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Ivory Coast - a surging hotel market in an emerging West Africa

The opportunities for hotel development in Ivory Coast have never been greater, as the country continues to bounce back from internal conflict. Abidjan is resurging as the French-speaking commercial hub in the sub-region, supported by a good quality infrastructure for meetings, conferences and exhibitions, and a competitive airport with direct connection to the USA.

As economic growth has been strong since 2012, between 8% and 12% p.a., and political stability holds, investors are seeing new chances in a nation, strategically located on the southern coast of West Africa.

There is great potential for hotel development in the mid-term across the country, and the best opportunities are:

- In Abidjan, upscale hotels in Plateau (the city's CBD) and Cocody (a mid and high-end residential area), international four-star hotels and mid-market hotels in Plateau, economy and midscale hotels in Marcory and Treichville, and along the major road axis in Cocody/Bingerville.
- Economy hotels in provincial cities like San Pedro, Bouake, Korhogo, Yamoussoukro
- Midscale resorts, which are best adapted to MICE and domestic leisure activities in Bassam, Assinie and Jacqueville -near Abidjan- and Grand-Béréby
- Mixed-use projects and or combos including aparthotels
- Ecolodges within natural sanctuaries, natural parks and plantation estates (an emerging opportunity)

However, the overall tourism sector will not grow as rapidly as it should because of difficult accessibility due to poor roads; high prices of air connections and hotel accommodation, and low standards of quality, maintenance and services. This is despite the country having 520 kilometres of spectacular coastline, eight national parks and six natural reserves, as well as four UNESCO World Heritage sites.

Consequently, the business travel segment is expected to be developed sooner because Ivory Coast is growing as a regional economic hub, and infrastructure projects are in train that will reduce travel times. The overall economic environment is attractive too - strong GDP growth, outstanding assets in the agricultural sector (Ivory Coast is the world's biggest exporter of cocoa), dynamic industry and a vibrant services sector, embracing telecoms, IT, banking and communications.

The Horwath HTL Central & West African team benefits from a strong experience in Sub-Saharan Africa including more than 150 assignments carried over 15 years in more than 20 countries. The team is based both in Abidjan and Paris, accounting for five consultants, and is part of the Horwath HTL international network of hospitality and tourism specialists.

The Horwath HTL office in Abidjan, open since 2016, specialises in providing tourism and hospitality consulting services ranging from market and feasibility studies to strategic support, as well as destination development strategies, investor and operator search, operational assistance, hotel valuations, impact measurement studies, institutional support, and hotel brand conception.

Philippe Doizelet
MRICS, ISHC,
Managing Partner
6 Rue Dunois
75013 Paris (FR)
+33 1 53 79 78 75
pdoizelet@horwathhtl.com

Clémence Derycke
Regional Business
Development Manager
7, Avenue Nogues – Plateau
01 BP 5754 Abidjan (CI)
+225 78 49 61 01
cderycke@horwathhtl.com

Clémence Derycke
Horwath HTL
Cote d'Ivoire, Ivory Coast

Growing Tourism Numbers - a shot in the arm for the Middle East hospitality industry

The United Nations World Tourism Organisation said annual number of tourists crossing international borders in 2018 accelerated to levels forecast for 2020 fuelled by affordable air fares and liberalised visa regulations. The Middle East countries led this growth, with a 10% growth rate in overnight visitors, compared to the global growth rate of 6%. African Countries are also performing well with a 7% growth, owing to increased demand for sustainable tourism.

This reaffirms the fact that tourism is a key driver of economic growth in the region, as countries work towards diversification from oil dependency. An important driving factor in the Middle East is affordability. The year on year increase in hotel rooms in the Middle East continues to outpace the numbers of inbound visitors. The pressure on room rates increases affordability, which helps attract more tourists.

Promoting the development of Small Medium Enterprise (SME) businesses around the region is something the International Monetary Fund (IMF) is keen on, as this helps generate employment and drive economic growth. This has created a lot more tourism options for the traveller. Apart from the usual offerings of opulent hotels and supersized shopping malls, travellers can enjoy several new options. From start-up art galleries (https://alserkalavenue.ae/en/index.php) hosting upcoming artists, to joining a hiking group on a trail to help children's charities (http://www.gulf4good.org/en) to even taking a walking tour of the city, by a guide who really knows the best local cuisine (https://www.fryingpanadventures.com/).

Whilst Brexit fears and looming trade wars dampen this year's outlook for growth, more than a billion tourists cannot be wrong. Let's join them and plan our next holiday.

Zayd Maniar
Crowe Mak, Dubai
zayd.maniar@crowe.ae

Changes in Tax Exemptions for South African Expatriates

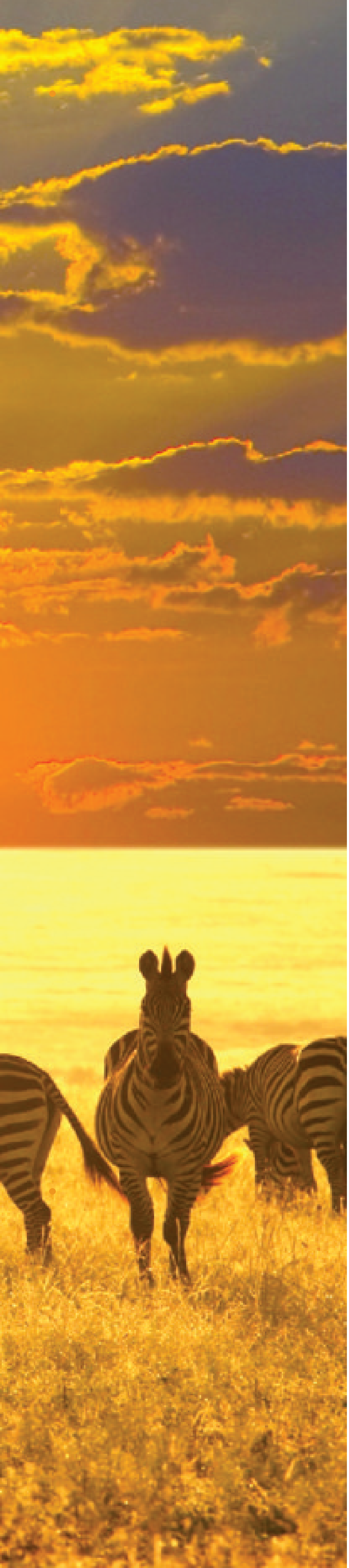
South Africa levies tax on its residents on a Residence Basis (as opposed to a Source Basis). Under the Residence Basis, residents are taxed in South Africa on their world wide income i.e. income sourced inside and from outside South Africa, whether they are present in South Africa at the time of earning the income or not.

One exemption from this treatment is in respect of expatriates (i.e. South Africans temporarily working abroad), in certain circumstances, who earn remuneration (i.e. income from employment) abroad.

Currently, remuneration earned for services rendered abroad by expatriates is exempt from tax in South Africa if the expatriate has been physically present outside South Africa for 183 days in aggregate during any 12 month period, of which 60 days must have been continuous.

The general idea with this exemption is to avoid double tax and to effectively dovetail with corresponding legislative and double tax agreement provisions in other jurisdictions, which would normally seek to apply the opposite of the above i.e. tax the said remuneration in the country where the income is earned and where the resident is present.

Where a resident, however, is employed in a country where the tax rate is less than it would be in South Africa, for example in the UAE, the tax rate may be very low or may even be zero. Then the South African resident would suffer no taxation at all (i.e. no tax in SA and no tax in the UAE) and the provision, as it currently stands, would have assisted in achieving double non tax.



New legislation

As from 1 March 2020, the South African legislation is changing, and the current exemption will be substantially limited. The new legislation provides that expatriates will now be taxed in South Africa on foreign earned remuneration to the extent that it exceeds R1 million p.a. and gives credit for the tax paid in the foreign country on such excess.

The new provisions have been debated at length and although have been amended slightly, the South African policy setters have made it clear that there will be no further changes or allowances.

Residents who live on their remuneration will be hard hit as they will suffer up to a 45% deduction for income tax not previously budgeted for.

The important thing to remember is that the section of the Tax Act, which applies i.e. Section 10(1)(o), only applies to tax residents of South Africa.

Residents are either tax resident in South Africa by virtue of ordinary residence (a conceptual principle supported by long standing South African case law) or by virtue of physical presence (a mathematical formula-based test). The terms of an applicable Double Tax Treaty need also to be taken into account.

Determining tax residence requires a clear understanding of the applicable tests i.e. the Ordinary Residence test and the Physical Presence test. These tests are established and have been well documented and tested over the years.

To avoid the new legislation, many expatriate taxpayers, who have in fact been absent from South Africa for a number of years, are taking the position that the applicable law, Section 10(1)(o), does not apply to them because they are no longer tax resident in South Africa. If the relevant provisions of the tax legislation have been properly applied then this may in fact be the end of the discussion. For many however, the problems may only just be beginning.

The potential problems that arise concern, amongst others, historical tax disclosures in South Africa in respect of Capital Gains Tax, on exiting the South African Tax system and historical tax disclosures, on worldwide income. In the country of new tax residence, historical tax disclosures need also to be considered. Coincidentally, there is always a country of tax residence. It is very seldom, if ever, that a person will not be tax resident anywhere.

We illustrate the potential consequences as follows:

If an individual claims to have left SA say, 5 years ago, and claims that his tax residence changed at the time of leaving SA, SARS is interested in having sight of your Capital Gains Tax calculation, reckoned at the time of your apparent exit date from South Africa. Where capital gains tax was due, if not paid at the time of exiting South Africa, there could be substantial penalties and interest in store. Not only is the original tax due, understatement penalties of up to 150% (Section 223 of the Tax Administration Act) as well interest, at the prescribed rate currently (10.25% p.a.), could be levied by SARS.

In addition, the foreign revenue authority where you are tax resident, would probably seek to tax your worldwide income, which you may not have disclosed anywhere. It is very likely that tax, penalties and interest could be levied in that jurisdiction as well.

If you find yourself in the position where you are unsure of either your tax residence status or your tax position with regards to expatriate remuneration, there is still time to address the problem and to do some planning. We regularly consult and advise on these complex matters together with the South African exchange control aspects. We recommend that you seek professional advice sooner rather than later so as to plan your affairs to limit the potential costly consequences.

Michael McKinon
Crowe Tax & Advisory (JHB) (Pty) Ltd
Johannesburg, South Africa

Crowe France - Award Ceremony

This fourth edition of the award ceremony took place on 24 April 2019 thanks to the 2019 Endowment fund from Crowe France. This award rewards students having excellent academic results along with admirable performance in other fields. The prize-winner was Ms Sardiya Mulla student at the high school Bellepierre of Réunion.

Mr Lala, President of Crowe Réunion opened the ceremony. After thanking those present, he referred to the conference that took place on 10 April in the presence of the students of Sciences Po and which dealt with the role of tax in a modern democracy.

This Endowment Fund was launched in 2014 by the French network Crowe, which is a member of the Crowe Global network. He explained that one of the aims was to attract the best talent and to enable them to expand their horizons. This fund allows them to get in touch with the universities that train future members of the profession. He reminded everyone of the importance of keeping up to date with continuing education to bridge the gap between the business and professional world.

This is the second consecutive year that a student from Bellepierre high school has received this award. Mr Lala emphasised that the accounting profession is one in which you continue to learn over the years and in which education must continue throughout the career. He also referred to the digital shift that is impacting the profession and that today's practices will be different from those of tomorrow.

Ms Sardiya Mulla is a student involved in her community and school life. She is a serious and rigorous student who obtained her scientific degree with honours.

He thanked the laureate and her teacher, Mr Fontaine. He congratulated the laureate and expressed pride that she has mapped her path and wished her continued growth to the best of her abilities.

Ms Sardiya Mulla humbly thanked her teachers and friends without whom she would not have been able to receive the award. She expressed her interest in accounting and wished to pursue her studies in the field (DSCG) through an internship program.

Ms Ericka Bareigts, former Minister and Member of Parliament, congratulated the winner for her exceptional achievement and for her professional and humble speech. She expressed pride that a woman had won the award and hoped to see better pay equity in society in the future. She emphasized that Crowe Réunion is respectful of parity because the steering committee is comprised equally of women and men. She pointed out that these awards have a meaning because they encourage the ambitions of young people and remind them that nothing is impossible.

Ms Lala handed over a cheque of 2000 Euros to the student. The ceremony was followed by a cocktail party.

Abdoullah Lala
Crowe Réunion
Réunion

Our African Network

Algeria
Hamza & Associés
Tele: +213 23 823515
Email: h.tarek@hamza-dz.com

Angola
Crowe Horwath Angola - Auditores e Consultores, SA
Tele: +244 926 286710
Email: jose.sousa@crowehorwath.ao

Cote d'Ivoire / Ivory Coast
Uniconseil
Tele: +225 08212520
Email: tiemeleyaod@yahoo.fr

Horwath HTL (Ivory Coast)
Tele: +225 20 30 49 71
Email: cderycke@horwathhtl.com

Cameroon
Okalla Ahanda & Associes
Tele: +237 33 427887
Email: jp.okalla@yahoo.fr

Democratic Republic of Congo
Okalla Ahanda & Associes
Tele: +237 33 427887
Email: jp.okalla@yahoo.fr

Egypt
Crowe Dr A M Hegazy & Co
Tele: +202 376 00516
Email: dramhegazy@crowehorwath.eg

Ethiopia
Yeshanew Gonfa & Co
Tele: +251 911 678117
Email: ygandcompany@gmail.com

Ghana
Veritas Associates
Tele: +233 302 243952
Email: okay.ameyaw@veritasgh.net

Kenya
Crowe Erastus & Company
Tele: +254 20 3860513
Email: horwatherastus@crowehorwath.co.ke

Libya
Ahmed Ghattour & Co
Tele: +218 21 444 4468
Email: aghattour@ghattour.com

Malawi
Crowe Horwath Malawi
Tele: +265 1 831605
Email: shadric@crowehorwath.mw

Mali
Inter Africaine d'Audit et d'Expertise (IAE-SARL)
Tele: +223 20 286675
Email: moussa.m.konate@gmail.com

Mauritius
Crowe ATA
Tele: +230 467 8684
Email: contactus@crowe.mu

Crowe SG
Tele: +230 403 0500
Email: info@crowe.mu

Crowe Fairfield
Tele: +230 403 0500
Email: info@crowe.mu

Mauritania
Cabinet Exaco Amic
Tele: +222 45 25 87 00
Email: info@exacoamic.com

Morocco
Horwath Maroc Audit
Tele: +212 537 77 46 70
Email: adib.benbrahim@crowe.ma

Mozambique
Crowe Mozambique LDA
Tele +258 21 498 315
Email: contactus@crowe.mu

Nigeria
Horwath Dafinone
Tele: +234 1 4600518
Email: ede@dafinone.com

Rwanda
Horwath HTL
+250 788 358 484
Email: fmustaff@horwathhtl.com

Réunion
Crowe Réunion
Tele: +262 2 6290 8900
Email: a.lala@crowe.re

Seychelles
Crowe Horwath Tax & Advisory Limited
Tele: +230 52 52 7543
Email: jiri.vanhuynegem@crowehorwath-sg.mu

Senegal
Max Consulting Group (MCG)
Tele: +221 33 860 84 66
Email: mcgconsult@orange.sn

South Africa
- Cape Town
Crowe HZK
Tele: +27 21 481 7000
Email: contactus@crowe.za.com

Horwath HTL (South Africa)
Tele: +27 21 884 3200
Email: capetown@horwathhtl.co.za

- Johannesburg
Crowe JHB
Tele: +27 11 217 8000
Email: info@crowe.za.com

Crowe Tax & Advisory (JHB) (Pty) Ltd
Tele: +27 21 217 8000
Email: reinette.theart@crowe.za.com

- Winelands
Crowe RMA (Pty) Ltd
Tele: +27 21 855 2917
Email: rowan.marais@crowe.za.com

Crowe DNA (Pty) Ltd
Tele: +27 21 855 2917
Email: dale.holloway@crowe.za.com

Sudan
Pioneers Global for Accounting, Auditing & Advisory
Tele: +24 99 99955577
Email: mahdi@pioneersglobal.com

Tanzania
Crowe Tanzania
Tele: +255 22 2115251
Email: chris.msuya@crowe.co.tz

Tunisia
Horwath ACF
Tele: +216 71 236000
Email: noureddine.benarbia@crowehorwath.com.tn

Cabinet Zahaf & Associés
Tele: +216 71 962166
Email: mahmoud.zahaf@zahaf.fin.tn

Uganda
Crowe Horwath AIA
Tele: +256 771 803429
Email: ahmed.bholim@crowehorwath.ug

Zimbabwe
Welsa International Chartered Accountants
Tele: +263 772 294 913
Email: wssibanda@gmail.com

Contact Us

Editor - African Footprint
Kent Karro
kent.karro@crowe.za.com
Tel: +27 21 481 7000

About Crowe Global

Ranked eighth largest accounting network in the world, Crowe Global has over 200 independent accounting and advisory firms in 130 countries. For almost 100 years, Crowe has made smart decisions for multinational clients working across borders. Our leaders work with governments, regulatory bodies and industry groups to shape the future of the profession worldwide. Their exceptional knowledge of business, local laws and customs provide lasting value to clients undertaking international projects.