

August 19, 2020

Reply to Attn of:
Ms. Shirley Robinson, South African National Treasury
Mr. Serutle Ntlateng, City Power Johannesburg (SOC) Ltd
Johannesburg
South Africa

Subject: *Doing Business 2021* – South Africa

Thank you very much for submitting the Data Update Form containing your comments on the *Doing Business* indicators in South Africa. The team highly appreciates the dialogue as an important way to exchange views and ensure that the *Doing Business* report reflects an accurate picture of business regulations.

The team carefully reviewed the submitted Memos in conjunction with the information provided by its local partners in South Africa and prepared this response accordingly.

Thank you again for the valuable input. We look forward to our continued dialogue and we remain at your disposal for any additional questions.

Sincerely,

Doing Business Team

Doing Business 2021 – SOUTH AFRICA

I. Starting a Business

Comment received from Government:

Type of data update: Reform

Description of the data update: Reform #1: Process Redesign through automation and the launch of BizPortal.

Description of the reform: BizPortal is a new integrated digital platform for company registration that brings together enterprise formalization G2B (Government to Business) services to ensure smooth and seamless business registration within the Republic of South Africa. The platform was created through a collaborative effort of multiple Government Agencies namely: Companies and Intellectual Property Commission; South African Revenue Service; Department of Home Affairs; Compensation Fund; and, Unemployment Insurance Fund.

The platform enables an entrepreneur to register a business online in just a few hours. The entrepreneur can register a business without any paperwork or uploading of documents. The entrepreneur (and/or any other directors) is authenticated directly with Home Affairs, online. The BizPortal registration process merges all company registration steps into one procedure.

BizPortal [<https://bizportal.gov.za/>] was piloted in October 2019.

Communication activities

The deployment of BizPortal has been communicated through television, radio, social media and even the President reported on its success. <https://www.youtube.com/watch?v=W9rZBUj3CTw> [President of South Africa, Africa Investment Conference]

<https://www.youtube.com/watch?v=NsFF-33NqW0> [Prof Sharon Smulders, South African Institute of Chartered Accountants, Rehelda Williams of CIPC, Tando Luyaba of CIPC]

InvestSA facilitated sensitisation workshops with Government departments, professional bodies, professionals, banks and other stakeholders with verifiable attendance registers.

The BizPortal provides extensive videos for entrepreneurs on their YouTube channel -

<https://www.youtube.com/channel/UCg1SsFDigod0MmRvHIWz9oA>. It highlights the ease of use and what can be expected when transacting with the BizPortal.

It has been well received by the public/entrepreneurs and below are some tweets by the ex-First National Bank CEO and Alex Forsyth-Thompson.

Sub-index or question impacted: Reduction in procedures

Suggested data modification: The reform effort on the Starting a business indicator has yielded a reduction of 3 procedures through a combination of procedures and through the use of automation.

The new end to end processes for Starting a Business (calculated per DB methodology) now comprises of four steps and takes a total of 7.5 days. The detail is as follows:

1. Register the business online [During Registration] – typically within an hour to a few hours.

BizPortal permits near-simultaneous completion of the following processes on one platform.

- a. Reserve name (optional)*
 - b. Register business*
 - c. Reserve a domain name (optional value-add)*
 - d. Obtain a BEE Certificate (optional Value-add)*
 - e. Pay (R125 for registering the business and/or R50 for name reservation, optional)*
 - f. Register for Unemployment Insurance Fund*
 - g. Register for Compensation Fund*
 - h. Register for Company Tax Number*
 - i. Apply for a bank account with the major banks*
- 2. Open and authenticate the Bank Account within 24 hours, online*
 - 3. Pay Skills Development Levy and Pay As You Earn as part of the Payroll process [Post Registration, operating the business] – 1 day*
 - 4. Register for VAT with SARS [Post Registration, operating the business] – must register in person at a SARS branch - 5 days*

Date of entry into force (if applicable): 01/10/2019

Legal basis (if applicable): The reforms achieved have been delivered through business process streamlining further to IFC/WBG Reform Memoranda in 2017, 2018 and 2019 to guide the Starting a Business Technical Working Group. These memoranda and the Action Plans (that were distilled therefrom) for the Technical Working Group have stressed the importance of inter-agency collaboration as well as the importance of automation to avoid unnecessary delays. BizPortal achieves the collaboration between the Companies and Intellectual Property

Commission (CIPC), the Department of Home Affairs the South African Revenue Services (SARS) and the Unemployment Insurance Fund (UIF) and Compensation Fund (CF) of the Department of Labour that the TWGs have worked to deliver. The 2019 Reform Memo and resulting action plan outlined a timeline for the reforms to be enacted and provided a framework for accountability of various actors to ensure results.

Response from *Doing Business* team:

The Starting a Business indicator records all procedures, time and cost for an entrepreneur to start up and formally operate an industrial or commercial business, as well as the time and cost to complete these procedures and the paid-in minimum capital requirement. A procedure is defined as any interaction of the company founders with external parties (for example, government agencies, lawyers, auditors or notaries). A procedure is recorded as being done online if several conditions are met, including the following: (1) the online platform for the procedure exists and functions without any major issues, (2) the majority of entrepreneurs use the online system, (3) no follow-up in person is required after the online interaction. Time is recorded in calendar days and captures the median duration that incorporation lawyers indicate is necessary in practice to complete all procedures with minimum follow-up with government agencies.

The *Doing Business* team note the implementation of the new integrated digital platform for company registration BizPortal. Local private sector experts confirmed that, as of May 1, 2020, while registering a company through the BizPortal platform, entrepreneurs could choose various names and the first available one would be selected to continue the registration process. Entrepreneurs could also register for income tax and withholding taxes (PAYE, UIF and SDL). As a result, this initiative will be acknowledged in the upcoming *Doing Business 2021* report, and the procedures to reserve company name (Procedure 1) and register for income tax and withholding taxes (Procedure 4) will be merged with the company registration (Procedure 2).

However, due to the fact that the platform has been implemented fairly recently – on October 2019 – the majority of experts were not aware of the option to register the company with the Unemployment Insurance Fund (UIF) and register employees with the Compensation Fund using the BizPortal platform. As of May 1, 2020, the majority of new companies would still go to Department of Labor for Unemployment Insurance and the Office of the Compensation Commissioner in order to register for unemployment insurance and employees fund. In light of the above, the option to register with the UIF (Procedure 6) and with the Compensation Fund (Procedure 7) through the BizPortal platform during the incorporation procedure will be not be reflected in the upcoming *Doing Business 2021* report. Notwithstanding the foregoing, the team will keep monitoring the implementation of this initiative and will make adjustments in the future as required.

Regarding the time to start a business, the time decreased associated with the implementation of the new platform will be reflected in the upcoming *Doing Business 2021* report but will reflect the median duration that incorporation lawyers indicated is necessary in practice to complete all procedures with minimum follow-up with government agencies.

Comment received from Government:

Type of data update: Data correction

Description of the data update: There is no paid in minimum capital requirement for starting a business in South Africa.

Sub-index or question impacted: Reduction in cost

Suggested data modification: Data clarification. Change from ZAR 1 to 0.

Legal basis (if applicable): Companies Act

Response from *Doing Business* team:

The paid-in minimum capital requirement reflects the amount that the entrepreneur needs to deposit in a bank or with a third-party before registration or up to three months after incorporation and it is recorded as a percentage of the economy's income per capita. Any legal limitation of the company's operations or decisions related to the payment of the minimum capital requirement is recorded. Private sector experts consulted by the *Doing Business* team indicated that, as of May 1, 2020, a capital of at least ZAR 1 is required by the business registry and that the start-up capital of the newly incorporated company has to be deposited in the bank account of the company. As a result, the data on the paid-in minimum capital will remain unchanged in the *Doing Business* reports.

II. Dealing with Construction Permits

Comment received from Government:

Type of data update: Reform

Description of the data update: Reform #1: One Stop Shop

Description of the reform: Whilst going through the process of automation of the construction permits process, COJ has implemented a One Stop Shop from September 2019 to streamline the manual process. This reform has been implemented in two phases:

- 1) Circulation of SDPs for stamps (water, roads, energy) by the Land Use Management department internally. Unlike previously when the architect needed to get various stamps and pre-approvals before the SDP submission, according to a circular issued in April 2019, which has been disseminated to the private sector, City of Johannesburg (CoJ) Land Use Management now accepts the SDP (without any pre-approvals) and they do the circulation to municipal owned entities (water, roads, energy) internally as and when appropriate depending on the type of development. In the case of the warehouse, there is no requirement for circulation to Municipal own entities or agencies neither at SDP nor at building plan approval stage.*
- 2) CoJ established an OSS which allows Land Use Management and Building Development Management to obtain a comment or a stamp from the requisite commenting department, where applicable, thereby reducing all the pre-approvals and stamps previously obtained by the private sector before submission of site development and building plans.*

The OSS is located on the 5th Floor at COJ where Johannesburg Roads Agency, Johannesburg Water, and Johannesburg Fire Department go to provide a comment/stamp. This was done to improve customer centricity, while knowing that their supply chain process takes a long time.

A formal communication went out to Johannesburg Roads Agency, City Power, Johannesburg Water, and Johannesburg Fire Department MDs requesting that they release resources for this initiative so that they are present at the OSS.

Resources from the “Commenting Departments” were released to be present at the OSS:

- 1. Joburg Roads Agency – the entire team goes to the OSS on a Monday. Any urgent SDPs that require comment can be arranged for another day by appointment.*
 - 2. Joburg Water – initially the plans were sent to Jhb Water by Courier on a daily basis, but resources were released to be present daily at the OSS*
 - 3. Fire Department – present at the OSS from 08h00 to 12h00 daily.*
 - 4. City Power – not required for comment. Agreed upon by both parties.*
- the OSS has been communicated to all architects via workshops and other means of communications.*

Sub-index or question impacted: Reduction in procedures

Suggested data modification: Architects (or their agents known as “runners”) are NOT required to submit the Site Development Plans (SDPs) and Building Plans for comments/stamps from the various departments known as Municipal Owned Entities (MOEs). The SDP is submitted directly to the Land Use Management department and the Town Planner assesses the SDP. Only if it requires a comment, then it will be taken to the OSS. For a Building Plan, it is submitted at the Metro Link, and the Plans Examiner also assesses the plan and only if it requires a comment, then it will be submitted to the OSS for comment.

This has resulted in reduction of four procedures:

1. Obtain stamp on the plans from the Roads and Stormwater Department
2. Obtain stamp on the plans from the Energy Department
3. Obtain fire safety approval from the Fire Department
4. Obtain stamp on the plans from the Water and Sanitation Department

and time, by 7 days since these are parallel procedures, whereby the Architect/Runner is NOT required to obtain a stamp/comment from these departments.

This was formally communicated to the Architects at the External Stakeholder Engagements, through SACAP, and other channels. COJ has created Standard Operating Procedures to facilitate the approvals/refusals within the timelines.

Date of entry into force (if applicable): 01/09/2019

Legal basis (if applicable): 1. The COJ has an approved Reform Action Plan signed off by the Executive Director: Development Planning and the City Manager.

2. A circular was submitted to Architects stating that from 1 April 2019, Site Development Plans can be submitted directly to the Registration Section in Land Use Management without have to obtain pre-approvals from any MOE or agency or department.

3. New Standard Operating Procedures for Plans Examination and Site Development Plans reflecting the above reform. These were signed off by COJ and communicated internally and externally.

4. A formal Communications Plan was signed off by the Executive Director: Development Planning and the City Manager. This reform has been communicated by the CoJ since early 2019.

Response from Doing Business team:

The *Doing Business* team notes the efforts of the government of South Africa to streamline the process of obtaining construction permits. Private sector experts confirmed that, as of May 1, 2020, the requirement of obtaining stamps on plans from the four agencies – Roads and Stormwater Department; Energy Department; Fire Department and Water and Sanitation Department was indeed eliminated. Therefore, these procedures will be removed in the forthcoming *Doing Business 2021* report. However, please note that since all four procedures were simultaneous to the previous procedure, there will be no subsequent reduction in time.

Comment received from Government:

Type of data update: Reform

Description of the data update: Reform #2: Reduce Turnaround times

Description of the reform: COJ has designed, approved and implemented new Standard Operating Procedures (SOPs) for:

1. Plans Examination
2. Building Inspections
3. Site Development Plans

The SOPs focused on optimising activities, stipulating timelines and accountabilities. The SOPs were signed off and communicated to staff.

The agreed upon timelines in the SOP are:

1. SDPs to be approved within 28 days
2. Building Plans to be approved/refused within 30 days, irrespective of size of building
3. Warehouse SDPs to be approved within 15 days
4. Warehouse building plans to be approved within 15 days
5. Occupancy Certificates to be issued within 4 days

Post the Technical Deep Dive Dubai, the Office of the Presidency requested a meeting to further improve turnaround times. The new Mayor supported the new turnaround times and the new BCO implemented a further reform of all SDPs and building plans for Commercial Property to be:

1. SDPs: approved within 15 days
2. Building Plans: approved/refused within 5 to 10 days

Capacity building and training of CoJ staff as well as clear SOPs, clear checklists and continuous monitoring have ensured that such turnaround times are being achieved.

Sub-index or question impacted: Reduction in time

Suggested data modification: The reform has resulted in (based on CoJ monthly statistics):

1. 91% of all SDPs approved within 28 days (down from 53 days).
2. Warehouse Building Plans approved/refused within 15 days (down from 60 days).
3. Average Building Plan approvals are well below 30 days as per the Standard Operating Procedure for Plans Examinations (for both greater than 500 sqm and less than 500 sqm).
4. Issuance of Occupancy Certificates in 4 days (down from 7 days)

Date of entry into force (if applicable): 01/09/2019

Legal basis (if applicable): COJ has an approved:

1. Reform Action Plan
 2. Standard Operating Procedures
 3. Formal Communications Plan
- that reflects this change.*

Response from *Doing Business* team:

The team notes the government's efforts in reducing the time to obtain construction permits by implementing the Standard Operating Procedures (SOP). Per the Dealing with Construction Permits indicator's methodology, the time to complete each procedure is measured as the median duration that local experts indicate is necessary to complete a procedure in practice rather than the time required by law. Private sector experts in Johannesburg reported that, as of May 1, 2020, they did not experience any reduction in time for obtaining SDPs, building plan approval and obtaining occupancy certificate. They have experienced the same time estimates as previously indicated for these procedures. Some practitioners also indicated that, for the building plan approval, they have in fact experienced higher times. Therefore, the time for these procedures will remain unchanged in the forthcoming *Doing Business 2021* report.

Comment received from Government:

Type of data update: Reform

Description of the data update: Reform #3: Removal of the Open Trench Inspection

Description of the reform: COJ has updated their Standard Operating Procedure: Building Inspections, to reflect that the Open Trench and Setting Out inspection is NOT required to be done by the COJ Building

Inspector, where a set of Professionals (such as the “Engineer-in-charge”, Land Surveyor) which is typically in a Commercial Property (or Warehouse Scenario) are already onsite.

The Professionals who are already on site will therefore provide a Certificate of Compliance as part of the Final Inspection.

The rationale for this is that the COJ Building Inspector will not be able to conduct a proper inspection as the Commercial Property has a rational design and NOT a “deem to satisfy” as per the SAN10400 standard. In lay terms, the typical Warehouse would have a steel structure and would require an engineer to calculate dimensions and weight; and then recommend an appropriate trench specification.

Sub-index or question impacted: Reduction in procedures and in time

*Suggested data modification: The reform has resulted in: 1. A reduction of a procedure – “Receive inspection of all foundation trenches prior to placing of concrete”
2. Reduction of time – 0 days (from 1 day)*

Date of entry into force (if applicable): 01/09/2019

Legal basis (if applicable): COJ has an approved:

- 1. Reform Action Plan*
 - 2. Standard Operating Procedures*
 - 3. Formal Communications Plan*
- that reflects this change.*

Response from *Doing Business* team:

Local private sector construction experts in Johannesburg reported that, as of May 1, 2020, while the in-house engineer did provide a certificate of compliance once the construction was completed, they were still required to request and receive inspections from the Building Development Management of City of Johannesburg Metropolitan Municipality at the foundation level of construction. Therefore, this procedure will remain unchanged in the forthcoming *Doing Business 2021* report.

Comment received from Government:

Type of data update: Data correction

Description of the data update: Data Clarification #1: Removal of the Geotechnical Survey and Topographical Survey

Description of the data clarification

The COJ does NOT require a soil study or topographical survey to be submitted for an approval of an SDP by Land Use Management.

The rationale is that when a township is established, COJ Land Use Management conducts its own soil studies and topographical surveys which is sufficient for them.

Land Use Management requires these studies for an area that is defined to have poor soil conditions as specified in their Town Planning Scheme.

A Notice was placed at the Metro Link and the Land Use Management Department to notify Architects of this. Further communication was issued to the South African Council of Architectural Professionals (SACAP) to notify its members.

Sub-index or question impacted: Reduction in procedures and in time

Suggested data modification: The data clarification has resulted in a reduction of:

- 1. Two procedures*
 - a. Obtain geotechnical survey of the land plot*
 - b. Obtain topographical survey of the land plot*
- 2. Time – 0 days (from 14 days)*
- 3. Cost – 0 (from ZAR 23,424 and ZAR 15,000 respectively)*

Date of entry into force (if applicable): 10/09/2019

Legal basis (if applicable): COJ has an approved:

- 1. Reform Action Plan*
- 2. Standard Operating Procedures*
- 3. Formal Communications Plan*

that reflects this change.

Response from *Doing Business* team:

As mentioned above, the Dealing with Construction Permits indicator measures a procedure as any interaction with any external parties, as required by law or done in practice. Private sector construction experts maintained that, for the construction of a warehouse per the case study of the indicator, a geotechnical survey and topographical survey were being obtained in practice, as of May 1, 2020. Those studies are done in order to review the geotechnical and topographical conditions on the exact plot of land under construction, and to ensure quality of building plans. Therefore, these two procedures remain unchanged in the forthcoming *Doing Business 2021* report.

III. Getting Electricity

Comment received from Government:

Type of data update: Data correction

Description of the data update: Data Clarification #1: Reliability of Electricity Supply – Calculation of SAIDI & SAIFI Indices

Description of the data clarification

The DB reporting calculation of SAIDI & SAIFI reliability indices was previously based on City Power (CP) total customers. The total CP customer base represents “Manageable areas” and “Risk areas”. “Manageable areas” are areas where field operations can be carried out in a regular manner. “Risk areas” are areas where field operations have security risks and threats, mainly in informal areas with high energy losses.

The below table shows the customer base split between “Manageable areas” and “Risk areas” :

Type 2019

Manageable Areas 396 351

Risk Areas 89 112

Total 485 463

The “Risk areas” hence distorted the SAIFI & SAIDI values due to limitations on field operations in these informal areas. In order to properly represent the reliability of supply situation provided by CP it was recommended that CP only reports SAIFI & SAIDI for the “Manageable areas”, which would be representative of the reliability of supply for CP.

The Getting Electricity questionnaire submitted by City Power on the 1st of April 2020 calculated SAIFI & SAIDI using the entire customers base. After engagement with the DB team it was agreed that CP would submit SAIDI & SAIFI data that would be for the “Manageable areas”. The revised data was submitted on the 30th of April 2020.

Sub-index or question impacted: Quality index

Suggested data modification: The data clarification has resulted in SAIDI and SAIFI data as follows:

- 1. SAIFI – 5.9 Outages per year (from 6.41 outages per year)*
- 2. SAIDI – 25.8 hours per year (from 32.43 hours per year)*

Date entry into force: 30/04/2020

Legal basis (if applicable): N/A

Type of data update: Data correction

Description of the data update: Revised SAIDI and SAIFI indices

Sub-index or question impacted: Part 3 - Reliability of electricity in Johannesburg; Section 3.4. 2

Suggested data modification: SAIDI - 25.8 hours ; SAIFI - 5.9

Date of entry into force (if applicable): 01/05/2019

Legal basis (if applicable): Motivation will be emailed

Response from *Doing Business* team:

The Getting Electricity indicator measures the procedures, time and costs to obtain a new commercial electricity connection. In addition, the indicator uses the system average interruption duration index (SAIDI) and the system average interruption frequency index (SAIFI) to measure the duration and frequency of power outages in Johannesburg. SAIDI is the average total duration of outages over the course of a year for each customer served, while SAIFI is the average number of service interruptions experienced by a customer in a year. Annual data (covering the calendar year) are collected from distribution utility companies and national regulators.

The total duration and frequency of outages per customer a year measured by SAIDI and SAIFI is one of the six components of the reliability of supply and transparency of tariffs index. The score on this component ranges from 0 to 3 and is based on the SAIDI and SAIFI values:

- A score of 3 is assigned if SAIDI and SAIFI are 1 (equivalent to an outage of one hour per year) or below;
- A score of 2 is assigned if SAIDI and SAIFI are 4 (equivalent to an outage of one hour each quarter) or below;
- A score of 1 is assigned if SAIDI and SAIFI are 12 (equivalent to an outage of one hour each month) or below;
- A score of 0 is assigned if SAIDI and SAIFI are below 100, however, the country is still eligible to score on the reliability of supply and transparency of tariffs index;
- An economy is not eligible to score on the reliability of supply and transparency of tariffs index if SAIDI and SAIFI are above 100.
- An economy is not eligible to obtain a score on the index if data on power outages are not collected or collected partially (for example, planned outages or load shedding are not included in the calculation of the SAIDI and SAIFI indices).

The *Doing Business* team received the data on SAIDI and SAIFI from the utility in Johannesburg. Per the information provided, the suggested SAIDI and SAIFI represent only certain areas of Johannesburg (“manageable areas”). Per the indicator’s methodology, *Doing Business* uses the SAIDI and SAIFI to measure the duration and frequency of power outages in all areas of Johannesburg; data for selected areas cannot be accepted. As a result, no changes will be made to the SAIDI and SAIFI data in the upcoming edition of the *Doing Business 2021* report. In addition, for SAIDI and SAIFI to be counted, they must include load shedding. This condition applies to all the measured economies. If the data are provided without the inclusion of load shedding, it cannot be reflected in the *Doing Business* report.

IV. Registering Property

Comment received from Government:

Type of data update: Reform

Description of the data update: Reform #1: Rates eClearance at City of Johannesburg Rates Clearance – Procedure 1

Description of the reform: CoJ conducted a review of the Rates Clearance online System. According to the findings of the review, COJ upgraded their SAP rates Clearance online system throughout the 2019 calendar year and accordingly launched the new online rates clearance system. The changes and upgrades introduced were as follows:

- 1. Apply a security certificate to the Portal*
- 2. Use of Advanced Electronic Signatures*
- 3. Integrate with the back office and have a dedicated team to deal with any inquiries by the system in a timely manner*
- 4. Service Level Agreements with City Power and Joburg Water for timely readings*
- 5. Allocation of payments*
- 6. Make changes with the workflows*
- 7. Allow access for the Deeds Office*
- 8. Provide clearance figures through the portal*
- 9. Provide a Rates eClearance Certificate to replace the paper based certificates*

Sub-index or question impacted: Reduction in time

Suggested data modification: Conveyancers are now able to register on the online platform at <https://eclearances.joburg.org.za/> They can apply for the e-Clearance certificate online and the certificate is issued digitally. 98% of rates e-Clearance Certificates have been issued electronically. The other 2% is printed and collected at Thuso House.

The impact of the reform hence is:

- 1. Reduction of turnaround times 7 days (down from 11 days)*

Date of entry: 01/08/2019

Legal basis: COJ has an approved:

- 1. Reform Action Plan*
- 2. Upgrades to the system finalised and portal launched*
- 3. SLAs with city power and Joburg water for faster readings*

Response from Doing Business team:

The Registering Property indicator measures the procedure, time and costs for a limited liability company to purchase a property from another business. Per the indicator's methodology, the time recorded for each procedure captures the median duration that real estate practitioners indicate is necessary in practice to complete a procedure with minimum follow-up with government agencies. Time is recorded in calendar days. The procedure is considered completed once the requested document is received. While time standards to register property transfers established by the land administration systems may be in place, the Registering Property indicator only measures time according to the practice stated by these experts.

The *Doing Business* team notes the introduction of changes and upgrades to the Rate Clearance Online System. Conveyancers in Johannesburg confirmed that, as of May 1, 2020, the Rates Clearance Certificate is obtained electronically but not online. They added that this measure did not impact the time necessary to obtain it. All conveyancers must register with the City Council to use the online platform to apply for the clearance figures. Once the figures are received, which takes one day if there are no issues, then the payment is made at the bank. The proof of payment along with a copy of the figures are sent to a specific email address to the City of Johannesburg. While the City of Johannesburg will acknowledge receipt of the payment, they will still wait for the funds to be cleared by the bank. Once the clearance is processed, then the certificate is issued and emailed to the conveyancers. In light of the above, the time to obtain the Rates Clearance Certificate will remain unchanged at 11 days in the upcoming *Doing Business 2021* report.

Comment received from Government:

Type of data update: Reform

Description of the data update: Reform #2: Turnaround times for at Deeds Office (Procedure 7)

Description of the reform: According to close monitoring and statistics from the Deeds Office to monitor the time for each step in their process once the Conveyancer has lodged to the Deeds Office, it now takes between 5 and 7 days on average to conduct the transfer of the Deed. The efficiency gains of monitoring and management by the deeds office. Conveyancers have confirmed such reductions in the turnaround times. The target of the deeds office is to maintain a 5 days expedition for the Human Settlement project.

Sub-index or question impacted: Reduction in time

Suggested data modification: The impact has resulted in a reduction of days:

1. 5 to 7 days on average [down from 11 days]

See example for January 2020 monthly. You will notice that

1. 11% was availed within 3 days

2. 84% was availed within 4 days

3. 94% was availed within 5 days

4. 96% was availed within 6 days (Meaning we exceeded the expected target)

5. 97% was availed within 7 days (Meaning we exceeded the expected target)

Date of entry: 01/07/2019

Legal basis: Management operational efficiency through monitoring.

Response from *Doing Business* team:

The *Doing Business* team notes the efforts of the government of South Africa to improve the time to conduct the transfer of deed. Conveyancers in Johannesburg confirmed that, as of May 1, 2020, they did not experience any change in the time required to register the deed of sale at the Deed Registry. They further added that they were not aware of any improvements put in place by the Deeds Registry that would lead to a reduction in time. The team notes the statistics provided, however, the Registering Property indicator consider statistics for information only. Consequently, the time for registering the Deeds of Sale at the Deeds Registry will remain unchanged in the upcoming *Doing Business 2021* report.

Comment received from Government:

Type of data update: Data Correction

Description of the data update: Data Clarification #1: Quality dimension reforms: Single Database or separate databases?

Description of the data clarification: The Deeds IT have separate databases but they are connected through index keys and joins. Please see table below that illustrates the relationship (join). (As per attachment)

Sub-index or question impacted: Quality index

Suggested data modification: The impact has resulted in a clarification: 1. Score of 1 (instead of 0)

Response from *Doing Business* team:

In the reliability of infrastructure index, the Registering Property indicator measures whether the land ownership registry and mapping agency are linked. A score of one point is assigned when the information about land ownership and cadastral plans are kept in a single database or in linked databases; and a score of 0 is assigned if there is no connection between these databases. To assess this issue, the team needs to obtain strong evidence that in the largest business city of an economy, property records kept in the agency in charge of registering immovable property are connected with the cadastral records kept in the agency in charge of mapping immovable property. The team carefully reviewed the evidence provided by the government and confirmed that the databases are linked. Therefore, this information will be reflected in the upcoming *Doing Business 2021* report.

Comment received from Government:

Type of data update: Reform

Description of the data update: Reform #3: Quality Dimension: reform for list documents required for property transfer.

Description of the reform

(For graphic see attachment)

It is important to note that South African law states that an Attorney is required for the transfer of property [see screenshot below]. The new website specifically states this and also enlists the documents that the seller and buyer need to have on hand. It is important to clarify here that in the South African context, there are no specify templates/application forms to be completed but rather a list of documents that need to be collected. For example, the FICA documents, such as Identity documents, Proof of Physical address, etc. A standard sample of a Purchase and Sale Agreement has been made available for Residential Property and Commercial Property.

(For graphic see attachment)

This is the website link: <http://deeds.drdir.gov.za/property-transfer-process.php>

See screen shots below to illustrate this: (As per attachment)

Sub-index or question impacted: Quality index

*Suggested data modification: The impact of the reform results in:
1. A score of 1 (instead of 0) in Transparency of Information Index.*

Date of entry: 01/07/2018

Legal basis: A new website was created that reflected a process and the relevant documents that are required.

Response from *Doing Business* team:

In the transparency of information dimension, the Registering Property indicator measures whether the list of documents required for completing all types of property transactions is made easily available to the public. A score of 0.5 is assigned if the list of documents is easily accessible online or on a public board; 0 if it is not made available to the public or if it can be obtained only in person. The team confirms that the Deeds Registry website (<http://deeds.drdir.gov.za/property-transfer-process.php>) officially published the list of documents required for land transactions. This change will be reflected in the upcoming *Doing Business 2021* report.

Comment received from Government:

Type of data update: Reform

Description of the data update: Reform #4: Transparency of Information Index – availability of statistics on transactions

Description of the reform: In response to the query: “Are there publicly available official statistics tracking the number of transactions at the immovable property registration agency?” the response is Yes. The new deeds website now provides information/statistics on property transactions from 1995-2018 per province. See Statistics at: <http://deeds.drdir.gov.za/statistics.php>

The reform was launched in April 2019 through the Department of Rural Development and Land Reform’s new website aimed at enhancing the transparency of information to the public (See <http://deeds.drdir.gov.za/index.php>).

Sub-index or question impacted: Quality index

Suggested data modification: Increase in Transparency of Information Index score by 0.5 point

Date of entry: 01/04/2019

Legal basis: No legal basis required for website development.

Response from *Doing Business* team:

In the transparency of information dimension, the Registering Property indicator measures whether there are publicly available official statistics tracking the number of transactions at the immovable property registration agency for the last five years. A score of 0.5 points is assigned if statistics are published about property transfers in the largest business city in the past calendar year at the latest on May 1 of the following year; a score of 0 points is assigned if no such statistics are made publicly available. Please note that South Africa already score 0.5 point on publicly available statistics on the number of transfers. Therefore, the answer to the question of publicly available statistics on the number of transactions at the Deeds Registry will remain unchanged in the upcoming *Doing Business 2021* report.

V. Paying Taxes

Comment received from Government:

Type of data update: Data correction

Description of the data update: Data Clarification #1: Time to comply – VAT refund (hours) – data clarification

Description of the reform

The Paying Taxes Technical Working Group has engaged with the Professional Bodies (SAICA, SAIPA, SAIT) and the Tax Practitioners with regard to the understanding of obtaining the invoice for the one large capital asset. PWC was also requested to check with their counterparts in UK on their understanding. They were not ‘over interpreting’.

The outcome was that South Africa didn’t understand the case study well and realised that the invoice was already at hand in the Accounting System of the TaxPayerCo. In doing the previous VAT calculation, all the information was available, and only the one large invoice needed to be included.

This calculation time is in minutes and submission is done online (SARS efilng) which is also in minutes.

Sub-index or question impacted: Reduction in time

Suggested data modification: 30 minutes to 1 hour is therefore estimated.

Legal basis (if applicable): N/A

Response from *Doing Business* team:

Per the Paying Taxes indicator’s methodology, the postfiling index is based on four components—time to comply with VAT refund, time to obtain VAT refund, time to comply with a corporate income tax correction and time to complete a corporate income tax correction. The time to comply with a VAT refund is recorded in hours and includes the process of claiming a VAT refund and the process of complying with a VAT audit if applicable.

The process of claiming a VAT refund includes: time spent by TaxpayerCo. on gathering VAT information from internal sources, including time spent on any additional analysis of accounting information and calculating the VAT refund amount; time spent by TaxpayerCo. on preparing the VAT refund claim; time spent by TaxpayerCo. preparing any additional documents that are needed to substantiate the claim for the VAT refund; time spent submitting the VAT refund claim and additional documents if that submission is done separately from the submission of the standard VAT return; time spent making representation at the tax office if required; and time spent by TaxpayerCo. completing any other mandatory activities or tasks associated with the VAT refund.

The process of a VAT audit is also captured if companies with a request for a VAT cash refund due to a capital purchase are pooled into additional review in 50% or more of cases. Time to comply with a VAT audit includes: time spent by TaxpayerCo. on gathering information and preparing any documentation (information such as receipts, financial statements, pay stubs) as required by the tax auditor; time spent by TaxpayerCo. on submitting the documents requested by the auditor.

Private sector experts were consulted by the *Doing Business* team on the time to comply with a VAT refund in 2019. They confirmed that the time spent by the case study company to prepare the VAT refund claim can be reduced because only the VAT 201 return (standard VAT return) is required to be filed to request

the VAT refund. In South Africa, the case study company completes a VAT audit due to the likelihood of additional review being greater than 49%. Therefore, time to comply with a VAT audit is captured in the time to comply with a VAT refund. Private sector experts explained that in 2019, the time spent preparing any documentation (information such as receipts, financial statements, pay stubs) as required by the tax auditor decreased due to improved communication between taxpayers and SARS which improved the efficiency of the information gathering process. As such, private sector experts confirmed that it took less time to prepare any documentation required by the tax auditor following the VAT refund request in 2019 than in 2018. Therefore, the decrease in time to comply with a VAT refund (hours) will be reflected in the upcoming *Doing Business 2021* report.

Comment received from Government:

Type of data update: Reform

Description of the data update: Reform #1: Time to obtain a VAT refund (weeks)

Description of the reform

SARS has implemented reforms to ensure that their turnaround times for VAT refunds are Tax-filer centric.

- 1. The Service Charter was launched mid-2018 to promote voluntary submissions and to improve the efficiencies of SARS. (In attached doc)*
 - 2. SARS is taking SME tax filers as a priority and has employed an SME Head to focus specifically in servicing the SME segment.*
 - 3. Research was conducted on VAT refunds, and presented to the TWG.*
 - 4. SARS has conducted more than 3000 technical training sessions in the various tax products, , which contributed to the more efficient processing of VAT refunds.*
 - 5. SARS has a set of measures and targets in line with its Service Charter that is monitored tightly and is reported daily by means of live dashboards.*
 - 6. SARS has continued to refine its risk rules, based on the hit rates reflected in historic data, as well as insights gained from audits and verification concluded. This resulted in significantly reduced intervention rates (>30% reduction).*
 - 7. By refining the risk rules and eliminating false positives, it automatically creates more capacity as there are fewer cases per auditor to work on. This improves turnaround times.*
 - 8. Communication: various communicate on the VAT refunds were communicated. The Registered Controlling Bodies (Professional Bodies) are quite active and share the information with their members.*
 - 9. The data presented by SARS (empirical) showed 5 weeks (23 days) to obtain a refund. For more information see attached document.*
 - 10. Risk Engine: In some cases, PWC observed that VAT refunds were done even before a verification. (For graphic see attachment)*
- The data presented by SARS (empirical) showed 5 weeks (23 days) to obtain a refund. The Paying Taxes Technical Working Group shared their experiences of 4 to 5 weeks.*
- SARS allocation to the VAT account was increased in October 2018 and has since been continuously updated. Therefore, the VAT refunds has been fast.*

In some cases, PWC observed that VAT refunds were done even before a verification. SARS response was that if the TaxPayerCo was in good standing and a going concern, then the VAT refund was done faster. Their risk was considered as low.

Sub-index or question impacted: Reduction in time

Suggested data modification: The impact of the reform results in: 1. A reduction by 10 weeks to 5 weeks (from 15 weeks)

Date of entry into force (if applicable): 01/10/2018

Legal basis (if applicable): The reform achieved has been a result of a combination of SARS' SME support program, process streamlining to ensure expeditious settlement of VAT claims, adjustment to SARS' risk engine to ensure prompt resolution of claims for firms with a history of compliance/without red flags and the release by National Treasury of funds to ensure prompt payment of claims/refunds.

Response from *Doing Business* team:

Per the Paying Taxes indicator's methodology, the time to obtain a VAT refund is recorded in weeks. Time measures the total waiting time to receive a VAT refund from the moment the request has been submitted. If companies with a request for a VAT cash refund due to a capital purchase are pooled into additional review in 50% or more of cases, time includes: time to start the audit from the moment of claiming the VAT refund, time spent by TaxpayerCo. interacting with the auditor from the moment an audit begins until there are no further interactions between TaxpayerCo. and the auditor (including the various rounds of interactions between TaxpayerCo. and the auditor), time spent waiting for the tax auditor to issue the final audit decision from the moment TaxpayerCo. has submitted all relevant information and documents and there are no further interactions between TaxpayerCo. and the auditor and time spent waiting for the release of the VAT refund payment from the moment the final audit decision has been issued by the auditor.

The *Doing Business* team notes the efforts of the government of South Africa to improve the time for VAT refunds. In South Africa, the case study company completes a VAT audit due to the likelihood of additional review being greater than 49%. Private sector experts were consulted by the *Doing Business* team for each stage of the time to obtain a VAT refund as detailed above. They confirmed that there was a reduction in the time spent by TaxpayerCo. interacting with the auditor from the moment an audit begins until there are no further interactions between TaxpayerCo. and the auditor (including the various rounds of interactions between TaxpayerCo. and the auditor) in 2019 compared to 2018. Tax experts explained that this reduction in time was due to more capacity in the SARS to process the VAT audits. For completeness, they confirmed that the other components of the time to obtain a VAT refund remained unchanged in 2019. The decrease in time to obtain a VAT refund will therefore be reflected in the upcoming *Doing Business 2021* report.

Comment received from Government:

Type of data update: Reform

Description of the data update: Reform #2: Time to complete a Corporate Income Tax Audit (weeks)

Description of the reform

SARS has demonstrated that their time has significantly improved by placing emphasis (internally) to their audit division. This has resulted in an astounding improvement turnaround times.

Their audit division has received more training to improve its efficiency.

(For graphic see attachment)

Sub-index or question impacted: Reduction in time

Suggested data modification: The impact of the reform results in:

1. A reduction by 15 weeks to 17 weeks (from 32 weeks)

Date of entry into force (if applicable): 01/06/2019

Legal basis (if applicable): Reforms have been achieved through process streamlining to ensure expeditious conclusion of audits and adjustment to SARS' risk engine to ensure fast-tracked audits for firms with a history of compliance/without red flags. SARS has also conducted extensive training to its audit division to apply adjusted risk engine.

Response from *Doing Business* team:

Per the Paying Taxes indicator's methodology, time to complete a corporate income tax correction is recorded as zero if less than 25% of companies will go through an additional review. The time to complete a corporate income tax correction is recorded in weeks and includes: the time to start an audit from the moment the tax authority has been notified of the error in the corporate income tax return, time spent by TaxpayerCo. interacting with the auditor from the moment an audit begins until there are no further interactions between TaxpayerCo. and the auditor (including the various rounds of interactions between TaxpayerCo. and the auditor), and time spent waiting for the tax auditor to issue the final tax assessment from the moment TaxpayerCo. has submitted all relevant information and documents and there are no further interactions between TaxpayerCo. and the auditor.

In South Africa, the case study company completes a corporate income tax correction due to the likelihood of additional review being greater than 24%. Private sector experts were consulted by the team for each stage on the time to complete a corporate income tax correction as detailed above. They confirmed that there was a reduction in time spent waiting for the tax auditor to issue the final tax assessment from the moment TaxpayerCo. has submitted all relevant information and documents and there were no further interactions between TaxpayerCo. and the auditor in 2019 compared to 2018. When the auditor had no further questions, the final report could be issued soon after. For completeness, private sector experts confirmed that the other components of the time to complete a corporate income tax correction remained unchanged in 2019 as compared to 2018. The decrease in time to complete a corporate income tax correction will therefore be reflected in the upcoming *Doing Business 2021* report.

VI. Trading across Borders

Comment received from Government:

Type of data update: Reform

Description of the data update: Reform #1: T918/Marine Survey Process for new vehicles

Description of the reform

This process has been reviewed to reduce the bottleneck cause by long inspection times at the light tunnels. Going forward, the marine survey process will be adopted. Under chassis inspections will no longer be conducted.

The terminal will only complete the T918 at the light tunnels where there are defects / damages as prescribed by the marine survey standard, however the inspection for missing items will remain in place

Sub-index or question impacted: Reduction in time

Suggested data modification: There is a reduction in the amount of time to export as each vehicle passing through the light tunnel is now cleared 30 seconds faster than before the reform.

Date of entry into force (if applicable): 01/07/2019

Legal basis (if applicable): The attached notice bears reference.

Response from Doing Business team:

According to the *Doing Business* methodology, the Trading across Borders indicator records the time and cost associated with two set of procedures – documentary compliance and border compliance – within the overall process of exporting or importing a shipment of goods. Border compliance captures the time and cost associated with complying with the economy’s customs regulations and with regulations relating to other inspections that are mandatory for the shipment to cross the economy’s border, as well as the time and cost for handling that takes place at its port or border. Documentary compliance captures the time and cost associated with satisfying the documentary requirements of all government agencies of the origin economy, the destination economy and any transit economies.

The *Doing Business* team notes the changes in the way the terminal completes checks at the light tunnels at the port of Durban. However, private sector experts reported that, as of May 1, 2020, this change did not impact the average time that shipments spend at the port of Durban. These improvements are still in the process of being implemented in practice and therefore have not led yet to significant time savings at the tunnel. Experts further reported that the recorded 88 hours is still an accurate average for port time as most shipping lines require shipments to be at the port at least 72 hours before the arrival of the vessel. Therefore, the data will remain unchanged in the *Doing Business 2021* report.

Comment received from Government:

Type of data update: Reform

Description of the data update: Reform #2: Import/Export Sequence

Description of the reform

It is mandatory to submit the import discharge and export load sequences for all vessels. This is part of preplan documentation. The submission of a non-sequential load list will not be accepted.

Sub-index or question impacted: Reduction in time

Suggested data modification: There is a reduction in the amount of time to export as each exporter/importer will have their goods ready ahead of time.

Date of entry into force (if applicable): 01/07/2019

Legal basis (if applicable): The attached notice bears reference.

Response from *Doing Business* team:

The team notes that is mandatory for shipping lines to submit the import discharge and export load sequences for all vessels. For such initiatives to have an impact on the indicator, it should lead to a decrease of either the time or cost of border compliance or documentary compliance as experienced by exporters and importers. Private sector experts consulted by the *Doing Business* team reported that, as of May 1, 2020, they have not experienced a decrease in the time or cost to trade due to changes made by the shipping lines on how they load or unload cargos. They were not aware that shipping lines follow a specific sequence to load or unload shipments and stated that procedures to export and import as well as the overall associated time and cost remained the same as last year. Therefore, this information will not be reflected in the *Doing Business 2021* report.

Comment received from Government:

Type of data update: Reform

Description of the data update: Reform #3: Opening and Closing of stacks

Description of the reform

It was previously understood that vehicles for export had to be delivered to the port 72 hours before the ship berthing time. This has been reduced to 24 hours ahead of ship berth.

Sub-index or question impacted: Reduction in time

Suggested data modification: There is a reduction of 48 hours in terms of border compliance for exporting.

Date of entry into force (if applicable): 01/07/2019

Legal basis (if applicable): The attached notice bears reference.

Response from *Doing Business* team:

Private sector expert consulted by the *Doing Business* team reported that, in practice, shipping lines still recommended exporters to bring shipments to the port at least 72 hours prior to the arrival of the vessel in order to ensure there is sufficient time to handle and clear the goods. Per the methodology, the Trading across Borders indicator measures the time and cost of procedures as required in practice and not by law. Given that exporters reported that, in practice, they must bring the shipment to the port at least 72 hours in advance, this information will remain unchanged in the upcoming report. The team will keep monitoring the practice on the ground and will adjust the data as required in future reports.

Communications

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