

December 15, 2017

5 Things to know on the new Construction Sector Codes



What is the impact of the gazetted Construction Sector Codes on Broad-Based Black Economic Empowerment (B-BBEE)?

The Amended Broad-Based Black Economic Empowerment (B-BBEE) Sector Codes for the **Construction** and the **Finance Services sector** were gazetted by the Department of Trade and industry (DTI) on 1 December 2017, while the **Agriculture Sector Codes** were gazetted on 8 December 2017.

These codes were implemented with immediate effect without any transitional period, which means that any B-BBEE verifications signed off after the publication dates have to be performed in terms of these amended (new) codes.

All verifications performed prior to the above publication dates would remain valid for the validity period of the certificate.

The new Construction Sector Codes

The new *Construction Codes* do not introduce any substantial changes to the version published for public comment in October 2016. Companies are only measured against South African Operations and the changes in verification, measurement and monitoring principles that have been introduced relate to the following:

- Verification Reports
- Equity Equivalent Programmes (EEPs) & Local Content
- Scope of Application
- Verification & Affidavits of Certain Categories of Exempted Micro Enterprises (EMEs).

In a *supplementary letter from the Construction Sector Charter Council (CSCC)* reference is made to the **Scope of Application**, which includes Construction Material Suppliers (hardware outlets) with the exemption mentioned and, under **Verifications and Affidavits**, to the cut-off thresholds for the use of affidavits.

What are the specific requirements for EMEs?

- Construction companies with an annual turnover below R10 million
- Built Environment Professionals (BEPs) with an annual turnover below R6 million.

How will you determine the B-BBEE levels for EMEs?

- Below 30% Black Ownership = qualify for an automatic Level 5 B-BBEE Certificate
- Between 30% and 51% Black Ownership = qualify for an automatic Level 4 B-BBEE Certificate
- Above 51% Black Ownership = Level 2 B-BBEE Certificate
- 100% Black Ownership = Level 1 B-BBEE Certificate.

EMEs with automatic levels of between 1 and 5, and turnover that exceeds R1,8 million for BEP and R3 million for contractors, will have to comply with the 40% sub-minimum prerequisite on the Qualifying Small Enterprise (QSE) Skills Development Scorecard to avoid being discounted a level.

Some entities are exempted from complying with the sub-minimum requirements and will be issued with an affidavit (and not a B-BBEE certificate). They are:

- BEPs with an annual turnover below R1,8 million
- Contractors with an annual turnover below R3 million.

What are the specific requirements for QSEs?

- Construction companies with an annual turnover between R10 and R50 million
- BEPs with an annual turnover between R6 and R25 million.

QSEs with 51% or more Black Ownership will qualify for an ARL 2 B-BBEE Certificate and a 100% Black-Owned QSE will qualify for an ARL 1 B-BBEE Certificate. Both of these will have to comply with the 40% sub-minimum requirement as per the Skills element to avoid being automatically discounted one level.

SERR Synergy assist businesses with the issuing of their *SANAS accredited B-BBEE certificates* together with the development and implementation of *B-BBEE strategies*.

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