

Comparative Cost of Doing Business in the Eastern Cape

Buffalo City Comparison

March 2016





Company Registration

- The most common business entities in South Africa are:
 - Private companies Proprietary (Limited);
 - Public Companies (Limited).
- Registration of a company requires lodgement of documents with the Companies and Intellectual Properties Commission (CIPC), either by the applicant itself, or by an agent on behalf of the applicant.
- Costs for submission by the applicant itself directly to the CIPC:

Documents	Purpose	Fees
CoR9.1	Application for name reservation	R50.00 (<i>self-submitted to CIPC – electronically</i>)
CoR14.1	Notice of Incorporation	Filled with Cor15.1 (<i>self-submitted to CIPC – electronically</i>)
CoR15.1	Memorandum of Incorporation	R175.00 (A) - R475.00 (B) (<i>self-submitted to CIPC - electronically</i>)
CoR44	Notice of Change of Auditor or Company Secretary	Included in registration



Company Registration (cont'd)

Registration using an agent in Buffalo City

Company Category	Documents	Purpose	Fees
Company with / without Share Capital	CoR9.1 CoR14.1 CoR15.1A-E	Application for name reservation Notice of Incorporation Memorandum of Association	R399.00 Price included with CoR15.1 R2,579.82 (<i>Cor15.1B – MOI Standard Long</i>)
	CoR21.1	Notice of change of address	R273.60
	CoR39	Return containing particulars of directors	R840.00

Registration of intellectual property is also done through CIPC

Company Category	Self-submitted	Agent
Patent Registration	R590.00	R14,000.00 – R25,000.00
Patent Search		R10,000.00
Design Registration	R240.00	R12,000.00 – R14,000.00
Trademark Registration	R590.00	R10,284.00
Trademark Search		R4,275.00



Professional Services

- ☐ Fees will vary greatly between service providers, but the data provides an indication of market related rates in Buffalo City

	Buffalo City			
Legal Advice	Senior Attorney R1,670.00 /hr Junior Attorney R1,000.00 /hr			
Financial Audit	Rates governed by the SAICA and are generally evenly costed across all cities <ul style="list-style-type: none"> • Partner – R1,368.00 /hr • Senior – R726.50 /hr • Junior – R474.00 /hr 			
Environmental Impact Assessment	R100,000.00 – R250,000.00 (heavily dependent on the scope of the assessment, excludes specialist studies)			
Recruitment	Permanent (non-executive) <ul style="list-style-type: none"> • No minimum fee • 12.5 – 17% on annual Cost to Company Permanent (executive) <ul style="list-style-type: none"> • 30 – 33 % on annual Cost to Company 			



Building & Industrial Land – Rental

□ Average market values for industrial buildings in the named City

Size of premises	Buffalo City			
250 m ²	R30.00 – R50.00 /m ²			
500 m ²	R24.00 – R30.00 /m ²			
1000 m ²	R20.00 – R30.00 /m ²			
2500 m ²	R20.00 – R25.00 /m ²			
5000 m ²	R15.00 – R25.00 /m ²			



Industrial Land – Value

- Average market values for serviced and level industrial stands in the named City

Stand size	Buffalo City			
1000 m ²	R600.00 – R650.00 /m ²			
2000 m ²	R450.00 /m ²			
5000 m ²	R350.00 /m ²			
10000 m ²	R250.00 /m ²			



Office Rentals

Average market rates for rental of office premises in the named City

	Buffalo City			
Grade A+	R95.00 – R150.00 /m ²			
Grade A Mean	R60.00 – R105.00 /m ²			
Grade B	R45.00 – R95.00 /m ²			
Grade C	R35.00 – R60.00 /m ²			

** - Range of prices depending upon location with Metropolitan area*



Telecommunications Tariffs (fixed line)

Local telephone calls (Telkom)

Call distance	Standard time (7am – 7pm)	Callmore time (7pm – 7am)
Local (0-50km)	R0.46 / minute, billed per second	R0.23 / minute, billed per second
Long distance (>50km)	R0.46 / minute, billed per second	R0.23 / minute, billed per second

International outgoing calls (Telkom)

Country	Peak time (8am – 8pm)	Off-peak time
UK	R0.60 / minute, billed per second	R0.60 / minute, billed per second
USA	R0.60 / minute, billed per second	R0.60 / minute, billed per second
Australia	R0.82 / minute, billed per second	R0.82 / minute, billed per second
Netherlands	R0.78 / minute, billed per second	R0.78 / minute, billed per second
India	R0.74 / minute, billed per second	R0.74 / minute, billed per second



Telecommunications Tariffs (mobile)

Landline (Telkom) to mobile numbers

	Peak (7am – 8pm)	Off-peak
Per-second billing	R1.304 / 60 seconds	R1.053 / 60 seconds

Mobile to mobile

Dependent on package	Per Second Billing	
MTN	R 0.79 – R1.20 / 60 seconds	
Vodacom	R 0.79 – R1.20 / 60 seconds	
Cell C	R 0.66 – R0.99 / 60 seconds	



Telecommunications connection & rental

Telkom line installation and rentals

	Speed	Installation	Monthly Rental
Analogue line - Residential		R654.00	R189.00
Analogue line - Business		R654.00	R269.00
ISDN2		R917.35	R444.38
ISDN2a		R1,251.98	R470.48
ISDN 30 – single link		R41,991.73	R4,713.00
ISDN 30 – up to 4 links (price per link)		R35,198.88	R4,713.00
ISDN 30 – up to 9 links (price per link)		R32,852.59	R4,713.00
ISDN 30 - > 10 links (price per link)		R31,188.41	R4,713.00
DSL (Faster)		R792.00	R299.00
DSL (Fastest)	Max 10MBps Download	R792.00	R425.00
DSL Elite (VDSL)	Max 20MBps Download	R792.00	R499.00
DSL Elite + (VDSL)	Max 40MBps Download	R792.00	R 599.00



Telecommunications rental

☐ Internet service provider (TelkomInternet)

	Speed / Monthly Bandwidth	Monthly Fee
Business Softcap (over DSL)	8, 10, 20, 40MBps / 100GB per month	R525.00
Business Uncapped (over DSL)	8MBps	R599.00
	10MBps	R725.00
	20MBps	R1,119
	40MBps	R1,749.00
	100MBps	R2,149.00
Fibre to the Business (FTTB)	40MBps / 300GB	R1,499.00
	100MBps / 500GB	R1,999.00
	40MBps / Uncapped	R2,699.00
	100MBps / Uncapped	R3,199.00

NOTE: ISP charge for DSL-based connections exclude the Telkom DSL line charges; ISP charges for fibre-based connections include the fibre line charges.



Taxation

- The tax rates, rebates, exemptions and deductions set out below are in respect of the year of assessment ending on 28 February 2017

Type	Rate
VAT	14%
Corporate Tax Rate	28%
Micro businesses (turnover less than R1 million) – TURNOVER TAX R 0 – R 335,000 turnover R 335,001 – R 500,000 turnover R 500,001 – R 750,000 turnover R 750,001 – R1,000,000 turnover	0% 1% of turnover above R 335,000 R 1,650 + 2% of turnover R 500,000 R 6,650 + 3% of turnover above R 750,000
Small business corporation (turnover up to R20 million) R 0 – R 75,000 taxable income R 75,001 – R 365,000 taxable income R 365,001 – R 550,000 R 550,001 +	0% 7% above R 75,000 R 20,300 + 21% of taxable income above R 365,000 R 59,150 + 28% of taxable income above R 550,000
Dividend Tax	15%
Foreign resident companies trading in South Africa	33%
Individual Income Tax R 0 – R 188,000 R 188,001 – R 293,600 R 293,601 – R406,400 R 406,401 – R550,100 R 550,101 – R701,300 R 701,301 and above	18% of taxable income R 33,840 + 26% of taxable income above R 188,000 R 61,296 + 31% of taxable income above R 293,600 R 96,264 + 36% of taxable income above R 406,400 R 147,996 + 39% of taxable income above R 550,100 R 206,964 + 41% of taxable income above R7 01,300



Taxation (cont'd)

- ❑ The tax rates, rebates, exemptions and deductions set out below are in respect of the year of assessment ending on 28 February 2017

Type	Rate
Tax on retirement funds <ul style="list-style-type: none"> • Withdrawal Benefit <ul style="list-style-type: none"> R 0 – R 25,000 R 25,001 – R 660,000 R 660,001 – R 990,000 R 990,001 and above • Benefits or Severance Benefits <ul style="list-style-type: none"> R 0 – R 500,000 R 500,001 - R 700,000 R 700,001 – R 1,050,000 R 1,050,001 and above 	0% 18% of taxable income above R25,000 R 114,300 + 27% of taxable income above R 660,000 R 203,400 + 36% of taxable income above R 990,000 0% of taxable income 18% of taxable income above R 500,000 R 36,000 + 27% of taxable income above R 700,000 R 130,500 + 36% of taxable income above R 1,050,000
Capital gains <ul style="list-style-type: none"> • Individuals • Special Trusts • Trusts • Companies 	Inclusion rate: 40%; Max effective rate: 16.4% Inclusion rate: 40%; Max effective rate: 16.4% Inclusion rate: 80%; Max effective rate: 22.4% Inclusion rate: 80%; Max effective rate: 32.8%



Taxation (cont'd)

- ❑ The tax rates, rebates, exemptions and deductions set out below are in respect of the year of assessment ending on 28 February 2017

Type	Rate
Transfer duty (not payable if transaction is subject to VAT) Natural person and legal entities (companies, trusts) <ul style="list-style-type: none"> • R 0 – R750,000 • R 750,001 – R 1,250,000 • R 1,250,001 – R 1,750,000 • R 1,750,001 – R 2,250,000 • R 2,250,001 – R 10,000,000 • R 10,000,001 and above 	0% 3% of the value above R 750,000 R 15,000 + 6% of the value above R 1,250,000 R 45,000 + 8% of the value above R 1,750,000 R 85,000 + 11% of the value exceeding R 2,250,000 R 937,500 + 13% of the value exceeding R 10,000,000
Skills Development Levy	1% of the total amount paid in salaries to employees
Unemployment Insurance Contributions	Employer must pay a total contribution of 2% (1% contributed by the employee and 1% contributed by the employer) within the prescribed period
Estate duty	20% on the amount above R3,500,000
Tax on International Air Travel <ul style="list-style-type: none"> • flights to SACU countries • all other international flights 	R100.00 R190.00



Human Resources

☐ Comparative Monthly Wages (Rate per hour)

Skill Level	Buffalo City: Small Company	Buffalo City: Large Company		
Lower Skilled <i>(Tea maker / cleaner)</i>	R14.00 – R16.00/hr	R14.50 – R18.00/hr		
Semi-skilled clerical <i>(Defined repetitive duties)</i>	R20.00 - R22.50/hr	R20.00 - R25.00/hr		
Supervisory <i>(Up to 5 yrs experience with good knowledge)</i>	R18.50 – R22.00/hr	R20.00 – R26.00/hr		
Specialized / lower to middle management <i>(Managerial position, Grade 12 with 5 yrs experience)</i>	R25.00 + /hr	R25.00 + /hr		

Note: figures depend on the industry, bargaining council, management, BCEA, historic data



Human Resources (cont'd)

❑ Basic conditions of employment

Condition	Description
Severance pay	Employers must pay severance pay to retrenched workers. The pay must be equal to at least 1 week's pay for each completed year of continuous service. In addition to severance pay, workers are entitled to any other amounts that they are legally entitled to. Workers are not entitled to severance pay if they unreasonably refuse other employment with the same employer or with another employer.
Normal time <ul style="list-style-type: none"> • 1-5 days per week • >5 days per week • Workers may agree, in writing, to work up to 12 hours a day without getting overtime pay. 	<p>maximum of 9 hrs per day /45 hrs per week maximum of 8 hrs per day/45 hrs per week</p> <p>May not work more than:</p> <ul style="list-style-type: none"> • 45 ordinary hours a week, • 10 hours' overtime a week • 5 days a week
Overtime	The amount of overtime a worker may work is limited. Workers must get 1.5 times their normal hourly pay or paid time off in exchange for overtime.
Public holidays	Workers must get paid time off for public holidays, but if they agree to work, they must be paid double their normal daily wage.
Annual leave	Workers get a minimum of 21 consecutive days of annual leave each year. Employers can only pay workers instead of granting annual leave when employment is terminated.
Sick leave	Workers may take the number of days they would normally work in a 6-week period for sick leave on full pay in a 3-year period. Employers may insist on proof of illness before paying a worker for sick leave.
Maternity leave	Pregnant women may take 4 months of maternity leave, starting 1 month before their due date.
Family responsibility leave	Workers may take up to 3 days of paid leave a year to attend to certain family responsibilities.



Utilities

☐ Electricity

	Buffalo City			
Domestic	R37.9841 availability R1.7811 /kWh			
Small power users Up to 50kVA	R186.9030 availability R1.8052 /kWh			
Large power users >80kVA, 400V	R856.6936 availability R264.0916 /kVA max demand R0.7178 /kWh			
Large power users >1MVA, 11KV	R1,287.6710 availability R248.0036 /kVA max demand R0.6642 /kWh			



Utilities (cont'd)

Water

	Buffalo City			
Domestic				
0 - 6 kl	R 12.5796 /kl			
7 - 10 kl	R 12.8263 /kl			
11 - 20 kl	R 17.8141 /kl			
21 - 30 kl	R 23.0923 /kl			
> 30 kl	R 28.9796 /kl			
Commercial & Industrial	R 17.6377 /kl			



Utilities (cont'd)

Sewerage

	Buffalo City			
Sewerage - domestic				
Erf 0-300m ²	R 837.00 /year			
Erf 301-400m ²	R 1,329.00 /year			
Erf 401-800m ²	R 3,460.00 /year			
Erf 801-1200m ²	R 3,735.00 /year			
Erf >1200m ²	R 4,070.00 /year			
Flats: Ordinary	R 2,327.00 /year			
Flats: Complex	R 2,107.00 /year			
Flats: Semi's	R 2,327.00 /year			
Flats: Cluster Houses/Townhouses	R 2,880.00 /year			
Sewerage - business				
Pan charge per pan	R 2,440.00 /year			
Annual area charge (square root of area in m2)	R 197.00 /year			
Sewerage - industrial				
Pan charge per pan	R 2,843.00 /year			
Annual area charge (square root of area in m2)	R 258.00 /year			



Utilities (cont'd)

Solid waste removal (refuse)

	Buffalo City				
Refuse - domestic	R195.00 /month				
Refuse - trade & industrial	1 x per week	2 x per week	3 x per week	4 x per week	5 x per week
Per 85 liter bin load:	-	R441.00	R661.00	R881.00	R1,100.00
Per 240 liter bin load:	R621.00	R1,242.00	R1,863.00	R2,483.00	R3,104.00
Per 420 liter bin load:	R1,085.00	R2,169.00	R3,255.00	R4,344.00	R5,426.00
Per 0.77m ³ container:	R520.00	R1,039.00	R1,560.00	R2,077.00	R2,598.00
Per 1.1m ³ container:	R744.00	R1,483.00	R2,229.00	R2,966.00	R3,708.00



Utilities (cont'd)

Rates and fire levy

	Buffalo City			
Municipal rates - domestic Residential Property (incl farms or smallholdings used for Residential purposes)	R0.009039 / Rand on Improved Market Value			
Municipal rates - business Business, Commercial & Industrial Property (incl farms used for Game- / Eco Tourism)	R0.0226 / Rand on Improved Market Value			
Fire levy				
Domestic	R 42.00			
Non-Domestic Small power users (scale 2)	R 73.00			
Industrial/Commercial- Large power users (scale 3)	R 236.00			
Non-Domestic Vacant Properties	R 48.00			
Non-Domestic Charging of Cylinders	R 46.00			



Utilities (cont'd)

Fuel prices as at March 2016

	Buffalo City			
Unleaded petrol	R 11.31 / litre (controlled retail price)			
Diesel (0.05% = 500ppm sulphur)	R 10.41 / litre (average retail price)			
Illuminating paraffin	R 10.33 / litre (average retail price)			



Transportation & freight

Rail transport of freight (Spoornet)

To:	From:	Buffalo City			
Buffalo City					
Cape Town		R 12,105 – 6m light R 15,183 – 6m heavy			
Johannesburg		R 4,545 – 6m light R 6,619 – 6m heavy			
Durban		R 12,193 – 6m light R 15,360 – 6m heavy			



Transportation & freight (cont'd)

☐ Air transport of cargo (SAA)

From: Buffalo City To:	General	Express	Bonsela	Starlight Express (Night Freighter)
Cape Town	R83.80 (minimum charge) R6.60/kg (weight: <100kg) R6.49/kg (weight: >100kg)	R119.55 (minimum charge) R23.23/kg (weight: <100kg) R22.73/kg (weight: >100kg)	R53.00 (minimum charge) R1.60/kg (nominal)	R119.55 (minimum charge) R31.87/kg (weight per kg)
Johannesburg	R83.80 (minimum charge) R6.60/kg (weight: <100kg) R6.49/kg (weight: >100kg)	R119.55 (minimum charge) R23.23/kg (weight: <100kg) R22.73/kg (weight: >100kg)	R53.00 (minimum charge) R1.60/kg (nominal)	R 119.55 (minimum charge) R31.87/kg (weight per kg)
Durban	R83.80 (minimum charge) R4.29/kg (weight: <100kg) R4.17/kg (weight: >100kg)	R119.55 (minimum charge) R12.63/kg (weight: <100kg) R12.35/kg (weight: >100kg)	R53.00 (minimum charge) R1.60/kg (nominal)	R 119.55 (minimum charge) R15.95/kg (weight per kg)



Transportation & freight (cont'd)

Sea transport (Safmarine)

To:	From:	Buffalo City		
USA:	Reefer		Dry	
Los Angeles, CA (58 days)	6,794 USD – 20 ft 7,400 USD – 40 ft		3,616 USD – 20 ft 5,271 USD – 40 ft	
N Charleston, SC (36 days)	4,503 USD – 20 ft 5,130 USD – 40 ft		3,216 USD – 20 ft 4,371 USD – 40 ft	
Savannah, GA (39 days)	5,473 USD – 20 ft 5,794 USD – 40 ft		3,671 USD – 20 ft 4,826 USD – 40 ft	
Newark, NJ (31 days)	4,503 USD – 20 ft 5,130 USD – 40 ft		3,216 USD – 20 ft 4,371 USD – 40 ft	

To:	From:	Buffalo City		
UK (34 days)	1,728 USD – 20 ft 2,255 USD – 40 ft			
China (39 days)	698 USD – 20 ft 1,168 USD – 40ft			



Transportation & freight (cont'd)

Courier charges (DHL)

To:	From:	Buffalo City
Any place in SA – overnight		R 340.47 (0.5kg)
Any place in SA – same day		Service not available
London		R 371.69 (0.5kg)
Botswana / Namibia / Swaziland / Malawi / Zimbabwe		R 346.62 – R 379.32 (0.5kg)
China		R 622.39 (0.5kg)
Australia		R 622.39 (0.5kg)



Living in Buffalo City

- Hotel / Guest House Accommodation (average prices per person per night, B&B basis)

	Buffalo City			
Three star	R 934.00			
Four star	R 1,206.67			
Five star	R2,500.00			

- Apartment rental, unfurnished (per month)

	Buffalo City			
Bachelor	R 4,000.00 (<i>High</i>) R 3,000.00 – R 3,500.00 (<i>Medium</i>) R 2,800.00 – R 3,100.00 (<i>Low</i>)			
1 – bedroom	R 4,000.00 – R 5,500.00 (<i>High</i>) R 4,000.00 – R 5,000.00 (<i>Medium</i>) R 3,500.00 – R 3,900.00 (<i>Low</i>)			
2 – bedroom	R 5,500.00 – R 6,500.00 (<i>High</i>) R 5,000.00 – R 6,000.00 (<i>Medium</i>) R 4,000.00 – R 4,500.00 (<i>Low</i>)			
3 – bedroom	R 8,000.00 – R 10,000.00 (<i>High</i>) R 7,500.00 – R 8,500.00 (<i>Medium</i>) R 7,000.00 – R 8,000.00 (<i>Low</i>)			



Living in Buffalo City (cont'd)

Beverages - average prices in establishments

	Buffalo City			
Heineken Beer	R21.58			
Coca Cola	R15.82			
Filter Coffee	R16.48			
Big Mac Burger	R28.00			



Municipal Fees

Rezoning	Buffalo City			
Erven 0 – 2,500 m ²	R 2,458.00			
2,501 – 5,000 m ²	R 4,608.00			
5,001 – 10,000 m ²	R 9,218.00			
1Ha – 5Ha	R 12,289.00			
Over 5Ha	R 15,362.00			
Advertising fee	R 3,071.00			

Building plan submission fees	Buffalo City			
Residential house	0.5% of R5,430.00 /m ²			
Apartments / townhouses	0.5% of R6,207.00 /m ²			
Retail	0.5% of R6,207.00 /m ²			
Commercial Office	0.5% of R6,468.00 /m ²			
Industrial – first 5,000m ²	0.5% of R5,430.00 /m ²			
Industrial – bal over 5,000m ²	0.5% of R4,528.00 /m ²			