

Issue 37 - March 2021

# African Footprint

Newsletter from the Crowe Global African firms

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# Crowe Infrastructure Africa

Crowe's consulting firm specialized in infrastructure and capital projects in Africa

Crowe Infrastructure Africa, or Crowe Infra, is Crowe's consulting firm for public and private infrastructure advisory services in Africa. As a specialized boutique financial consulting firm, Crowe Infra has a unique and highly competitive delivery model based on an uncompromising commitment to quality, agility and responsiveness.

Crowe Infra is providing consulting services in identifying, structuring and developing large-scale bankable infrastructure projects for public and private clients through to financial close, by building pipelines of projects, performing due diligence and feasibility studies of high-return investment projects and raising debt and equity capital for infrastructure developers.

Stefan Kauder, the firm's founder and Managing Partner, explains how the concept of Crowe Infra combines and builds on all partners' decades of professional experience in capital projects and infrastructure development, gained in Africa and globally and while working with governments and development finance institutions, international investment banks, private equity funds and large consulting firms, including the Big Four:

“We have seen first-hand what our clients really want and not always get: personal commitment and direct involvement of partners and senior management; creative problem-solving capabilities in addressing challenges, which are almost around every corner when dealing with complex infrastructure projects; access to the best specialists when needed; as well as the ability and stamina to bring deals securely to financial close. And we knew we had to come up with really smart solutions, if we were to make a mark and succeed in this highly competitive market, to large extent dominated by some of the biggest advisory firms in the world”.

While each member of Crowe Infra's senior management team has over 20, 30 and more years of outstanding professional experience, reputation and resulting networks, industry contacts and insights, the firm invested in a smart approach to using technology and select subscription services to gain access to deep and comprehensive market intelligence, economic and financial data and databases of profiles and resumes of almost one million infrastructure specialists in relevant disciplines from all over the world.



Stefan Kauder



John Ouko



From the outset, Crowe Infra has adopted a paperless office approach with all data stored and shared securely in the cloud, office and mobile phone services supported by IP PBX, and all applications and working tools geared towards mobile and remote teamwork.

“By applying smart technology, we are able to do things faster, more efficiently, and at better quality and prices than many other consulting firms in this market”, says Stefan.

Lately, John Ouko, with over 20 years of experience in investment banking in Europe and East Africa, banking and advisory in infrastructure and renewable energy, and project management has joined the team as an Executive Director to lead the firm's rapidly growing corporate finance practice.

John sees the potential for cross-border projects in infrastructure sectors for Crowe: “I was speaking with other corporate finance experts in the network, for example with the members of Global Corporate Advisors, and I realized that a number of Crowe firms in other regions have significant consulting experience with renewable energy, transport, urban infrastructure, IT and telecommunication projects. As a global network, we need to collaborate and jointly build and capitalize on our international credentials and expertise.”

Crowe Infra is now leading an initiative of a group of Crowe corporate finance experts and firms engaged in infrastructure and capital projects that spans around the globe.

This, the firm's management team believes, will be the beginning of a successful journey of Crowe to offer top-quality and competitive infrastructure finance services wherever in the world clients want to go.

Currently, Crowe Infra has the mandates to raise capital for developers of large-scale renewable energy and electrical vehicle projects in East and West Africa, to identify and structure equity investment in mega infrastructure projects in Africa for global private equity funds and international merchant banks, and to provide due diligence services for African and international top-tier investment banks engaged in infrastructure debt finance.

Stefan J. Kauder  
Crowe Infrastructure Africa  
Kenya

# Angola VAT changes - 2021 Budget

VAT was introduced in Angola on 1 October 2019 with a general regime for taxpayers with a turnover exceeding USD 250,000, excluding taxpayers with a lower turnover. Also a transitory regime up to 31 December 2020 for taxpayers falling on the general regime that were not prepared to meet all VAT obligations under the general regime.

The transitory regime applied automatically to all but specifically listed taxpayers, and such taxpayers' adherence to the VAT general regime depended on meeting specific conditions and acceptance by the Tax Authorities. Until 31 December 2020 most SMEs were included in the transitory regime.

As anticipated, Angolan VAT does not yet deliver the intended economic neutrality and the co-existence of the general and transitory regimes does not help and causes evident competitiveness issues in the private sector players.

Due to its complexity, VAT's success - economic neutrality and to serve as a catalyst for economic formalization - is heavily dependent on a capable IT and Communication infrastructure on one hand, and on taxpayers being interested and able to comply with minimum compliance requirements.

These conditions are yet to be met in Angola to a degree that might meaningfully roll out the general VAT regime to a significant number of SMEs.

In the 2021 Budget the Government introduced a few changes to the VAT to respond to taxpayers' needs without jeopardizing collections while mitigating competitiveness issues resulting from the co-existence of different VAT regimes.

From 1 January 2021, VAT on importation changed so as to apply on CIF plus import duties; the VAT rate was reduced to 5% on a few, mostly agricultural goods; and gambling and betting activities are subject to VAT.

The most interesting and impacting changes are however the following:

- setting a lower VAT exclusion threshold
- introducing a simplified VAT regime
- introducing stamp duty on VAT exempt transactions
- partial VAT upfront payment on electronic payments

The VAT exclusion threshold was reduced from an annual turnover of USD 250,000 to AOA 10 million, *circa* USD 15,000. Taxpayers may opt out of the exclusion to join the normal regime. Taxpayers falling into the VAT exclusion regime pay a 1% stamp duty on collections.

A VAT simplified regime replaced the transitory regime, co-existing from 1 January 2021 with the VAT normal regime. Most taxpayers with an annual turnover or importing up to AOA 350 million, *circa* USD 550,000, fall under the simplified regime. Taxpayers may opt out of the simplified to the normal regime. A taxpayer in the simplified regime charges VAT at a reduced 7% rate and is able to offset 7% of input VAT; the remaining 93% of input VAT is a corporate income tax cost.

A 7% stamp duty is payable by taxpayers falling under the simplified regime on any VAT exempt transactions, while taxpayers of the general regime must pay this 7% stamp duty only when all transactions are VAT exempt. This stamp duty matter is of course under significant scrutiny, and there are indications that changes are to be introduced to clarify that the 7% stamp duty will not be due on VAT exempt transactions carried out by taxpayers of the general regime that may offset input VAT.

When payments are made electronically, a 2.5% deduction is made automatically by the financial institutions involved. This VAT withheld is then reported in the VAT return, or corporate income tax return in case of taxpayers in the VAT exclusion regime.

These changes are intended to widen the VAT base and collections, while intending to mitigate the competitiveness impact between companies that fall under the normal and simplified VAT regimes.

This is an evolving reality so we suggest that you keep informed on progress.

Fernando Barros  
Crowe Angola SA  
Angola

# Foreign Employers with Offices in South Africa subject to South African Labour Laws

Herewith an important summary for our clients who are based in a foreign country, but employ staff / teams who execute their duties / functions within the borders of South Africa (SA).

When a foreign embassy is situated in South Africa it is in fact, according to law, based on foreign soil. A South African working at a South Africa based foreign embassy would therefore be subject to the labour law of that foreign country.

However, a branch of a foreign company based in or operating out of South Africa is not considered to be on foreign soil and is therefore subject to South African law. Our labour laws strongly protect South African employees, and anybody employed legally in South Africa.

Furthermore, our courts do not easily give up jurisdiction to foreign courts. Take note, in the case of August Lapple (SA) vs Jarrett & others (2003, 12 BLLR 1194)\*, the dismissed employee had been the managing director of the South African subsidiary of said German company. He referred his dismissal to the Bargaining Council for the Motor Industry in South Africa.

However, the employer (in SA) disputed the council's jurisdiction as it claimed that it had been the company's head office in Germany that had dismissed the employee. The arbitrator ruled that the bargaining council did indeed have jurisdiction. The employer therefore referred the jurisdiction ruling on review to the Labour Court which found that:

- Although the employee had been employed by the German parent company, the employee had also been employed and was working for and in support of the South African subsidiary,
- The bargaining council did have jurisdiction to hear the matter,
- The employer was to pay the employee's legal costs.

**“Foreign employers can't escape South African labour law.”** - Ivan Israelstam (South African Labour Law Consultant)



Even South Africans working outside South Africa can, in certain cases refer labour disputes to the South African dispute resolution system. For example, in the case of *Kleinhans vs Parmalat SA (Pty) Ltd.* (2000, 9 BLLR 879), the employee was retrenched after having worked in Mozambique. The Labour Court decided that:

- An agreement by the parties as to where jurisdiction lies does not bind the Court,
- South African law was “impliedly” incorporated into in the employment contract and this gave the South African courts jurisdiction,
- The contract was concluded and cancelled in South Africa,
- The employee's salary was paid in South Africa and was paid in Rands,
- The termination letter was written by the employer who considered the Mozambican operation as its own,
- The Court therefore did have jurisdiction to hear the case.

In the case of Parry vs Astral Operations Ltd. (2005, 10 BLLR 989), the employee was retrenched after having worked in the position of general manager of the employer's operations in Malawi. The Labour Court decided that:

- Both parties were based in South Africa,
- The parties had agreed that the employer's (South African) policies would apply,
- The employer had not approved the contents of Malawian law,
- Both parties had, when signing the contract, been under the impression that they were concluding it under South African law,
- The Labour Court therefore had jurisdiction,
- The employee was entitled to damages for breach of contract, balance of relocation costs, share options, accrued profit shares, salary, notice pay, severance pay and compensation equal to 12 months' remuneration. In addition, the employer had to pay part of the employee's legal costs.

In the light of these cases, all employers should not assume that they can hide behind foreign incorporation or foreign workplaces. In other words, they should not assume that they need not follow South African law merely because foreign elements exist in the working situation and or contracting thereof. Instead, employers should first obtain expert labour law advice from their trusted advisor/s before terminating contracts or taking any action of any nature as governed by labour law against employees regardless of where the employee works or where the employer is based.

If you have any labour law queries or requirements then please contact Crowe DNA for assistance. Our digital Employee Relations Guide (ERG) platform covers 36 countries across Africa enabling our team of experts to advise across borders.

\*Summarized and referenced by Crowe DNA with associate legal experts & partners.# 011 / 2020/21

Dale Holloway  
Crowe DNA (Pty) Ltd  
Somerset West, South Africa



# Crowe Réunion - Taking the Lead in Training Job Seekers

A low number of applicants, candidates' lack of technical skills and the local training market not producing enough qualified candidates are the main reasons for recruiting difficulties faced by accounting firms. Hence Crowe Réunion trains job seekers to make up for the shortage of candidates.

Crowe Réunion, accounting, consulting and auditing firm has trained seven job seekers who are now ready to enter the labor market.

12 weeks ago, they were looking for job offers but did not meet the qualification requirements as specified in the advertisements. On the other hand, many accounting firms are unable to find candidates to fill the offered positions. "We recruit regularly and each recruitment period is complex because candidates are scarce," confirms Abdoullah Lala, Chair of Crowe Réunion. In order to help these people, Crowe Réunion decided to make available and share the expertise of its employees so that job seekers can re-enter the labor market with the necessary skills.

After 12 weeks of training and upgrading their competences in the accounting firm, the seven candidates have completed their training and are ready to enter the labor market.

On 29 January 2021, Crowe Réunion presented them with a certificate attesting that they succeeded in the said training. Madame Brigitte Adame, Mayor deputy, delegate for popular education and community life, was present at this event. "It's great to see the involvement of an employer who becomes a trainer. Crowe Réunion played an important role for these seven job seekers. It is also a societal role that was highlighted with this training, and I am proud to be here today ", she explains.

**“There is room for you!  
You have already opened  
doors thanks to this  
training.” - Brigitte Adame**



"We had courses in accounting, taxation, law, ethics. It has not been easy every day, but we will be able to find a job soon and that is really the most important ", says Delphine Albac one of the learners.

As an introduction to this award ceremony, Crowe Réunion's CEO, Amina Lala congratulated the trainees by explaining:

"You have been able to work long hours everyday during three months, showing enthusiasm, concentration and rigor."

"Maintaining this desire throughout your professional career is what will make you successful! Crowe Réunion will remain by your side to help you find a job following this training" continues Abdoullah Lala, Chair of the Réunion Island accounting and expertise firm.

Thus Mrs Brigitte Adame concludes by saying "There is room for you! You have already opened doors thanks to this training."

For this first training session, Mrs Nadine Lamber was the most successful. We hope the Dionysian woman finds the appropriate job position quickly. In addition, among the seven candidates, three have already found a job.

Following the success of this training, a second session is planned, this time in the south of the island, which should start in March 2021.

Abdoullah Lala  
Crowe Réunion  
Réunion

# Tourism Recovery – Should we be Concerned about ISA 570 Going Concern?



Zayd Maniar

## Revival Efforts

A lot of effort is being made by governments and businesses to help the Travel, Tourism, and Hospitality industry recover. The travel corridor between the UK and the UAE is proving popular as fewer PCR tests and no quarantine means holidaymakers can make the most of their time off. Perhaps it is also alluring to enjoy Christmas in 25 degrees Celsius sunshine, on the beach.

## When will the industry recover?

This does sound encouraging and travel experts expect the travel industry to fully recover in a couple of years. However, several businesses especially the Food & Beverage industry, have found the past year a challenge. Many predict they will be unable to recover from these losses in the year or even two years, ahead.

## Going Concern

As finance professionals, be it in practice or industry, there is a cause for concern. Specifically, Going Concern. As we near the end of the fiscal year 2020, audit opinions will have to be formed in the coming weeks. This was perhaps, the most economically challenging fiscal period in a while.

## Greater professional scepticism

Factors that need to be considered when assessing Going Concern are largely defined by ISA (International Standard on Auditing) 570. However, these are unprecedented times and professional bodies as well as regulators are urging the use of greater professional scepticism.

Careful assessment of management assertions is required, especially around how the changing needs of the business and leisure traveller will impact turnaround. For example, will companies host as many conferences in person as they used to? Or are they now used to online conferences. Cash flow projections hence need to be robustly tested. There is concern about how quickly holidaymakers and businesses will resume travel.

Lastly, financiers and lenders have so far been lenient and given generous payment holidays. There is concern about how long this will last and more importantly, how will arrears that have built up in the past year, be cleared.

## **Working together for a sustainable future**

To have a recovery that is both sustainable and effective, stakeholders need to work together to ensure that financial reporting is true and fair. Whilst there is an element of estimates, all stakeholders need to ensure they are offering their full support to minimise the impact of Expected Credit Losses and provisions, which will help preserve stakeholder value and ensure businesses can continue to operate as a Going Concern.

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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 more than 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.

Crowe provides global reach on a personal scale. Crowe firms focus on the future, the client experience and working with clients to build something valuable, substantial, and enduring. Close working relationships are at the heart of our effective service delivery.

At Crowe, our professionals all share one commitment, to deliver excellence.