

Amendments to the JSE Listings Requirements (the “Requirements”)

November 2018

Item	Section	Proposed Amendment	Rationale
1	Section 21 – Alternative Exchange	<p>Venture Capital Companies (“VCC”)</p> <p>Section 12J of the Income Tax Act (No. 58 of 1962) (the “Income Tax Act”) was introduced to cater for the deductions in respect of expenditure incurred in exchange for the issue of venture capital company shares. A VCC is a company which has been registered as a Financial Service Provider (“FSP”) with the Financial Sector Conduct Authority (“FSCA”) and been approved by the South African Revenue Service as a VCC.</p> <p>The upfront income tax deduction, which lessens some of the investment risk for investors, is available for share subscriptions only. The deduction is only available in the year of assessment during which it is incurred and no deduction will be allowed in respect of shares acquired after 30 June 2021.</p> <p>The application of section 12J of the Income Tax Act will come to an end on 30 June 2021.</p> <p>National Treasury announced recently</p>	<p>What are Venture Capital Companies?</p> <p>One of the main challenges to the growth of small and medium-sized businesses and junior mining exploration entities is access to equity finance. To assist these sectors in terms of equity finance, the government has implemented a tax incentive for investors in these enterprises through the VCC regime.</p> <p>A VCC is a company which has been registered as a Financial Service Provider (Financial Service Provider) with the Financial Sector Conduct Authority (FSCA) and been approved by the South African Revenue Service as a Venture Capital Company.</p> <p>VCCs are intended to be marketing vehicles that will attract retail investors. Qualifying investors, being South African taxpayers, can claim income tax deductions in respect of the expenditure actually incurred to acquire shares in approved VCCs. The upfront income tax deduction, which lessens some of the investment risk for investors, is available for share subscriptions only. No deduction will be allowed where the investor is a connected person to the VCC at or immediately after the acquisition of any venture capital share in that VCC.</p> <p>Who are they for?</p> <p>From 1 January 2009, investors have been able to claim amounts incurred on acquiring VCC shares as a deduction from income. This deduction will not be subject to recoupment if the VCC shares are held for longer than five years.</p>

		<p>that tax incentives received by VCCs investing in small and medium enterprises in South Africa are under review.</p> <hr/> <p>A VCC may elect to list on either the Main Board or AltX.</p> <p>The JSE intends to amend the JSE Listings Requirements to allow for more flexibility for a VCC listing on AltX, only as it relates to the appointment of a Designated Adviser (“DA”).</p> <p>A VCC applicant issuer may either appoint a DA or a VCC adviser.</p> <p>The VCC adviser must comply with and is subject to all the provisions of the Requirements as though they were a DA, save for DA qualifications/eligibility requirements.</p> <p>The VCC adviser qualifications & eligibility requirements will be contained in Schedule 16 of the Requirements, which will require attendance at bespoke training by the JSE dealing with the application and interpretation of the Requirement.</p> <p>Save for the ability to appoint a VCC adviser rather than a DA, all AltX requirements apply equally to a VCC.</p> <p>Continuing Obligations</p>	<p>A company must meet all of the following preliminary requirements to be able to become an approved VCC:</p> <ul style="list-style-type: none"> • The company must be a resident; • The sole object of the company must be the management of investments in qualifying companies (i.e. investees); • The company’s tax affairs must be in order; and • The company must be licensed in terms of section 7 of the Financial Advisory and Intermediary Services Act, 2002. <p>http://www.sars.gov.za/ClientSegments/Businesses/Pages/Venture-Capital-Companies.aspx</p> <p>Eligibility</p> <p>A VCC investee company must be a South African entity, trading mainly inside the country and may not operate in certain economic sectors. For an investment to qualify under the VCC benefit, it may not involve companies that:</p> <ul style="list-style-type: none"> • Trade in immovable property, except to trade as a hotel keeper (includes bed and breakfast establishments); • Offer financial service activities such as banking, insurance, money-lending and hire-purchase financing; • Provide financial or advisory services, including legal, tax advisory, stock broking, management consulting, auditing, or accounting; • Are gambling operations including casinos or other games of chance; or • Are involved in manufacturing, buying or selling of liquor, tobacco products or arms and ammunition. <p>A minimum of 80% of the expenditure incurred by the VCC to acquire assets must be for qualifying shares, and each investee company must, immediately after the issuing of the qualifying shares, hold assets with a book value not exceeding:</p>
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