Establishing in South Africa and the Western Cape

A Practical Lawyers' Introduction for Foreign Investors and Cross-Border Entrepreneurs

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Establishing in South Africa and the Western Cape

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In this Practical Introduction

Why South Africa? | Why the Western Cape?

01
ACCESS TO BANKING
Local banks will open accounts for foreign-owned companies that meet standard compliance and source-of-funds requirements.

02
GATEWAY INTO AFRICA
An established, well-connected base from which to engage with the wider African continent.

03
OPPORTUNITY TO DIVERSIFY
A neutral jurisdiction that can sit comfortably within a diversified international structure.

04
GOOD VALUE
Professional services, property and lifestyle at value that is hard to match in traditional centres.

05
STRONG LEGAL FRAMEWORK
Modern company law, recognised property rights and an independent judiciary.

06
EASE OF ACCESS
Visa-free short visits for many nationalities, with specialist immigration support when you need it.

& Enjoy Your Lifestyle *(We Do!)*

"DEEP DIVE"

BUSINESS & BANKING	INVESTMENT PROPERTY	SOUTH AFRICAN COMPLIANCE
Company Formation, Banking and Contracts	Investment, Transfers and Structuring	Tax, FICA and Exchange Control

CONTEXT

Introduction

Geopolitics is changing. International entrepreneurs, investors and their advisors are increasingly reconsidering where they establish businesses, hold assets, structure investments and – just as importantly – spend time!

Jurisdictional diversification has become more than a matter of convenience. In a global environment shaped by political uncertainty, regulatory pressure, banking complexity and shifting commercial relationships, it has become a practical commercial

strategy for many. This article is intended for individuals, businesses and advisors based outside South Africa who are considering expanding, diversifying or restructuring aspects of their international business or investment activities.

South Africa is rarely placed alongside traditional international financial centres. Yet this jurisdiction offers an attractive combination of regional opportunity and legal sophistication; commercial accessibility and lifestyle value. In our view, it is a 'best-kept secret' that should not be overlooked.

> *"An attractive combination of regional opportunity and legal sophistication; commercial accessibility and lifestyle value."*

That is particularly true of the Western Cape, which has become one of South Africa's most internationally visible and commercially attractive provinces, with Cape Town as its vibrant and enjoyable capital. In writing this article, we had in mind the evolving needs of investors and entrepreneurs from developing and transitional markets, such as Russia, Central Asia and other parts of the former Soviet Union, as well as jurisdictions where the international business landscape has become increasingly complex. Yet the practical considerations discussed here apply more broadly to all foreign investors looking for an efficient, practical and value-driven jurisdiction.

As a neutral and established jurisdiction, South Africa represents not only a gateway into the African continent but, often, a convenient element in a diversified international corporate structure. We focus mainly on the Western Cape, which in our experience provides a particularly attractive combination of infrastructure, professional services, lifestyle appeal, property opportunity and international accessibility.

Together, we combine South African legal and transactional expertise with international structuring and cross-border advisory experience. Our aim is to assist foreign clients who wish to establish, invest and operate in South Africa in a manner that is commercially practical, legally sound and consistent with their overall international structure.

CORE PROPOSITION

Why South Africa?

In our experience, many international entrepreneurs are no longer looking only at the traditional jurisdictions. Increasingly, they are looking for places that offer a sensible balance between commercial flexibility, legal certainty, banking access, lifestyle value and cost effectiveness. South Africa, and particularly the Western Cape, offers that combination in a way that is not always fully appreciated by foreign investors.

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for Foreign Investors and Cross-Border Entrepreneurs



Iillustration of Cape Town's Atlantic Seaboard, near Clifton.

PRACTICAL FOCUS

Access to Banking

One of the first concerns raised by foreign investors is usually banking. A structure is of little value if it cannot operate practically. In our experience, South African banks remain willing to provide banking services to locally incorporated companies, including companies that are foreign-owned or foreign-managed, provided that standard compliance, onboarding and source-of-funds requirements are satisfied. This is often one of the most important practical reasons why South Africa remains attractive as a jurisdiction for establishing a local operating or investment vehicle.

We regularly interact with several established South African banks, which take a degree of comfort from dealing with prospective international clients who are represented by reputable local lawyers.

South African law does not impose any general legal or regulatory bias against foreign ownership or foreign management of local companies. Provided that the relevant regulatory requirements are met, foreign individuals and entities can establish companies, acquire assets, invest capital and operate businesses in South Africa. The absence of politically driven structural discrimination is important. It means that foreign investors are not required to enter the market through artificial arrangements merely to create the appearance of local ownership, unless a particular industry-specific rule or commercial requirement makes that necessary.

Another important factor is the certainty of exit. South Africa permits the lawful repatriation of profits and capital, provided that

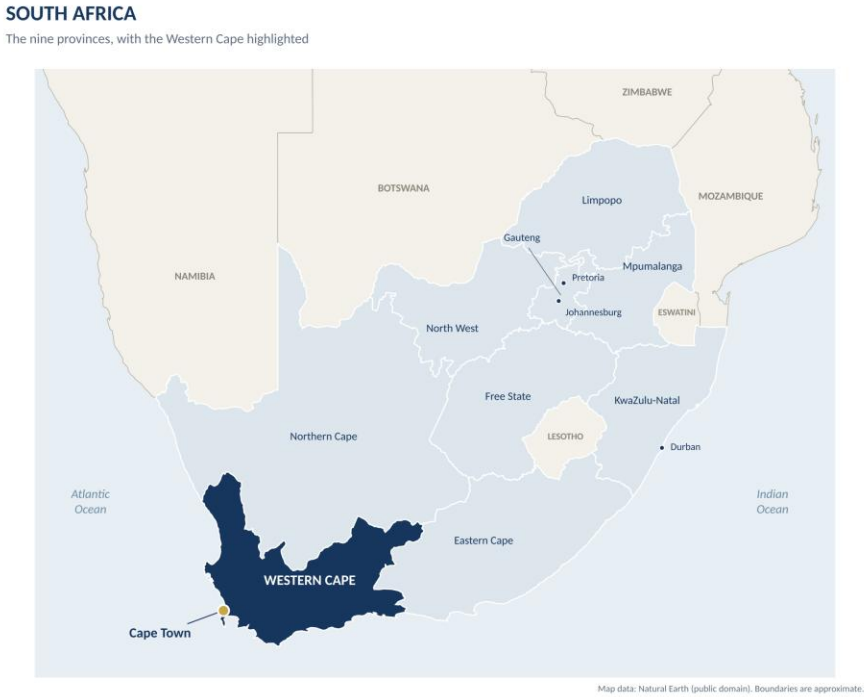
the initial investment has been correctly structured and the applicable exchange control requirements have been complied with. This point is sometimes underestimated at the beginning of a transaction, but it is often crucial later. In many cases, difficulties around capital outflows arise not because the investment itself was problematic, but because the original inflow was not properly recorded, endorsed or structured.

Although South Africa is sometimes overlooked in favour of more familiar international centres, it operates within a sophisticated legal and commercial framework. The country has well-developed company legislation, recognised property rights, mature banking institutions, an established tax system and an independent judiciary. For foreign investors, this combination of legal structure and commercial accessibility can be very valuable.

The Western Cape adds a further dimension. Cape Town and its surrounding areas offer a rare combination of business infrastructure and lifestyle appeal, with visa-free short-term access for nationals of a broad range of countries. The province has become increasingly attractive to entrepreneurs, remote operators, professionals, investors and families who are looking not only for a place to do business, but also for a place to live, travel, invest in property and enjoy a high quality of life. The climate, coastline, wine regions, hospitality sector, international schools, professional services and general lifestyle offering all contribute to that appeal.

In short, South Africa offers more than simply a legal or tax environment. For many foreign investors, particularly those looking to combine business, asset diversification and lifestyle planning, the Western Cape offers a broader strategic opportunity.

REGIONAL OPPORTUNITY | Why the Western Cape and Cape Town?



South Africa's nine provinces, with the Western Cape highlighted. Map prepared by the authors from Natural Earth data.

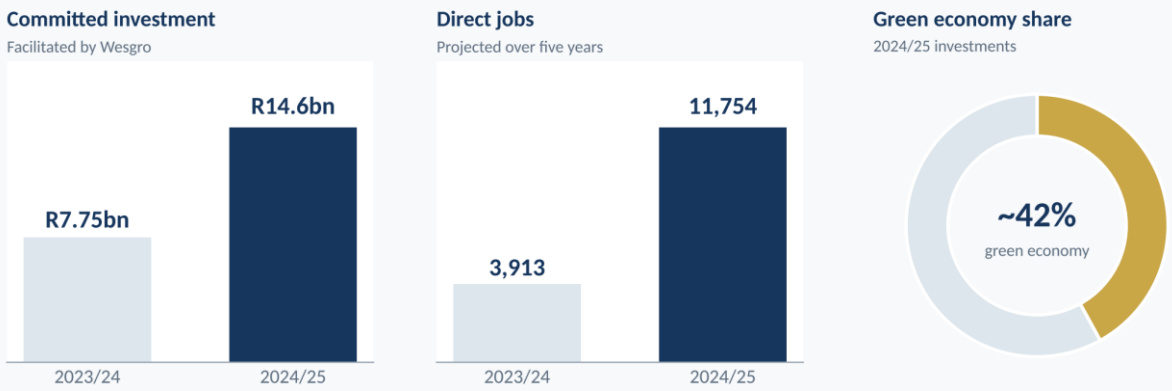
Establishing in South Africa and the Western Cape

A Practical Lawyers' Introduction
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The Western Cape continues to attract both international corporate interest and private capital. The province has seen growth in technology, logistics, tourism, hospitality, property investment, business services and lifestyle-driven relocation. Cape Town in particular has increasingly positioned itself as a regional hub for international businesses and entrepreneurs who want access to South Africa and the wider African market, while operating from a city that offers a strong professional and lifestyle environment.

WESTERN CAPE INVESTMENT MOMENTUM

Figures published by Wesgro, the official tourism, trade and investment promotion agency for Cape Town and the Western Cape, show that the committed investment it facilitated almost doubled from 2023/24 to 2024/25, with the green economy accounting for approximately 42% of the 2024/25 investments.



Sources: Wesgro Annual Report 2023/24 (pp. 40–41, 53) and Wesgro Annual Report 2024/25 (pp. 36–39). The figures reflect investment facilitated by Wesgro only, not total investment into the province; job figures are projected direct jobs over five years. Chart prepared by the authors.

This does not mean, however, that investment into South Africa should be approached casually. As with any jurisdiction, commercial success depends heavily on proper structuring, due diligence and execution.

In our experience, problems do not usually arise because South Africa is inherently difficult to invest in. They arise where transactions are poorly investigated, poorly structured or implemented without proper professional coordination. In property and development-related transactions, for example, foreign investors may face risk where due diligence is not sufficiently robust, where contractual protections do not reflect the real commercial risks, or where funds are paid directly to developers rather than through properly protected conveyancing or escrow-style arrangements.

The lesson is not that foreign investors should avoid these opportunities. The lesson is that they should approach them properly. A well-structured investment, supported by proper legal, banking, tax, exchange control and transactional advice, is far more likely to produce the intended commercial outcome.

IMPLEMENTATION MODEL

A Practical Cross-Border Approach: The 'One-Stop Shop'

Foreign investors entering a new jurisdiction often face a fragmented advisory process. A company may be incorporated by one provider, banking handled separately, tax considered later, exchange control addressed only when funds need to move, and commercial agreements drafted without full regard to the broader structure. That approach can create unnecessary delays, duplicated compliance processes and avoidable risk.

Our approach is intended to avoid that fragmentation. In practice, assisting foreign investors rarely involves only the incorporation of a company. Proper implementation usually requires careful coordination between corporate structuring, banking, commercial agreements, exchange control, tax, beneficial ownership disclosure, property considerations and ongoing governance. Each step affects the next. A decision taken at incorporation stage may affect banking, future repatriation of funds, tax treatment, estate planning or the way in which an investment is ultimately exited.

For that reason, our focus is on providing a coordinated legal and transactional framework for foreign clients entering the South African market. This includes advice on company formation and ownership structure, the drafting of shareholders' agreements, loan agreements and other commercial contracts, the proper issue and endorsement of share certificates where required, ongoing corporate governance support, assistance with bank account opening processes, and coordination with foreign exchange specialists in relation to inward capital flows.

> ***"The objective is not simply to produce documents. It is to ensure that the structure works in practice."***

TRUSTED NETWORK

Access to a Reliable Professional Network

A properly implemented cross-border structure often requires more than legal advice alone. Accountants, auditors, foreign exchange specialists, tax advisors, conveyancers and advocates may all need to be involved depending on the nature of the client's objectives.

We work closely with a trusted network of professional advisors so that clients can access coordinated support across these disciplines. This includes chartered accountants and bookkeeping providers for ongoing accounting support, registered auditors where required, foreign exchange and capital transfer specialists for the movement of funds, and advocates for litigation, dispute resolution and specialist opinion work where necessary.

This integrated model is particularly useful for foreign clients who are unfamiliar with the South African professional environment. Rather than asking the client to identify and coordinate multiple service providers independently, the aim is to provide a more coherent and practical advisory structure: what we call our 'one-stop shop'.

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A Practical Lawyers' Introduction
for Foreign Investors and Cross-Border Entrepreneurs



Illustration of our coordinated advisory network.

PEOPLE & MOBILITY

Business Immigration

Investing in South Africa often goes hand in hand with spending time here, whether to establish and oversee a business, visit a property or relocate for longer periods. Nationals of many countries do not need a visa to visit South Africa for short stays (generally up to 30 or 90 days, depending on nationality), while nationals of other countries must obtain a visa before travelling. Longer stays, and in particular working in or running a business in South Africa, require the appropriate visa or permit under the Immigration Act 13 of 2002.

Business immigration is a specialised field, and its requirements change from time to time. It is, however, a process with which we are well acquainted. We work with immigration specialists with whom we have a good working relationship, and we coordinate their specialist advice with our own corporate, property and structuring work. This means that we can assist clients with these requests as well, and that a client's immigration position is considered as part of the overall plan rather than as an afterthought.

PROPERTY AS AN ENTRY POINT

Property Investment



Illustration of Cape Town's city centre and Table Mountain.

For many foreign investors, property is the most natural entry point into the Western Cape market. Residential, commercial, hospitality and development-linked property opportunities continue to attract foreign interest, particularly in and around Cape Town and the surrounding regions.

One of the first questions foreign purchasers often ask is whether they should acquire property in their personal capacity or through a South African company. There is no single answer. The correct structure depends on tax, estate planning, financing, exchange control, future disposal, succession planning and the investor's broader commercial objectives.

In practice, there appears to be an increasing use of South African corporate vehicles, particularly in higher-value property acquisitions and investment structures. This may be appropriate in many cases, but it should not be treated as automatic. The advantages and disadvantages of personal ownership versus corporate ownership should be considered before the transaction is concluded, not after the property has already been acquired.

Our conveyancing and private client services support this broader structuring process. We assist with property transfers involving non-resident purchasers, structuring advice for acquisitions, estate planning for foreign nationals who own South African assets, and the administration of estates with cross-border elements.

This is particularly important because property ownership often becomes the starting point for a longer-term relationship with South Africa. A client may initially acquire a holiday property, but later require estate planning, company structuring, tax advice, banking support, exchange control assistance or commercial documentation. These issues are best considered as part of a broader plan rather than in isolation.

REGULATORY ESSENTIALS

Compliance

Most international investors are already familiar with compliance requirements. South Africa's requirements are broadly in line with international expectations and include client identification, source-of-funds verification, beneficial ownership disclosure and anti-money laundering controls.

That alignment has recently been reinforced. On 24 October 2025, the Financial Action Task Force (FATF) removed South Africa from its list of jurisdictions under increased monitoring (commonly known as the 'grey list'), following reforms to strengthen the country's anti-money laundering and counter-terrorist financing framework.

The more important practical issue is usually not whether compliance must be done, but how it is managed and how early it is built into the transaction.

Foreign investors should expect to provide the usual Financial Intelligence Centre Act (FICA) and know-your-client (KYC) information, including identification documents, proof of address, ownership information and source-of-funds evidence. Where capital is introduced into South Africa, exchange control treatment must also be considered carefully. This is particularly important where the investor may later wish to repatriate profits, repay shareholder loans, dispose of an asset or exit the investment.

Tax considerations should also be addressed at the outset. The headline corporate tax position is only one part of the analysis. Depending on the structure, it may also be necessary to consider dividends tax, capital gains tax, transfer duty, donations tax, estate duty, double tax agreements, and the tax consequences of shareholder funding.

These issues do not necessarily make South Africa difficult to invest in. They simply need to be dealt with correctly from the beginning.

LOOKING AHEAD

Seminar and Further Updates

This article is intended as a starting point for further updates and engagement, which we may provide from time to time, including a possible seminar or webinar. This would allow us to engage in a more practical and detailed discussion of the issues raised

above, including the structuring of foreign investment into South Africa, banking and capital movement, property acquisition strategies, exchange control considerations, tax and estate planning, and common mistakes made by foreign investors when entering the market.

It would also provide an opportunity to discuss real examples, both positive and cautionary, in a way that is practical and commercially useful.

IN CONCLUSION

Closing Perspective

South Africa, and particularly the Western Cape, occupies an attractive position in the current international investment landscape. It offers a combination of legal infrastructure, banking functionality, commercial flexibility, property opportunity and lifestyle appeal that is increasingly difficult to find in many traditional jurisdictions at comparable value.

For foreign investors, the opportunity is real. But as with any jurisdiction, the success of an investment depends on the quality of the structure, the strength of the due diligence and the care taken in implementation.

When properly planned and professionally executed, South Africa can serve as an effective jurisdiction for business expansion, investment holding, property ownership and long-term international diversification.