

Dear Valued Client

New Dividend Withholding Tax to replace Secondary Tax on Companies

As part of the February 2012 Budget speech, Minister of Finance Pravin Gordhan announced that Dividend Withholding Tax (DWT) will come into effect from 01 April 2012. This will replace the current Secondary Tax on Companies (STC). The purpose of this communication is to inform you of this change and its impact on your investment.

The difference between DWT and STC

The new DWT is a tax placed on investors who receive dividends, whereas STC is a tax payable by the company paying the dividend. The need for the shift from a company-level tax to an investor-level tax is to align South Africa with international tax practice. All South African companies that pay and receive dividends will have to comply with the new legislation by 01 April 2012.

Tax persons/entities

Taxable persons and entities include:

- *Natural persons (individuals)*: individuals will be taxed directly according to the new DWT law at a rate of 15%
- *Foreign investors*: foreign investors will be subject to DWT at the rate of 15% but may be eligible for a reduction in DWT. Please see the declaration form below.

Entities that are exempt

Entities that are exempt from DWT are:

- *Legal persons*: South African companies, public benefit organizations and retirement funds are fully exempt from DWT. For a comprehensive list of exempt entities, please see the declaration form below:

An investor becomes liable for DWT upon the payment of a dividend by:

- a JSE-listed company;
- a foreign company with a listing on the JSE;
- an unlisted company; or
- a collective investment scheme in equities (unit trust).

The tax is levied at a rate of 15% of the gross dividend and will be withheld and paid over to SARS on behalf of the investor. The new DWT must be withheld and paid over to SARS by either the company declaring the dividend or a "paying agent" such as a regulated intermediary. BP Bernstein (Pty) Limited is a regulated intermediary that will handle the payments to SARS on behalf of our clients.

Paying agents who are regulated intermediaries

Paying agents who are regulated intermediaries include:

1. Central Securities Depository Participants (CSDP) such as Standard Bank and ABSA
2. Authorised users or nominees of the JSE such as brokers
3. A portfolio of collective investment scheme in securities (unit trust)
4. A long-term insurer
5. Transfer Secretaries such as Linked Market Services (formerly Computershare)

Declaration form

If the recipient of a dividend is an exempt entity or a foreign investor, as mentioned above, the recipient needs to provide a declaration to the company declaring the dividend or to the regulated intermediary – in your case, this declaration would need to be submitted to BP Bernstein (Pty) Limited. We attach the declaration form as an annexure below. This form will need to be returned to us by no later than the 20 March 2012. If you are an exempt recipient and we do not receive your declaration before the dividend is paid we will have no choice but to withhold 15% tax from your dividend.

Important information for foreign investors

Certain foreign investors may qualify for a reduced withholding tax rate as a result of the application of a Double Taxation Agreement (DTA) between South Africa and the foreign investors' country of residence. However, in order to qualify for such reduced withholding tax rates, foreign investors may need to own a minimum percentage of shares in the underlying equities. Should you be a foreign investor which may qualify for such reduced withholding tax rates, a reduced withholding tax form should be completed by the beneficial owner of the underlying shares and submitted to us. A reduced withholding tax form has not been attached to this letter. Please contact us should you require a reduced rate declaration form.

Also please note that foreign investors will be exempt for DWT on dividends declared by dual-listed companies. To qualify, please complete the declaration form by ticking "Par(i)" under the exemption section. It is important that we receive the declaration form before 20 March 2012.

NAME

SIGNATURE

DATE

Directors: F.Sturino, CA(SA), CFA, A.Sturino (Mrs), A.Schultz (Mrs)

BPBernstein is a registered FSP in terms of CFD's and Offshore Investments. License number 40810.