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African Footprint

Technical Newsletter of the Crowe Global African firms

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South Africa - Exchange Control Changes

The Minister of Finance in South Africa has announced that Exchange Control on those emigrating from South Africa is going to be phased out in stages over a period of 12 months ending in February 2021.

This means no more applications for emigration; no more form MP336(b) and all the related delays before emigration status is confirmed; no more blocked and remittable bank accounts; handing over control of assets to the bank, etc. This process will not be missed.

Residents and non-residents or emigrants are to be treated the same in terms of the flow of money into South Africa and out of South Africa.

But what **does** change is the future control of the flow of funds from a different point of view.

Now the tests are money laundering, tax evasion and terrorism.

That means that before funds flow in or out of South Africa, the source of those funds will need to be disclosed and verified, tax commitments will have been attended to and verified. I certainly foresee that quite a large amount of work will still be necessary by the local banks (Authorised Dealers).

Many of the emigration applications in the past were made so as to enable the applicant to access retirement funds. A different indicator will need to be found over the next 12 months. The trigger to allow access to retirement funds will probably still be linked to an exit from South Africa.

Another thought relates to inheritances payable to exchange control emigrants. In the past they have flowed easily but, in future, a different process will need to be devised.

Kent Karro
Consultant
Crowe HZK
Cape Town, South Africa




Coronavirus Dims Global Business

The effects and reactions to the Coronavirus (COVID – 19) outbreak are proving how complex the world business is interconnected both geographically and socially. The outbreak has caused panic leading to interruption of both social and economic activities across the globe. The Virus has wrathfully affected demand and supply worldwide. The social and economic impact is not yet predictable and all indicators are showing a global business lockdown.

It is a complete panic by investors worldwide with stock markets witnessing significant losses. Globally, markets went into a spin on Monday 9 March 2020 after a global alarm due to Coronavirus fears coupled with the oil price war as reported by CNN business. The virus effects on markets may prove harder to recover from; about \$9 trillion was wiped off global stocks in nine days, Bank of America said in a research note. Markets are still seeing wild swings, indicative of just how deep investor anxieties run.

How is Africa? The reaction to the Coronavirus threat is not different in Africa compared to the rest of the world. The African Continent has reported 100 cases (against World Health Organization, WHO total of 109,000 worldwide) so far in Egypt, Morocco, South Africa, Tunisia, Nigeria, Senegal, Togo, Burkina Faso and Cameroon. In Kenya, stocks listed at the Nairobi Stock Exchange lost 125 billion Kenya Shillings (\$1.2 billion) close of business Friday 6 March 2020 mostly due to the flight of foreign investors. This was the single largest drop in the history of the Bourse according to the Business daily. In South Africa, the Rand plunged 8% against the Dollar Monday (9 March 2020) according to Colleen Goko, Bloomberg. It touched its weakest level on a closing basis since January 1980, as investors fled riskier assets, with tumbling oil prices adding to nervousness spurred by the spreading coronavirus. The JSE All-share index plummeted by 6.25% to 48,882 points as of 10:45 a.m. Monday (9 March 2020).



The effect of the virus fears on demand and supply is significant. The slump in demand has seen all sectors reporting losses. The transport sector has seen spiralling cancellation of airline flights and no demand for cruise ship holidaying. The shipping industry is already predicting weekly losses of \$350 million in revenue according to the International Chamber of Shipping. Restricted movement of people in high risk areas among other restrictions, is affecting the various transport businesses in key market centres of the world. The Manufacturing sector is not spared with many businesses, especially in Africa that rely of raw materials from Asian countries, bearing the brunt. Shortage of raw materials is looming and it will affect exports to key markets in Europe and the Americas for products that rely on these raw materials. Other exports of perishable agricultural goods such as flowers, fruits and vegetables are facing a crisis due to grounding of air transport across the world. The tourism sector will be the worst hit for African countries which has seen an increase in Chinese tourists in recent years coupled with Italy having announced a countrywide lock down which will reduce the tourism business.

Many businesses in Africa are not spared. The closure of China, the epicentre and origin of the virus will have a significant impact of business in Africa. China is one of the largest exporters and importers to and from Africa of various goods and services. Businesses that export agricultural products and minerals to China are already facing reduced business while imports from China have dimmed due to closure of businesses in that country. Countries such as Uganda and Kenya have limited travel from high risk countries. Other African Airlines such as Kenya Airways, Rwanda Air, Morocco's Royal Air Maroc, among others, have cancelled flights especially to these high risk areas. The business situation will get worse with the imposition of additional restrictions on transport by various countries.

The future of business will depend on how the world economies and governments deal with the effects and fears of the Coronavirus. In the meantime, the situation looks dim the world over.

(Information correct as at 12 March 2020)

Francis Ugango
Crowe Erastus & Co
Kenya

Farewell message from Bernard Delomenie



Bernard Delomenie

I am just back from the Middle-East and Africa meeting in Tunis, Tunisia. With over 40 participants from 15 countries, this conference has been one of the best attended despite some cancellations of 10 people due to the Coronavirus.

With the presence of our Global CEO, David Mellor, our new Head of Global operations, Veronica Vicente, our Director of Audit and Assurance, David Chitty, the Management Committee was well represented showing the importance of Africa and Middle East for Crowe Global.

It was for me the occasion to bid farewell to many friends in this part of EMEA which is very close to my heart, after over a decade helping in its development. I could also introduce my successor, Kamel Abouchacra, who will continue to give you the support of the global team. With his knowledge of the Middle East and Northern Africa combined to his genuine interest for Sub-Saharan Africa, (which he has started to discover), Kamel will be well suited to give you the attention you need. We have recently visited South Africa and will continue, before end of June, with a trip to Kenya, Uganda and Tanzania.

I have been particularly touched by the many marks of kindness which have been given to me, on your behalf, by Mark Watson and Noureddine. I will specially remember our Gala dinner: what a nice way to hand over the torch to my successor.

With a footprint which now covers every country in the Middle East and the vast majority of Africa, we are able to serve our clients in every part of the sub-region, including the most difficult or remote ones. Our combined revenues in Africa and the Middle-East puts us in the top 10 of the networks, even if we have not yet reached this ranking in Africa alone. I have no doubt that with the team spirit which was prevalent during the meeting and the footprint we have, this goal will be soon achieved under the leadership of Kamel.

I specially want to thank Mark and Noureddine, with their team, more specially Myriam, for the excellent organisation of this conference.

I wish you well for the future, looking forward to remaining in touch with many of you.

Bernard Delomenie
Crowe Global

Crowe HZK is Growing

Crowe HZK in Cape Town, South Africa has merged with Bernard Shaw Auditors in nearby Stellenbosch. This merger has resulted in Crowe HZK now having an office in the centre of Cape Town as well as in Stellenbosch which is located approximately 53 km outside of the city centre. We are now also able to service clients living in the winelands area.

Our two offices are located at -

Cape Town

7th Floor, 5 St. Georges Mall
St. Georges Mall
Cape Town

Stellenbosch

D8, Block D, Octo Place
Elektron Street, Technopark
Stellenbosch

Both offices will provide audit, independent review, accounting officer, accounting and advisory services. They also use tax professionals who assist with tax compliance and advisory.

This merger allows our expanded firm to develop and grow to enable us to provide our clients with the services they require in an ever increasing and demanding professional environment and to extend our reach in the Western Cape.

Kent Karro
Crowe HZK
Cape Town, South Africa



International Women's Day 2020

Our Crowe JHB office, celebrated International Women's Day this month. The theme this year was 'Each for Equal.' Crowe Global continues to raise awareness of the value of diversity in business.

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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.