000 to ZAR 2 000 000, the fee is ZAR 600

ZAR 2 000 000 to ZAR 3 000 000, the fee is ZAR 800

ZAR 3 000 000 to ZAR 5 000 000, the fee is ZAR 1000

ZAR 5 000 000 and above, the fee is ZAR 1 200

Through two sets of indicators, *Doing Business* assesses the legal rights of borrowers and lenders with respect to secured transactions and the sharing of credit information. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through either a public credit registry or a private credit bureau. Credit information systems mitigate the ‘information asymmetry’ in lending and enable lenders to view a borrower’s financial history (positive or negative), providing them with valuable information to consider when assessing risk. Credit information systems benefit borrowers as well, allowing good borrowers to establish a reputable credit history which will enable them to access credit more easily. The Legal Rights Index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending. Sound collateral laws will enable businesses to use their assets, especially movable property, as security to generate capital while having strong creditor’s rights has been associated with higher ratios of private sector credit to GDP.

**Some reform outcomes**

*After Vietnam’s new Civil Code was enacted in 2005, a decree further clarified the provisions governing secured transactions. Since the inclusion of the new provisions, the number of registrations increased from 43,000 (2005) to 120,000 (end of 2008).*

*In 2008, when Zambia established a private credit bureau, its database initially covered about 25,000 borrowers. Thanks to a strong communication campaign and a central bank directive, coverage has grown 10-fold in the past 2 years, exceeding 200,000 by the beginning of 2010.*

**What do the Getting Credit indicators measure?**

**Strength of legal rights index (0–10)**

- Protection of rights of borrowers and lenders through collateral laws
- Protection of secured creditors’ rights through bankruptcy laws

**Depth of credit information index (0–6)**

- Scope and accessibility of credit information distributed by public credit registries and private credit bureaus

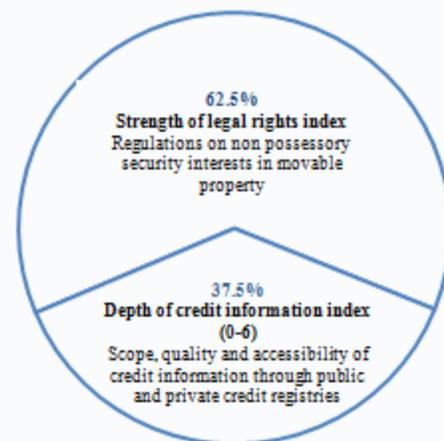
**Public credit registry coverage (% of adults)**

- Number of individuals and firms listed in public credit registry as percentage of a adult population

**Private credit bureau coverage (% of adults)**

- Number of individuals and firms listed in largest private credit bureau as percentage of a adult population

**Getting Credit: collateral rules and credit information**



*Note: Private bureau coverage and public credit registry coverage are measured but do not count for the rankings.*

**Case Study Assumptions (applying to the Legal Rights Index only)**

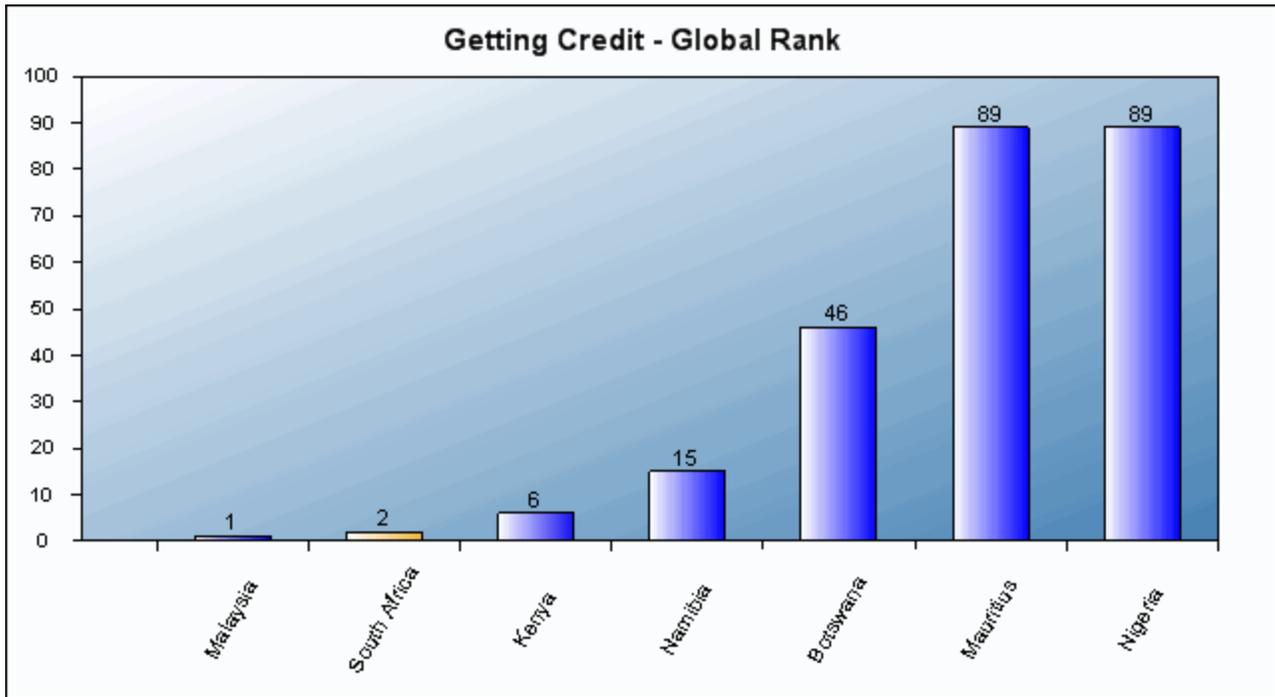
**The Debtor**

- is a Private Limited Liability Company
- has its Headquarters and only base of operations in the largest business city
- obtains a loan from a local bank (the Creditor) for an amount up to 10 times income (GNI) per capita
- Both creditor and debtor are 100% domestically owned.

## 1. Benchmarking Getting Credit Regulations:

South Africa is ranked 2 overall for Getting Credit.

Ranking of South Africa in Getting Credit - Compared to good practice and selected economies:



The following table shows Getting Credit data for South Africa compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Strength of legal rights index (0-10)</b>	<b>Depth of credit information index (0-6)</b>	<b>Public registry coverage (% of adults)</b>	<b>Private bureau coverage (% of adults)</b>
<b>New Zealand*</b>				100.0
<b>Portugal</b>			67.1	
<b>Singapore*</b>	10			
<b>United Kingdom</b>		6		

<i>Selected Economy</i>				
<b>South Africa</b>	<b>9</b>	<b>6</b>	<b>0.0</b>	<b>54.9</b>

<i>Comparator Economies</i>				
<b>Botswana</b>	7	4	0.0	57.6
<b>Kenya</b>	10	4	0.0	3.3
<b>Mauritius</b>	5	3	49.8	0.0
<b>Namibia</b>	8	5	0.0	58.5
<b>Nigeria</b>	8	0	0.0	0.0

\* The following economies are also good practice economies for :

**Strength of legal rights index (0-10): Hong Kong, China, Kenya, Kyrgyz Republic, Malaysia**

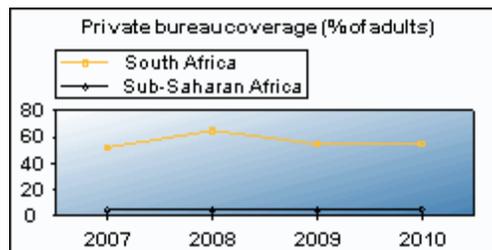
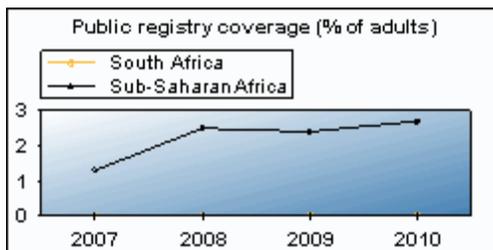
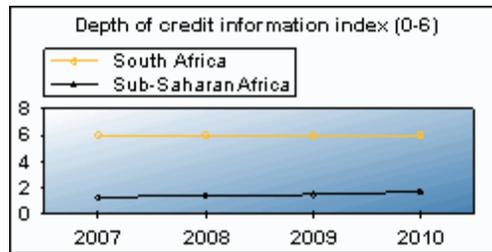
**Private bureau coverage (% of adults): Argentina, Australia, Canada, Iceland, Ireland, Norway, Sweden, United Kingdom, United States**

**27 countries have the highest credit information index.**

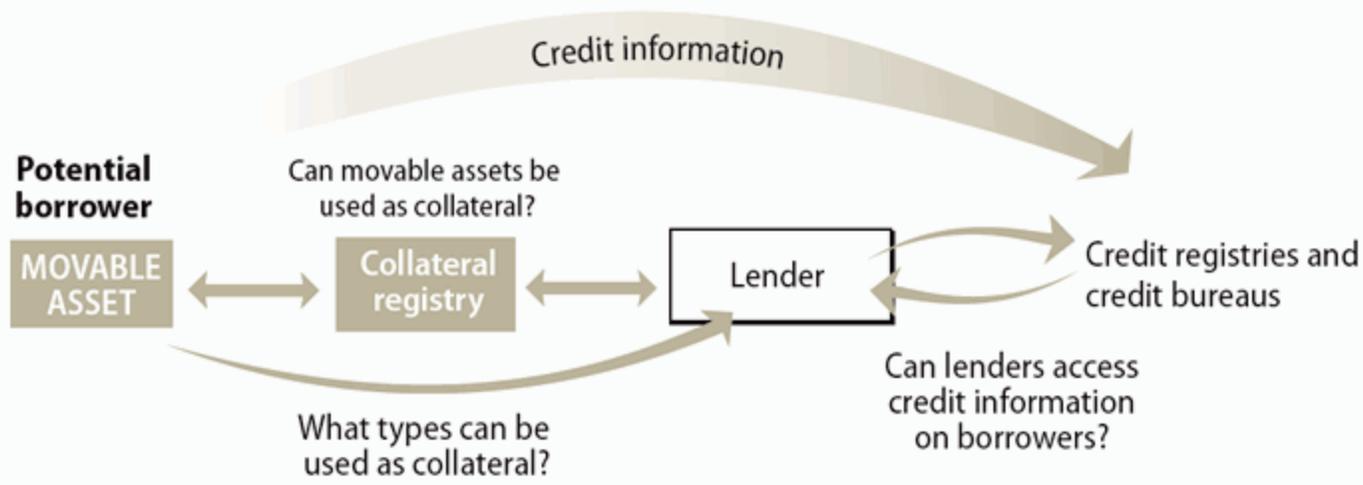
## 2. Historical data: Getting Credit in South Africa

Getting Credit data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	2	2
Strength of legal rights index (0-10)	9	9	9	9
Depth of credit information index (0-6)	6	6	6	6
Private bureau coverage (% of adults)	52.1	64.8	54.7	54.9
Public registry coverage (% of adults)	0.0	0.0	0.0	0.0

## 3. The following graphs illustrate the Getting Credit sub indicators in South Africa over the past 4 years:



**Do lenders have credit information on entrepreneurs seeking credit?  
Is the law favorable to borrowers and lenders using movable assets as collateral?**



The following table summarize legal rights of borrowers and lenders, and the availability and legal framework of credit registries in South Africa.

Getting Credit Indicators (2010)			Indicator
<b>Private bureau coverage (% of adults)</b>	<b>Private credit bureau</b>	<b>Public credit registry</b>	<b>6</b>
Are data on both firms and individuals distributed?	Yes	No	1
Are both positive and negative data distributed?	Yes	No	1
Does the registry distribute credit information from retailers, trade creditors or utility companies as well as financial institutions?	Yes	No	1
Are more than 2 years of historical credit information distributed?	Yes	No	1
Is data on all loans below 1% of income per capita distributed?	Yes	No	1
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	Yes	No	1
<b>Coverage</b>	54.9	0.0	
Number of individuals	219,000		0
Number of firms	16,184,500		0

Can any business use movable assets as collateral while keeping possession of the assets; and any financial institution accept such assets as collateral ?	Yes
Does the law allow businesses to grant a non possessory security right in a single category of movable assets, without requiring a specific description of collateral?	Yes
Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of collateral?	Yes
May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets ?	Yes
Is a general description of debts and obligations permitted in collateral agreements, so that all types of obligations and debts can be secured by stating a maximum amount rather than a specific amount between the parties ?	Yes
Is a collateral registry in operation, that is unified geographically and by asset type, as well as indexed by the grantor's name of a security right ?	Yes
Do secured creditors have absolute priority to their collateral outside bankruptcy procedures?	Yes
Do secured creditors have absolute priority to their collateral in bankruptcy procedures?	Yes
During reorganization, are secured creditors' claims exempt from an automatic stay on enforcement?	No
Does the law authorize parties to agree on out of court enforcement?	Yes

Stronger investor protections matter for the ability of companies to raise the capital needed to grow, innovate, diversify and compete. This is all the more crucial in times of financial crisis when entrepreneurs must navigate through defiant environments to finance their activities. Using 3 indices of investor protection, *Doing Business* measures how economies regulate a standard case of self-dealing, use of corporate assets for personal gains. Since 2005, 51 economies have strengthened investor protections as measured by *Doing Business*.

### Some reform outcomes

*In Indonesia, an economy that consistently improved its laws regulating investor protections, the number of firms listed on the Indonesia Stock Exchange increased from 331 to 396 between 2004 and 2009. Meanwhile, market capitalization grew from 680 trillion rupiah (\$75 billion) to 1,077 trillion rupiah (\$119 billion).*

*After Thailand amended its laws in 2006 and 2008, more than 85 transactions that failed to comply with the disclosure standards were suspended. Thirteen were deemed prejudicial and were therefore canceled, thus preventing damage to the companies involved and preserving their value. Companies were not deterred either, as more than 30 new companies joined the stock exchange since 2005 bringing the number of listed companies to 523.*

### What do the Protecting Investors indicators measure?

#### Extent of disclosure index (0–10)

- Who can approve related-party transactions
- Requirements for external and internal disclosure in case of related-party transactions

#### Extent of director liability index (0–10)

- Ability of shareholders to hold the interested party and the approving body liable in case of a prejudicial related-party transaction
- Available legal remedies (damages, repayment of profits, fines, imprisonment and rescission of the transaction)
- Ability of shareholders to sue directly or derivatively

#### Ease of shareholder suits index (0–10)

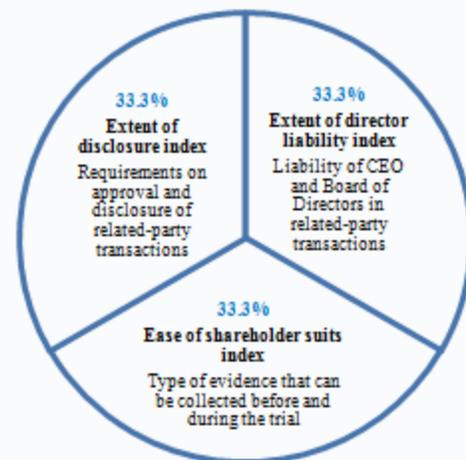
- Documents and information available during trial
- Access to internal corporate documents (directly or through a government inspector)

#### Strength of investor protection index (0–10)

- Simple average of the extent of disclosure, extent of director liability and ease of shareholder suits indices

**Protecting Investors:** minority shareholder rights in related-party transactions

Rankings are based on 3 subindicators



### Case Study Assumptions

#### The business (Buyer):

- Is a publicly traded corporation listed on the economy's most important stock exchange (or at least a large private company with multiple shareholders).
- Has a board of directors and a chief executive officer (CEO) who may legally act on behalf of Buyer where permitted, even if this is not specifically required by law.

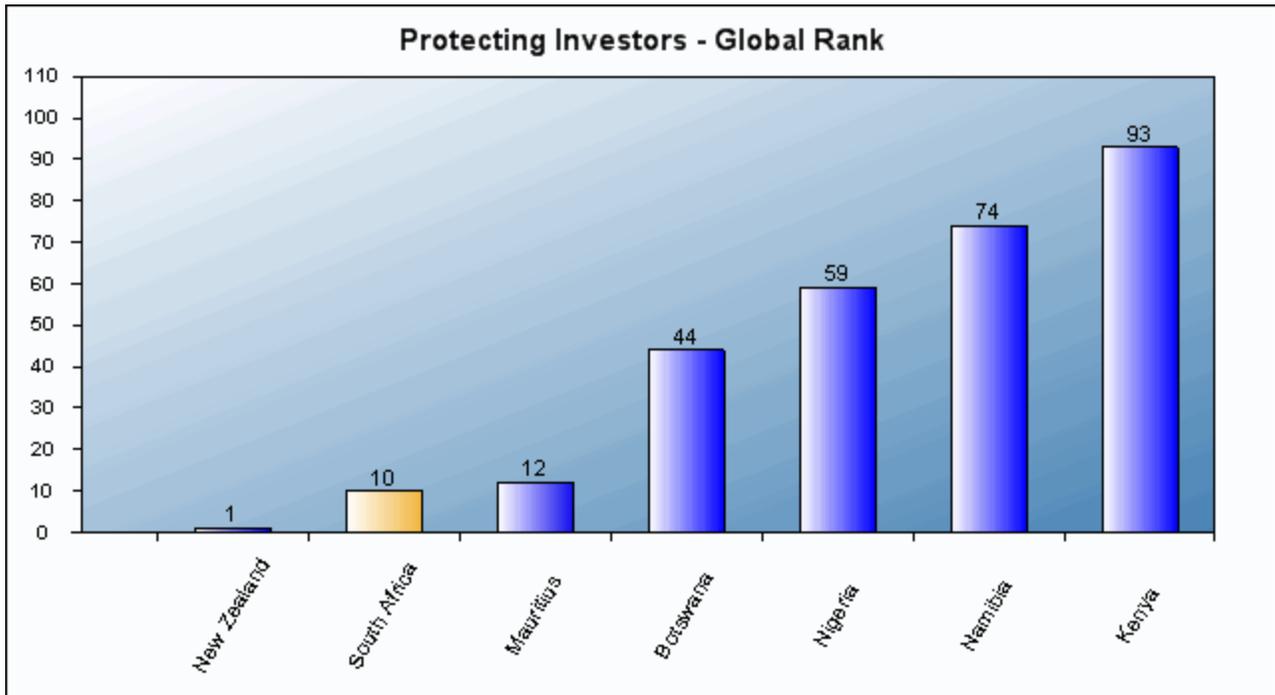
#### The transaction

- Mr. James, a director and the majority shareholder of the company, proposes that the company purchase used trucks from another company he owns.
- The price is higher than the going price for used trucks, but the transaction goes forward.
- All required approvals are obtained, and all required disclosures made, though the transaction is prejudicial to the purchasing company.
- Shareholders sue the interested parties and the members of the board of directors.

## 1. Benchmarking Protecting Investors Regulations:

South Africa is ranked 10 overall for Protecting Investors.

Ranking of South Africa in Protecting Investors - Compared to good practice and selected economies:



The following table shows Protecting Investors data for South Africa compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Strength of investor protection index (0-10)</b>
<b>New Zealand</b>	9.7

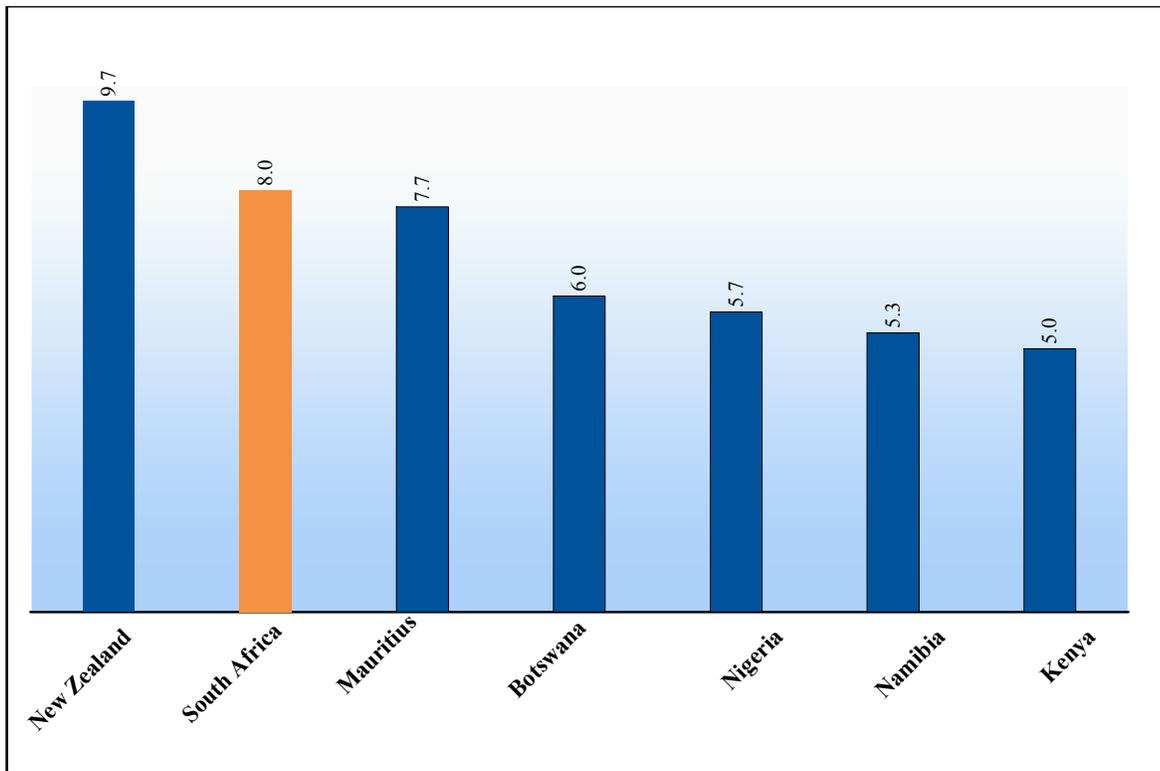
<i>Selected Economy</i>	
<b>South Africa</b>	<b>8.0</b>

<i>Comparator Economies</i>	
<b>Botswana</b>	6.0
<b>Kenya</b>	5.0
<b>Mauritius</b>	7.7
<b>Namibia</b>	5.3
<b>Nigeria</b>	5.7

**2. Historical data: Protecting Investors in South Africa**

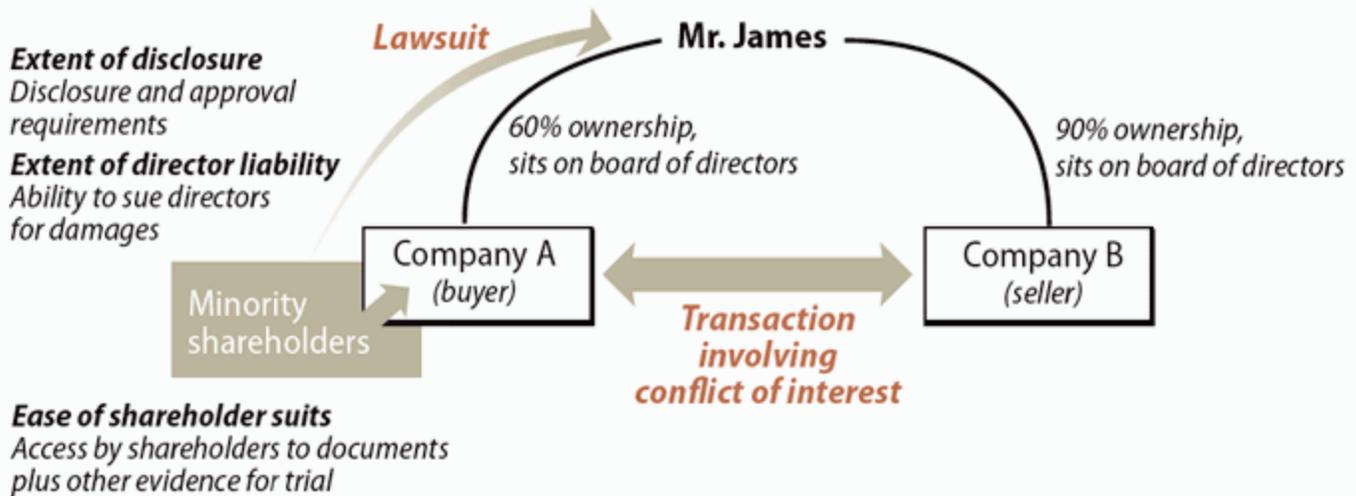
Protecting Investors data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	10	10
Strength of investor protection index (0-10)	8.0	8.0	8.0	8.0

**3. The following graph illustrates the Protecting Investors index in South Africa compared to best practice and selected Economies:**



Note: The higher the score, the greater the investor protection.

## How well are minority shareholders protected against self-dealing in related-party transactions?



The table below provides a full breakdown of how the disclosure, director liability, and shareholder suits indexes are calculated in South Africa.

Protecting Investors Data (2010)	Indicator
<b>Extent of disclosure index (0-10)</b>	<b>8</b>
What corporate body provides legally sufficient approval for the transaction?	3
Whether immediate disclosure of the transaction to the public and/or shareholders is required?	2
Whether disclosure of the transaction in published periodic filings (annual reports) is required?	0
Whether disclosure of the conflict of interest by Mr. James to the board of directors is required?	2
Whether an external body must review the terms of the transaction before it takes place?	1
<b>Extent of director liability index (0-10)</b>	<b>8</b>
Whether shareholders can hold Mr. James liable for the damage that the Buyer-Seller transaction causes to the company?	2
Whether shareholders can hold the approving body (the CEO or board of directors) liable for the damage that the Buyer-Seller transaction causes to the company?	1
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff?	2
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff?	1

Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff?	1
Whether fines and imprisonment can be applied against Mr. James?	0
Whether shareholders can sue directly or derivatively for the damage that the Buyer-Seller transaction causes to the company?	1
<b>Ease of shareholder suits index (0-10)</b>	<b>8</b>
Whether the plaintiff can obtain any documents from the defendant and witnesses during trial?	3
Whether the plaintiff can directly question the defendant and witnesses during trial?	2
Whether the plaintiff can request categories of documents from the defendant without identifying specific ones?	0
Whether shareholders owning 10% or less of Buyer's shares can request an inspector to investigate the transaction?	1
Whether the level of proof required for civil suits is lower than that of criminal cases?	1
Whether shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit?	1
<b>Strength of investor protection index (0-10)</b>	<b>8.0</b>

Taxes are essential to provide public amenities, infrastructure and services which are crucial for a properly functioning economy. *Doing Business* data show that economies where it is more difficult and costly to pay taxes have larger shares of informal sector activity. More than 60% of economies have reformed in the last 6 years and are starting to see concrete results.

### Some reform outcomes

*Colombia introduced a new electronic system for social security and labor taxes in 2006 and by 2008 the social security contributions collected from small and medium-size companies rose by 42%, to 550 billion pesos.*

*Mauritius reduced the corporate income tax rate from 25% to 15% and removed exemptions and industry-specific allowances in 2006 and saw their corporate income tax revenue grow by 27% in the following year, and in 2008/09 it increased by 65%.*

### What do the Paying taxes indicators measure?

**Tax payments for a manufacturing company in 2009**  
(number per year adjusted for electronic or joint filing and payment)

- Total number of taxes and contributions paid, including consumption taxes (value added tax, sales tax or goods and service tax)
- Method and frequency of filing and payment

**Time required to comply with 3 major taxes** (hours per year)

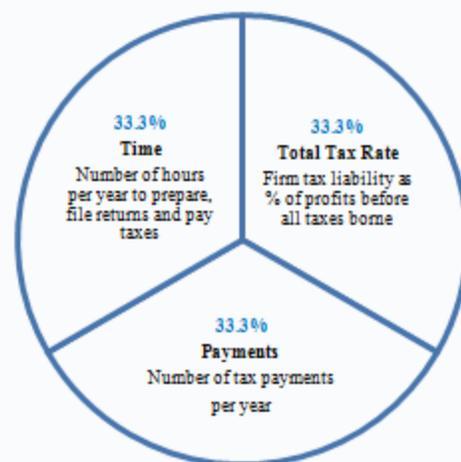
- Collecting information and computing the tax payable
- Completing tax return forms, filing with proper agencies
- Arranging payment or withholding
- Preparing separate tax accounting books, if required

**Total tax rate** (% of profit)

- Profit or corporate income tax
- Mandatory social contributions and labor taxes paid by the employer
- Property and property transfer taxes
- Dividend, capital gains and financial transactions taxes
- Waste collection, vehicle, road and other taxes

**Paying Taxes:** tax compliance for a local manufacturing company

Rankings are based on 3 subindicators



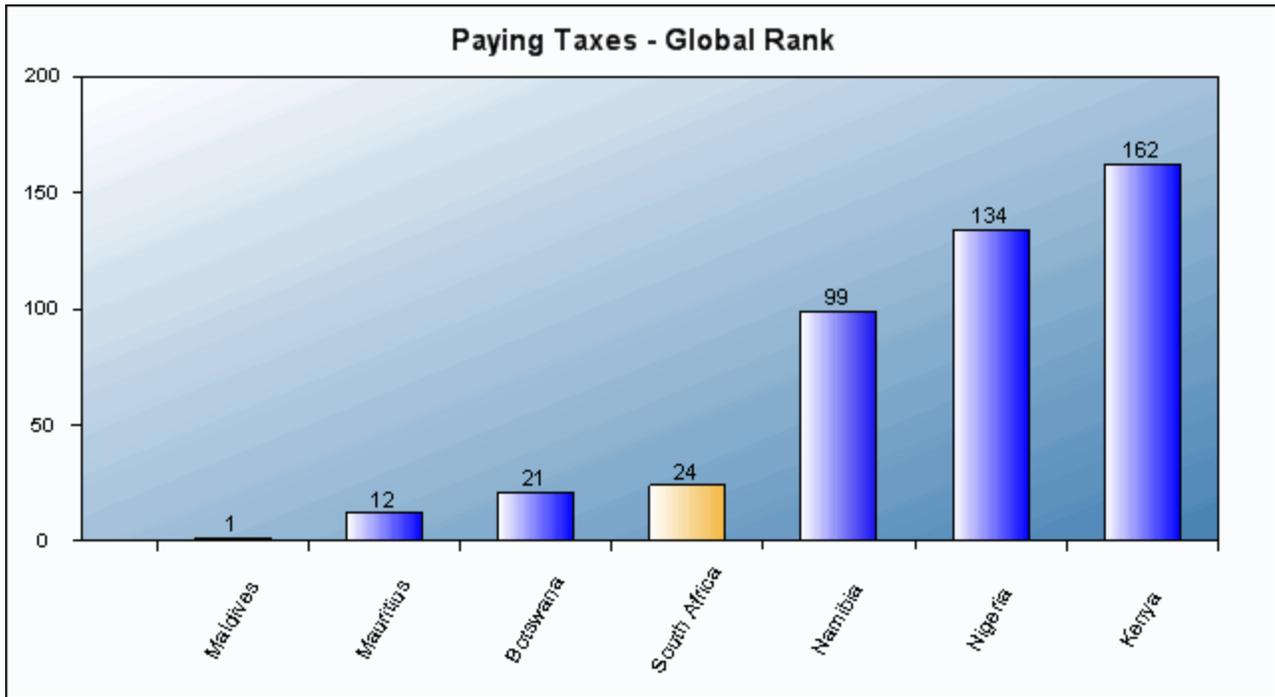
### Case Study Assumptions

- TaxpayerCo is a medium-size business that started operations 2 years ago.
- Tax practitioners are asked to review its financial statements, as well as a standard list of transactions that the company completed during the year.
- Respondents are asked how much in taxes and mandatory contributions the business must pay and what the process is for doing so.
- The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded.
- Taxes and mandatory contributions are measured at all levels of government
- Taxes and mandatory contributions include corporate income tax, turnover tax, all labor taxes and contributions paid by the company.
- A range of standard deductions and exemptions are also recorded.

## 1. Benchmarking Paying Taxes Regulations:

South Africa is ranked 24 overall for Paying Taxes.

Ranking of South Africa in Paying Taxes - Compared to good practice and selected economies:



The following table shows Paying Taxes data for South Africa compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Payments (number per year)</b>	<b>Time (hours per year)</b>	<b>Total tax rate (% profit)</b>
<b>Maldives*</b>	3	0	
<b>Timor-Leste</b>			0.2

<i>Selected Economy</i>			
<b>South Africa</b>	<b>9</b>	<b>200</b>	<b>30.5</b>

<i>Comparator Economies</i>			
<b>Botswana</b>	19	152	19.5
<b>Kenya</b>	41	393	49.7
<b>Mauritius</b>	7	161	24.1
<b>Namibia</b>	37	375	9.6
<b>Nigeria</b>	35	938	32.2

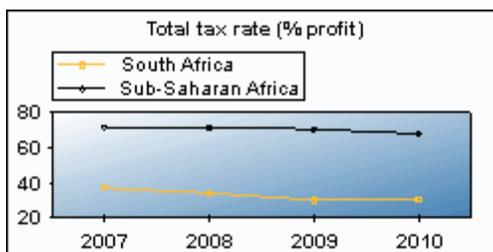
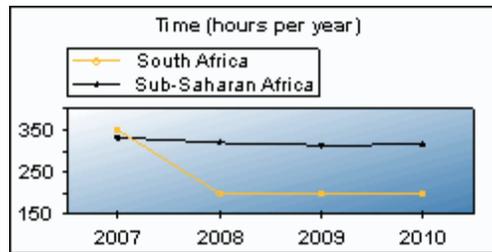
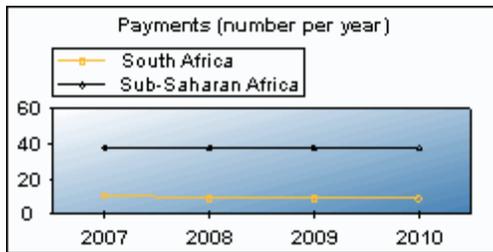
\* The following economies are also good practice economies for :

**Payments (number per year): Qatar**

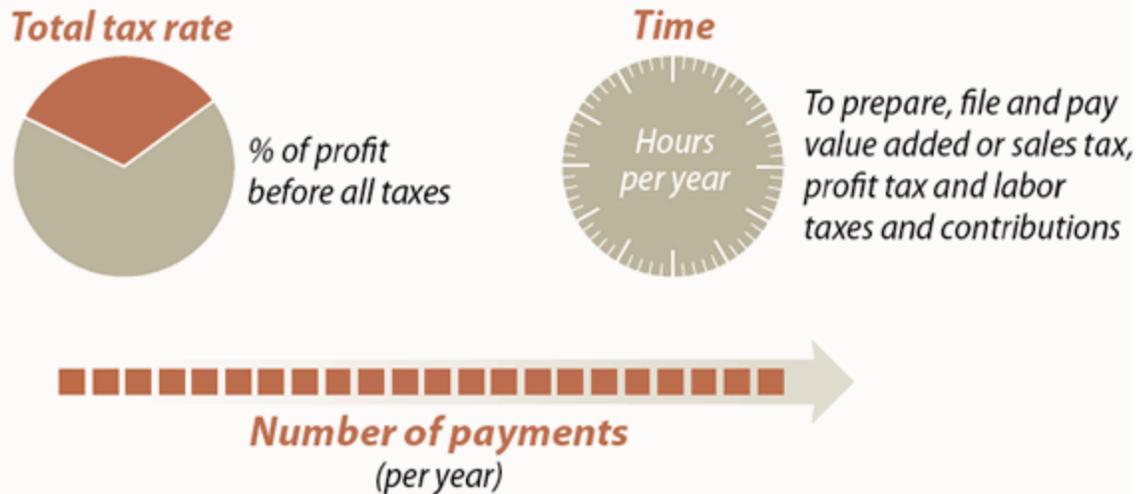
## 2. Historical data: Paying Taxes in South Africa

Paying Taxes data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	23	24
Total tax rate (% profit)	37.1	34.2	30.2	30.5
Payments (number per year)	11	9	9	9
Time (hours per year)	350	200	200	200

3. The following graphs illustrate the Paying Taxes sub indicators in South Africa over the past 4 years:



## What are the time, total tax rate and number of payments necessary for a local medium-sized company to pay all taxes?



The table below addresses the taxes and mandatory contributions that a medium-size company must pay or withhold in a given year in South Africa, as well as measures of administrative burden in paying taxes.

Tax or mandatory contribution	Payments (number)	Notes on Payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% profit)	Notes on TTR
Value added tax (VAT)	1	online filing	50	14.0%	value added		
Unemployment insurance contributions (UIC)	1	online filing	50	1.0%	gross salaries	0.50	
Fuel tax	1			22.0%	value of fuel consumption	0.80	
Vehicles tax	1			specific tariff	vehicle weight	0.90	
Occupational injuries insurance contribution	1	online filing		1.6%	gross salaries	0.90	
Skills development level contribution	1	online filing		1.0%	gross salaries	1.10	
Property tax	1	online filing		0.1%	property value	2.00	
Secondary tax on companies (dividend tax)	1			10.0%	distributed profits	2.70	
Capital gains tax	0	paid jointly		14.5%	capital gains	5.10	

Corporate income tax	1	online filing	100	28.0%	taxable profit	21.70
<b>Totals</b>	<b>9</b>		<b>200</b>			<b>30.5</b>

Making trade between countries easier is increasingly important for business in today's globalized world. Excessive document requirements, burdensome customs procedures, inefficient port operations and inadequate infrastructure all lead to extra costs and delays for exporters and importers, stifling trade potential. Trade facilitation tools such as electronic data interchange systems, risk-based inspections, and single windows help improve an economy's trading environment and boost firms' international competitiveness. *Doing Business* trade indicators take into account documents, cost and time associated with every procedure for trading a standard shipment of goods by ocean transport. Research indicates that exporters in developing countries have much more to gain by a 10% drop in their trading costs than from a similar decrease of the tariffs applied to their products in global markets.

#### Some reform outcomes

*In Georgia, reducing customs clearance time by a day has led to operational savings of an estimated \$288 per truck, or an annual \$133 million for the country's whole trading community given the growing amount of cross-border trade in recent years.*

*In Korea, predictable cargo processing times and rapid turnover by ports and warehouses provide a benefit to the Korean economy of some \$2 billion annually.*

#### What do the Trading Across Borders indicators measure?

**Trading Across Borders:** exporting and importing by ocean transport

Rankings are based on 3 subindicators

#### Documents required to export and import (number)

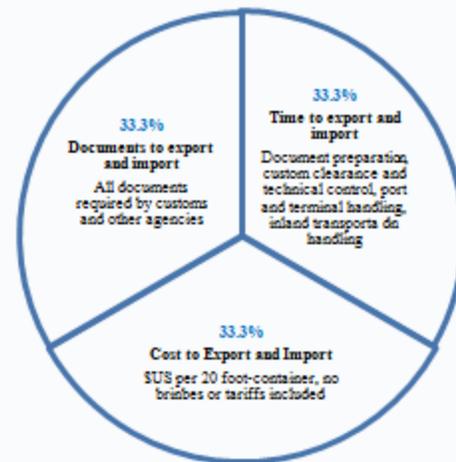
- Bank documents
- Customs clearance documents
- Port and terminal handling documents
- Transport documents

#### Time required to export and import (days)

- Obtaining all the documents
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Does not include ocean transport time

#### Cost required to export and import (US\$ per container)

- All documentation
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Official costs only, no bribes



#### Case Study Assumptions

##### The Business

- Has at least 60 employees and is located in the economy's largest business city
- Is a private, limited liability company, which exports more than 10% of its sales. It is fully domestically owned and does not operate in an export processing zone or an industrial estate with special export or import privileges

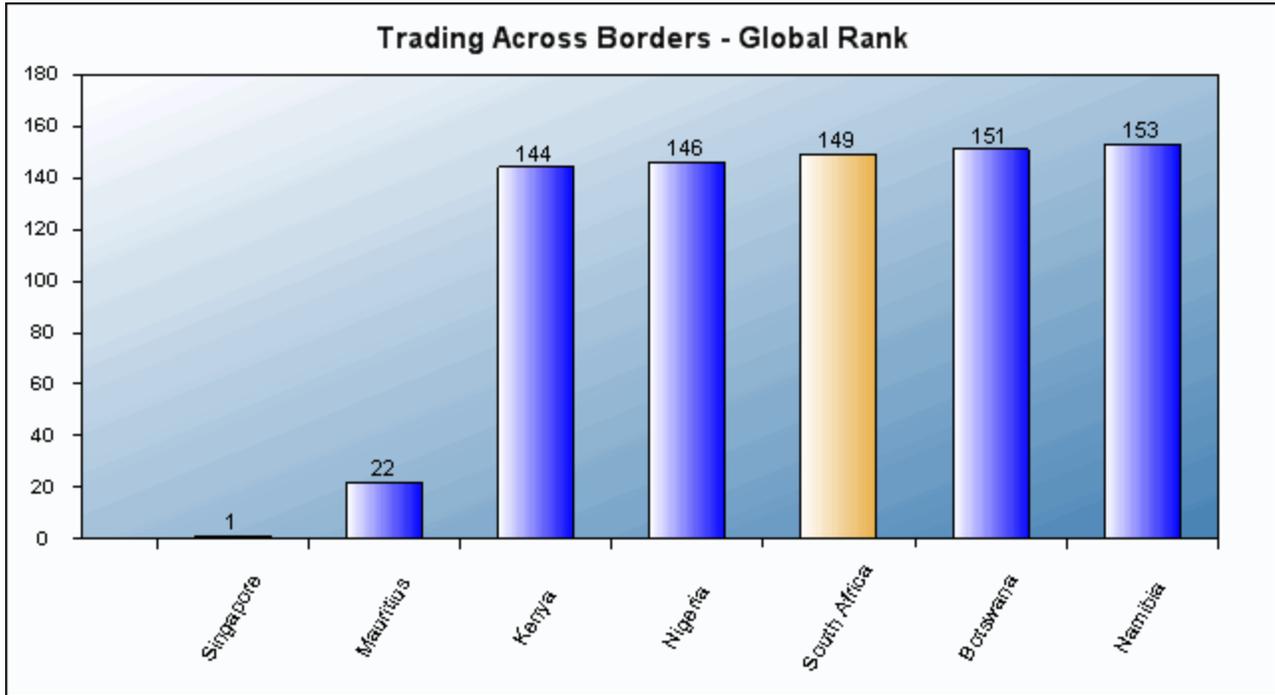
##### The traded product

- Is transported in a dry-cargo, 20-foot full container load; weighs 10 tons and is valued at \$20,000
- Is not hazardous or include military items; it does not require special phytosanitary or environmental safety standards, refrigeration or any other special environment
- Is one of the economy's leading export or import products

## 1. Benchmarking Trading Across Borders Regulations:

South Africa is ranked 149 overall for Trading Across Borders.

Ranking of South Africa in Trading Across Borders - Compared to good practice and selected economies:



The following table shows Trading Across Borders data for South Africa compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Documents to export (number)</b>	<b>Time to export (days)</b>	<b>Cost to export (US\$ per container)</b>	<b>Documents to import (number)</b>	<b>Time to import (days)</b>	<b>Cost to import (US\$ per container)</b>
<b>Denmark*</b>		5				
<b>France</b>	2			2		
<b>Malaysia</b>			450			
<b>Singapore</b>					4	439

<i>Selected Economy</i>						
<b>South Africa</b>	<b>8</b>	<b>30</b>	<b>1531</b>	<b>9</b>	<b>35</b>	<b>1807</b>

<i>Comparator Economies</i>						
<b>Botswana</b>	6	28	3010	9	41	3390
<b>Kenya</b>	8	26	2055	7	24	2190
<b>Mauritius</b>	5	13	737	6	13	689
<b>Namibia</b>	11	29	1686	9	24	1813
<b>Nigeria</b>	10	24	1263	9	39	1440

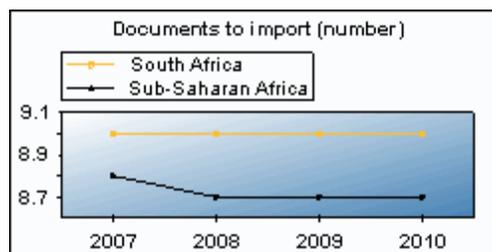
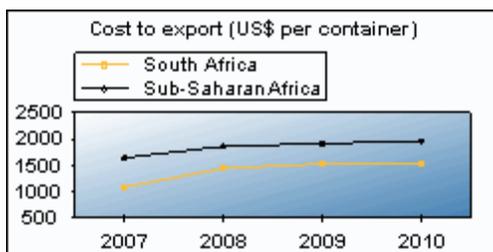
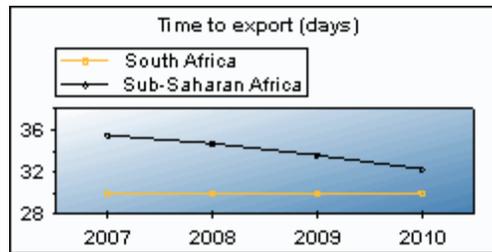
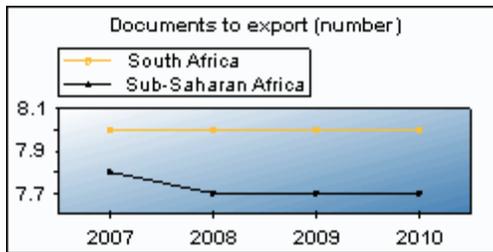
\* The following economies are also good practice economies for :

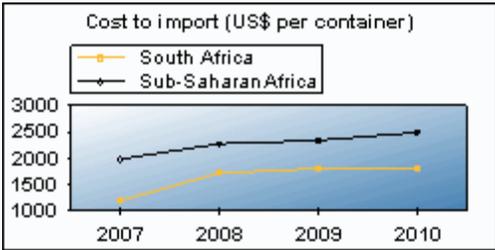
**Time to export (days): Estonia**

## 2. Historical data: Trading Across Borders in South Africa

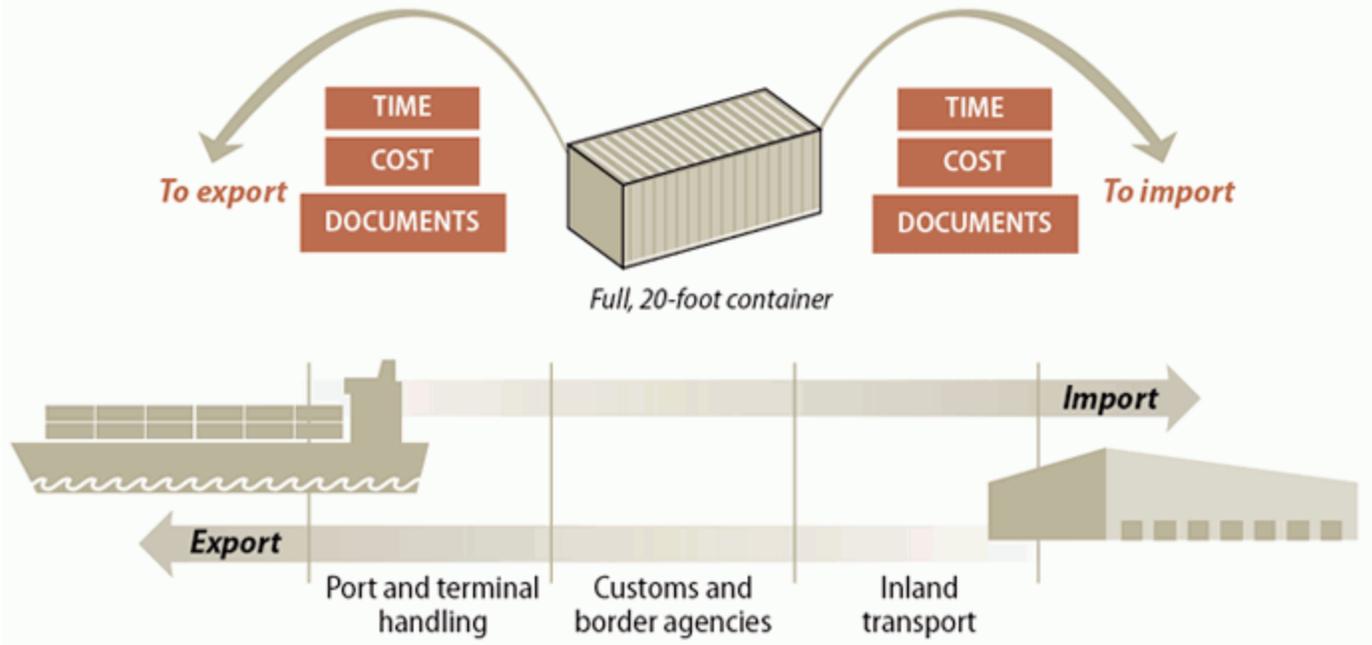
Trading Across Borders data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	148	149
Cost to export (US\$ per container)	1087	1445	1531	1531
Cost to import (US\$ per container)	1195	1721	1807	1807
Documents to export (number)	8	8	8	8
Documents to import (number)	9	9	9	9
Time to export (days)	30	30	30	30
Time to import (days)	35	35	35	35

3. The following graphs illustrate the Trading Across Borders sub indicators in South Africa over the past 4 years:





**How much time, how many documents and what cost to export and import across borders by ocean transport?**



These tables list the procedures necessary to import and export a standardized cargo of goods in South Africa. The documents required to export and import the goods are also shown.

Nature of Export Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	15	272
Customs clearance and technical control	4	75
Ports and terminal handling	9	284
Inland transportation and handling	2	900
Totals	30	1531

Nature of Import Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	14	397
Customs clearance and technical control	4	75
Ports and terminal handling	14	349
Inland transportation and handling	3	986
Totals	35	1807

**Documents for Export and Import**

**Export**

Bill of lading
Certificate of origin
Commercial invoice
Customs export declaration
Form SAD500 (Transit document)
Inspection report
Packing list
Terminal handling receipts

**Import**

Bill of lading
Cargo release order
Certificate of origin
Commercial invoice
Customs import declaration
Form SAD500 (Transit document)
Inspection report
Packing list
Terminal handling receipts

Well functioning courts help businesses expand their network and markets. Where contract enforcement is efficient, firms have greater access to credit and are more likely to engage with new borrowers or customers. *Doing Business* measures the efficiency of the judicial system in resolving a commercial sale dispute before local courts. Following the step-by-step evolution of a standardized case study, data relating to the time, cost and procedural complexity of resolving a commercial lawsuit are collected through study of the codes of civil procedure and other court regulations, as well as through surveys completed by local litigation lawyers (and, in a quarter of the countries, by judges as well).

#### Some reform outcomes

*In Rwanda the implementation of specialized commercial courts in May 2008 resulted in a significant decrease of the case backlog, and contributed to reduce the time to resolve a commercial dispute by nearly 3 months.*

*In Austria a "data highway" for the courts that allows attachments to be sent electronically has produced savings of €4.4 million in postage alone.*

#### What do the Enforcing Contracts indicators measure?

##### Procedures to enforce a contract (number)

- Any interaction between the parties in a commercial dispute, or between them and the judge or court officer
- Steps to file the case
- Steps for trial and judgment
- Steps to enforce the judgment

##### Time required to complete procedures (calendar days)

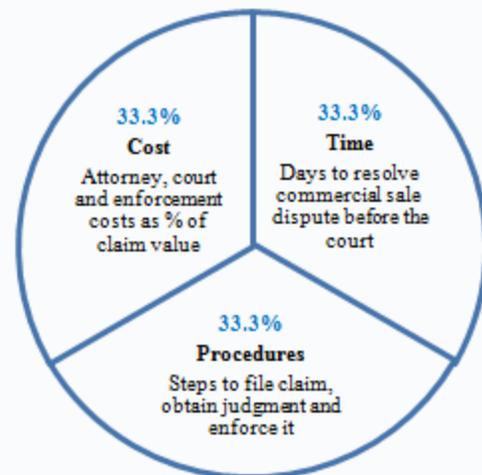
- Time to file and serve the case
- Time for trial and obtaining judgment
- Time to enforce the judgment

##### Cost required to complete procedures (% of claim)

- No bribes
- Average attorney fees
- Court costs, including expert fees
- Enforcement costs

**Enforcing Contracts:** resolving a commercial dispute through the courts

Rankings are based on 3 subindicators



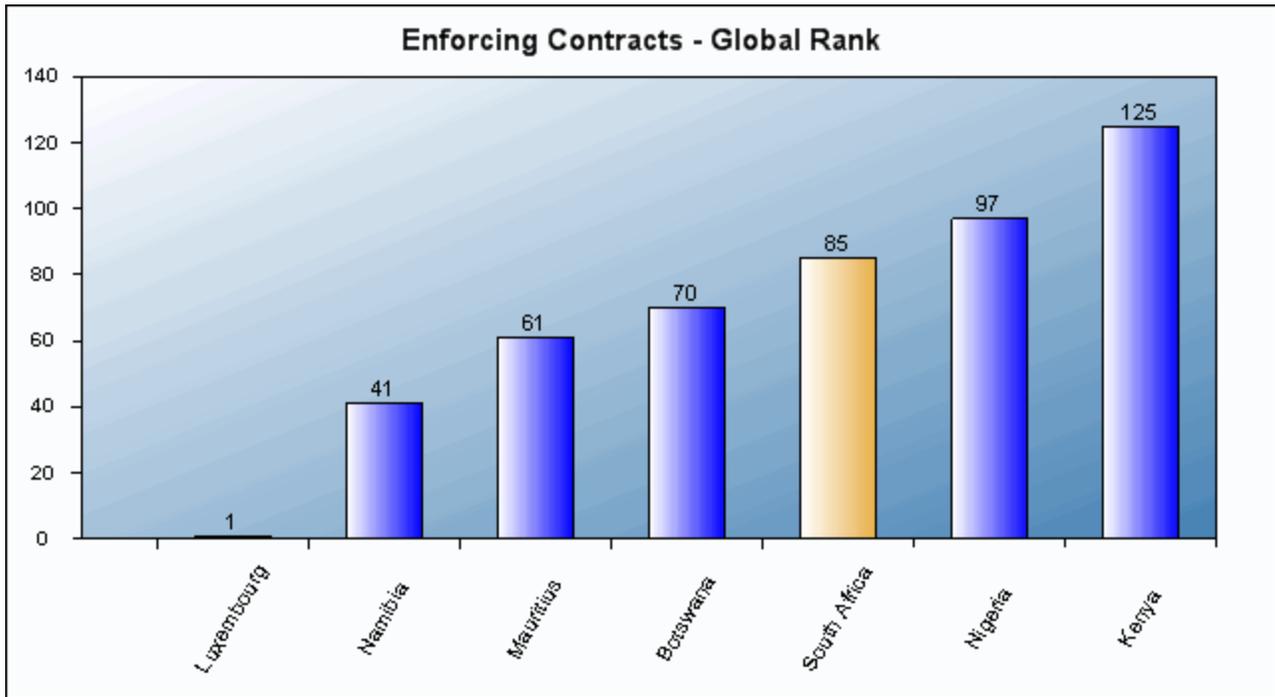
#### Case Study Assumptions

- Seller and Buyer are domestic companies
- Buyer orders custom-made goods, then does not pay
- Seller sues Buyer before competent court
- Value of claim is 200% of GNI per capita
- Seller requests pre-trial attachment to secure claim
- Dispute on quality of the goods requires expert opinion
- Judge decides in favor of Seller, no appeal
- Seller enforces judgment through a public sale of Buyer's movable assets.

## 1. Benchmarking Enforcing Contracts Regulations:

South Africa is ranked 85 overall for Enforcing Contracts.

Ranking of South Africa in Enforcing Contracts - Compared to good practice and selected economies:



The following table shows Enforcing Contracts data for South Africa compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Time (days)</b>	<b>Cost (% of claim)</b>
<b>Bhutan</b>			0.1
<b>Ireland</b>	20		
<b>Singapore</b>		150	

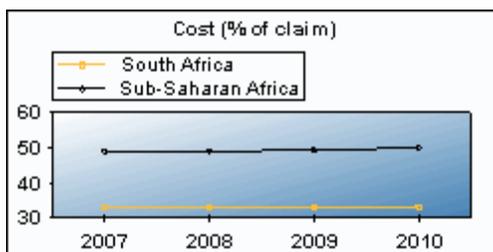
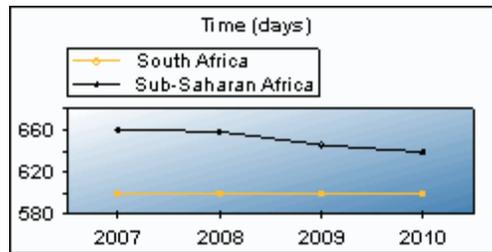
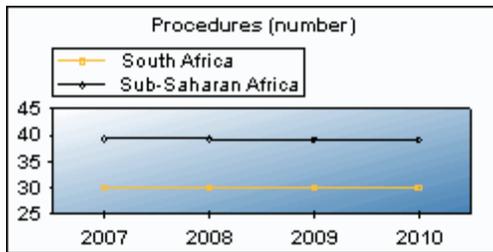
<i>Selected Economy</i>			
<b>South Africa</b>	<b>30</b>	<b>600</b>	<b>33.2</b>

<i>Comparator Economies</i>			
<b>Botswana</b>	29	625	28.1
<b>Kenya</b>	40	465	47.2
<b>Mauritius</b>	36	645	17.4
<b>Namibia</b>	33	270	35.8
<b>Nigeria</b>	40	457	32.0

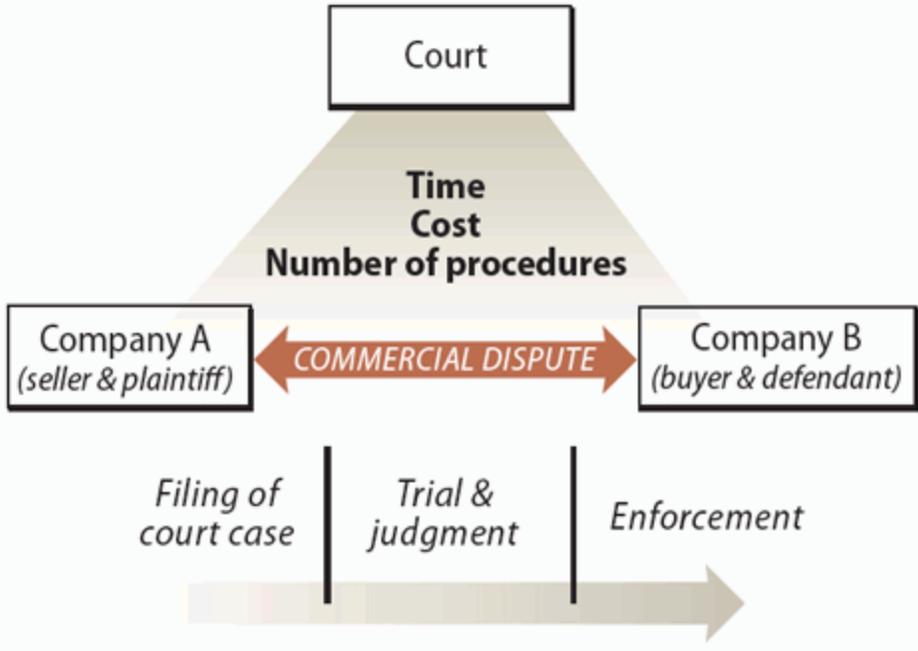
## 2. Historical data: Enforcing Contracts in South Africa

Enforcing Contracts data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	86	85
Procedures (number)	30	30	30	30
Time (days)	600	600	600	600
Cost (% of claim)	33.2	33.2	33.2	33.2

3. The following graphs illustrate the Enforcing Contracts sub indicators in South Africa over the past 4 years:



**What are the time, cost and number of procedures to resolve a commercial dispute through the courts?**



This topic looks at the efficiency of contract enforcement in South Africa.

Nature of Procedure (2010)	Indicator
Procedures (number)	30
Time (days)	600
Filing and service	30.0
Trial and judgment	490.0
Enforcement of judgment	80.0
<b>Cost (% of claim)*</b>	<b>33.20</b>
Attorney cost (% of claim)	22.6
Court cost (% of claim)	7.6
Enforcement Cost (% of claim)	3.0

**Court information:** Johannesburg Magistrate's Court

\* Claim assumed to be equivalent to 200% of income per capita.

A robust bankruptcy system functions as a filter, ensuring the survival of economically efficient companies and reallocating the resources of inefficient ones. Fast and cheap insolvency proceedings result in businesses' speedy return to normal operation and increase returns to creditors. By improving the expectations of creditors and debtors about the outcome of insolvency proceedings, well-functioning insolvency systems can facilitate access to finance, save more viable businesses, and thereby improve growth and sustainability in the economy overall.

### Some reform outcomes

*A study of the 2005 bankruptcy reform in Brazil found that it had led to an average reduction of 22% in the cost of credit for Brazilian companies, a 39% increase in overall credit and a 79% increase in long-term credit in the economy. The purpose of the reform was to improve creditor protection in insolvency proceedings.*

*Following the introduction of debtor-in-possession reorganizations in Korea in 2006, the number of reorganization filings increased from 76 in 2006 to 670 in 2009.*

### What does the Closing a Business indicator measure?

**Closing a Business:** insolvency proceedings against local company

#### Time required to recover debt (years)

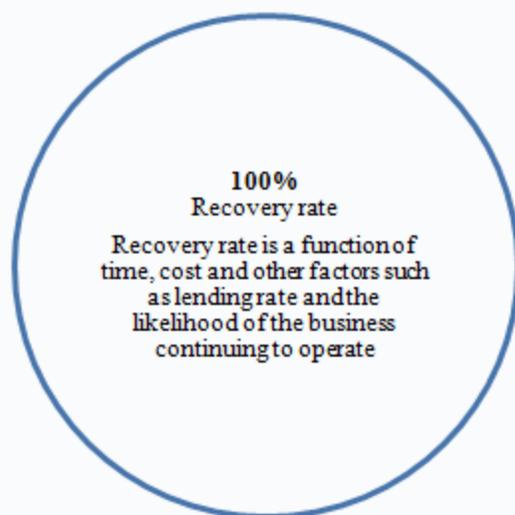
- Measured in calendar years
- Appeals and requests for extension are included

#### Cost required to recover debt (% of debtor's estate value)

- Measured as percentage of estate value
- Court fees
- Fees of insolvency administrators
- Lawyers' fees
- Assessors' and auctioneers' fees
- All other fees and costs

#### Recovery rate for creditors (cents on the dollar)

- Measures the cents on the dollar recovered by creditors
- Present value of debt recovered
- Costs of the insolvency proceedings are deducted
- Depreciation of furniture is taken into account
- Outcome for the business (survival or not) affects the maximum value that can be recovered



### *Case Study Assumptions*

#### The Company

- is domestically owned
- is a limited liability company operating a hotel
- operates in the economy's largest business city
- has 201 employees, 1 secured creditor and 50 unsecured creditors
- has a higher value as a going concern and a lower value in a piecemeal sale of assets

## 1. Benchmarking Closing Business Regulations:

South Africa is ranked 74 overall for Closing a Business.

Ranking of South Africa in Closing Business - Compared to good practice and selected economies:



The following table shows Closing Business data for South Africa compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Recovery rate (cents on the dollar)</b>	<b>Time (years)</b>	<b>Cost (% of estate)</b>
<b>Ireland</b>		0.4	
<b>Japan</b>	92.7		
<b>Singapore*</b>			1

<i>Selected Economy</i>			
<b>South Africa</b>	<b>34.4</b>	<b>2.0</b>	<b>18</b>

<i>Comparator Economies</i>			
<b>Botswana</b>	63.7	1.7	15
<b>Kenya</b>	29.8	4.5	22
<b>Mauritius</b>	35.1	1.7	15
<b>Namibia</b>	41.5	1.5	15
<b>Nigeria</b>	26.8	2.0	22

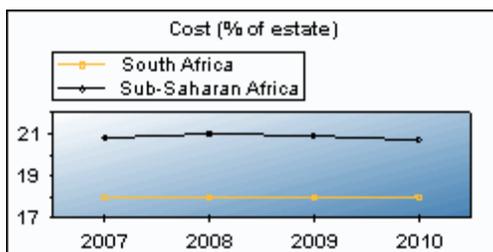
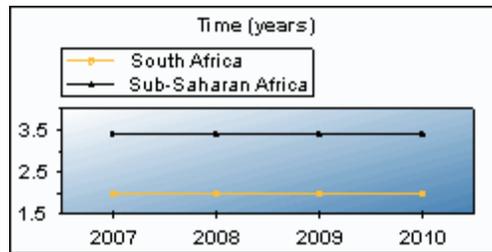
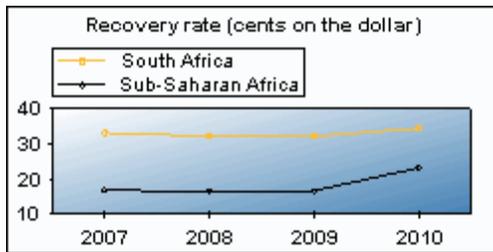
\* The following economies are also good practice economies for :

**Cost (% of estate): Colombia, Kuwait, Norway**

## 2. Historical data: Closing Business in South Africa

Closing a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	77	74
Time (years)	2.0	2.0	2.0	2.0
Cost (% of estate)	18	18	18	18
Recovery rate (cents on the dollar)	33.2	32.2	32.2	34.4

3. The following graphs illustrate the Closing Business sub indicators in South Africa over the past 4 years:



Since 2004 Doing Business has been tracking reforms aimed at simplifying business regulations, strengthening property rights, opening access to credit and enforcing contracts by measuring their impact on 10 indicator sets . \* Nearly 1,000 reforms have had an impact on these indicators. *Doing Business 2011*, covering June 2009 to June 2010, reports that 117 economies implemented 216 reforms to make it easier to start a business. 64% of economies measured by Doing Business have reformed this year, focusing on easing business start-up, lightening the tax burden, simplifying import and export regulations and improving credit information systems.

## The top 10 most-improved in Doing Business 2011

Economy	Starting a Business	Dealing with Construction Permits	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business
Kazakhstan	✓	✓			✓		✓		
Rwanda		✓		✓			✓		
Peru	✓	✓	✓				✓		
Vietnam	✓	✓		✓					
Cape Verde	✓		✓				✓		
Tajikistan	✓				✓		✓		
Zambia	✓						✓	✓	
Hungary		✓	✓				✓		✓
Grenada	✓		✓				✓		
Brunei Darussalam	✓						✓	✓	

 Positive Change  
 Negative Change

\* For *Doing Business 2011* the Employing Workers indicator is not included in the aggregate ease of doing business ranking.

## Summary of changes to business regulation in top 10 most improved economies in *Doing Business 2011* and selected comparator economies.

<b>Brunei Darussalam</b>	Brunei Darussalam made starting a business easier by improving efficiency at the company registrar and implementing an electronic system for name searches. Brunei Darussalam reduced the corporate income tax rate from 23.5% to 22% while also introducing a lower tax rate for small businesses, ranging from 5.5% to 11%. The introduction of an electronic customs system in Brunei Darussalam made trading easier.
<b>Cape Verde</b>	Cape Verde made start-up easier by eliminating the need for a municipal inspection before a business begins operations and computerizing the system for delivering the municipal license. Cape Verde eased property registration by switching from fees based on a percentage of the property value to lower fixed rates. Cape Verde abolished the stamp duties on sales and checks.
<b>Grenada</b>	Grenada eased business start-up by transferring responsibility for the commercial registry from the courts to the civil administration. The appointment of a registrar focusing only on property cut the time needed to transfer property in Grenada by almost half. Grenada's customs administration made trading faster by simplifying procedures, reducing inspections, improving staff training and enhancing communication with users.
<b>Hungary</b>	Hungary implemented a time limit for the issuance of building permits. Hungary reduced the property registration fee by 6% of the property value. Hungary simplified taxes and tax bases. Amendments to Hungary's bankruptcy law encourage insolvent companies to consider reaching agreements with creditors out of court so as to avoid bankruptcy.
<b>Kazakhstan</b>	Kazakhstan eased business start-up by reducing the minimum capital requirement to 100 tenge (\$0.70) and eliminating the need to have the memorandum of association and company charter notarized. Kazakhstan made dealing with construction permits easier by implementing a one-stop shop related to technical conditions for utilities. Kazakhstan strengthened investor protections by requiring greater corporate disclosure in company annual reports. Kazakhstan speeded up trade through efforts to modernize customs, including implementation of a risk management system and improvements in customs automation.
<b>Kenya</b>	Kenya eased business start-up by reducing the time it takes to get the memorandum and articles of association stamped, merging the tax and value added tax registration procedures and digitizing records at the registrar. Kenya increased the administrative burden of paying taxes by requiring quarterly filing of payroll taxes. Kenya speeded up trade by implementing an electronic cargo tracking system and linking this system to the Kenya Revenue Authority's electronic data interchange system for customs clearance.
<b>Mauritius</b>	Mauritius introduced a new corporate social responsibility tax. Mauritius speeded up the resolution of commercial disputes by recruiting more judges and adding more courtrooms.
<b>Peru</b>	Peru eased business start-up by simplifying the requirements for operating licenses and creating an online one-stop shop for business registration. Peru streamlined construction permitting by implementing administrative reforms. Peru introduced fast-track procedures at the land registry, cutting by half the time needed to register property. Peru made trading easier by implementing a new web-based electronic data interchange system, risk-based inspections and payment deferrals.
<b>Rwanda</b>	Rwanda made dealing with construction permits easier by passing new building regulations at the end of April 2010 and implementing new time limits for the issuance of various permits. Rwanda enhanced access to credit by allowing borrowers the right to inspect their own credit report and mandating that loans of all sizes be reported to the central bank's public credit registry. Rwanda reduced the number of trade documents required and enhanced its joint border management procedures with Uganda and other neighbors, leading to an improvement in the trade logistics environment.
<b>Tajikistan</b>	Tajikistan made starting a business easier by creating a one-stop shop that consolidates registration with the state and the tax authority. Tajikistan strengthened investor protections by requiring greater corporate disclosure in the annual report and greater access to corporate information for minority investors. Tajikistan lowered its corporate income tax rate.

**Vietnam**

Vietnam eased company start-up by creating a one-stop shop that combines the processes for obtaining a business license and tax license and by eliminating the need for a seal for company licensing. Vietnam made dealing with construction permits easier by reducing the cost to register newly completed buildings by 50% and transferring the authority to register buildings from local authorities to the Department of National Resources and Environment. Vietnam improved its credit information system by allowing borrowers to examine their own credit report and correct errors.

**Zambia**

Zambia eased business start-up by eliminating the minimum capital requirement. Zambia eased trade by implementing a one-stop border post with Zimbabwe, launching web-based submission of customs declarations and introducing scanning machines at border posts. Zambia improved contract enforcement by introducing an electronic case management system in the courts that provides electronic referencing of cases, a database of laws, real-time court reporting and public access to court records.



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