

# An evaluation of interest deduction limitations to counter base erosion in South Africa

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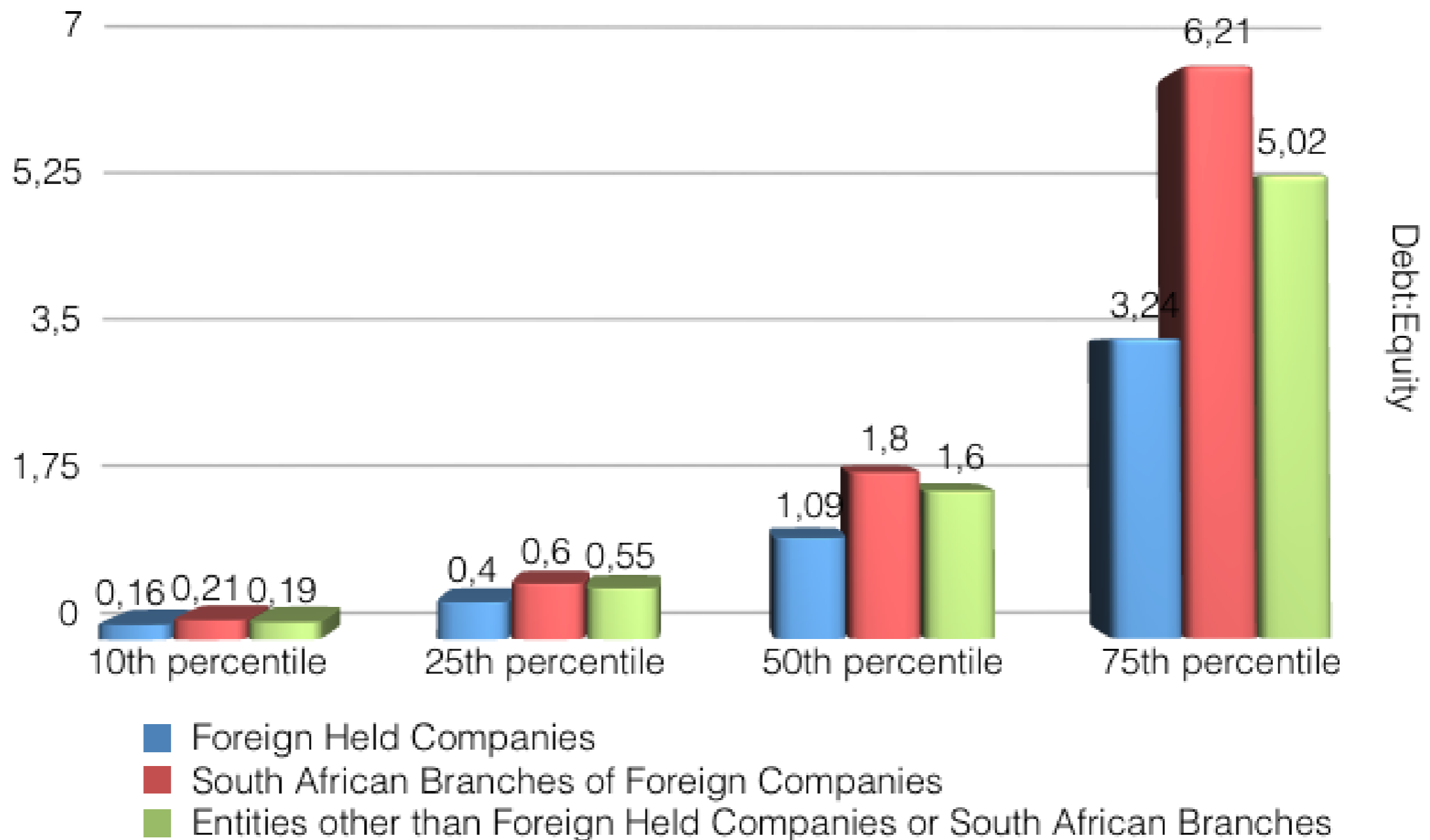
# Research focus

What describes the funding structures of different types of entities, in particular foreign owned entities and domestically owned entities, and how is it related to other characteristics of the firms?

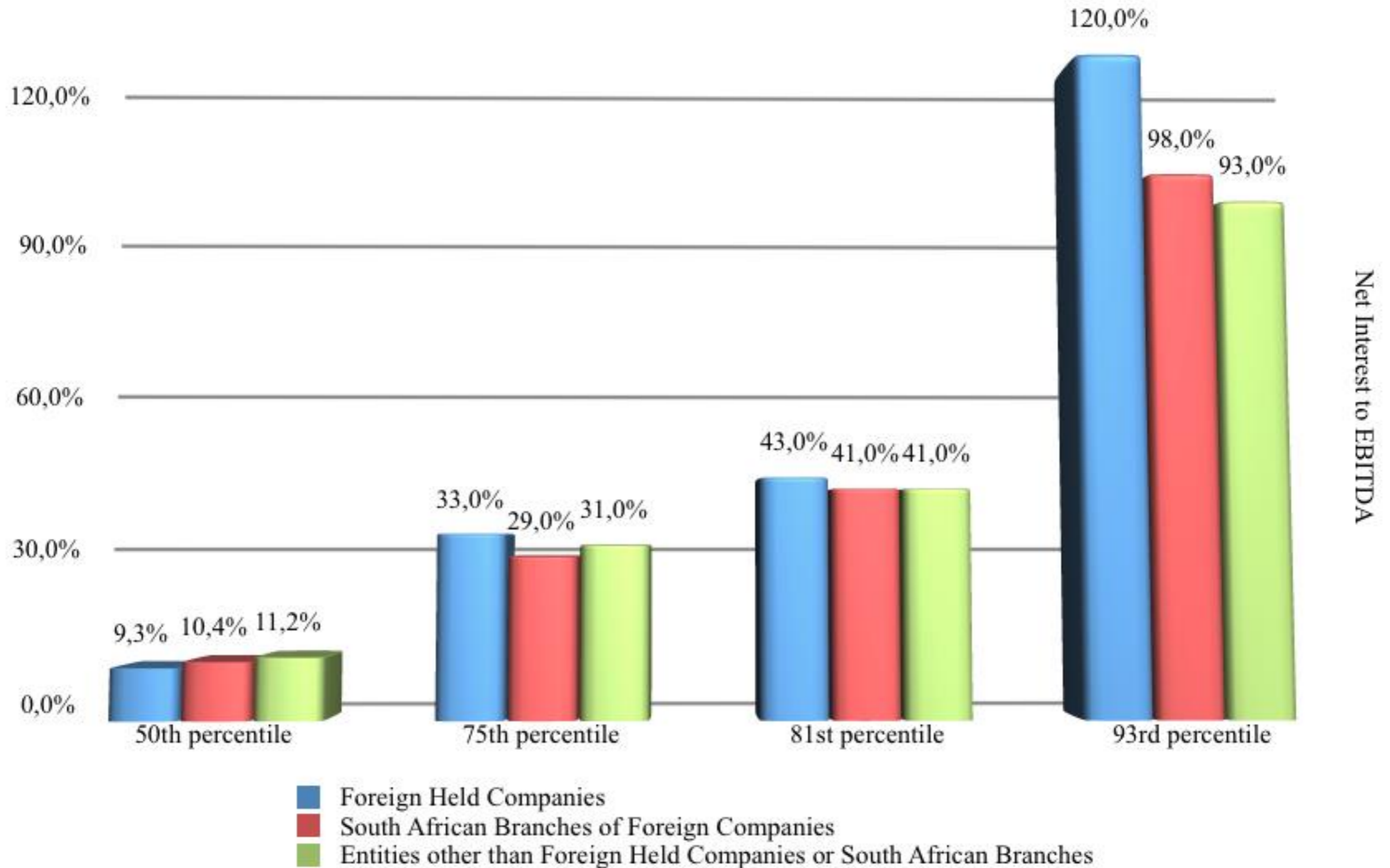
# Approach & Methodology

- Three categories
- Only ITR14 observations
- Debt-to-equity and interest-to-EBITDA
- Remove anomalies and exceptional categories of items

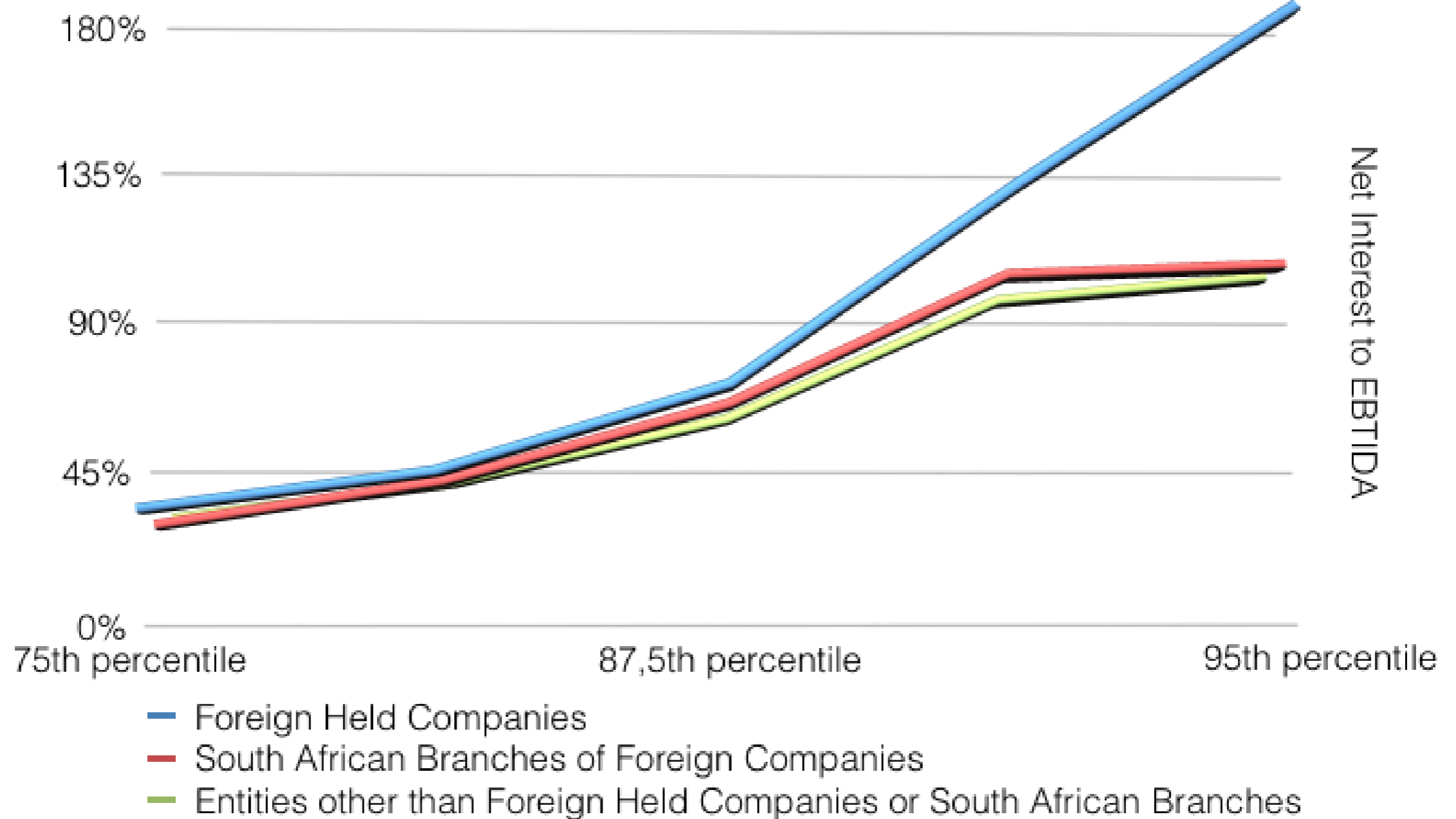
# Debt-to-equity findings



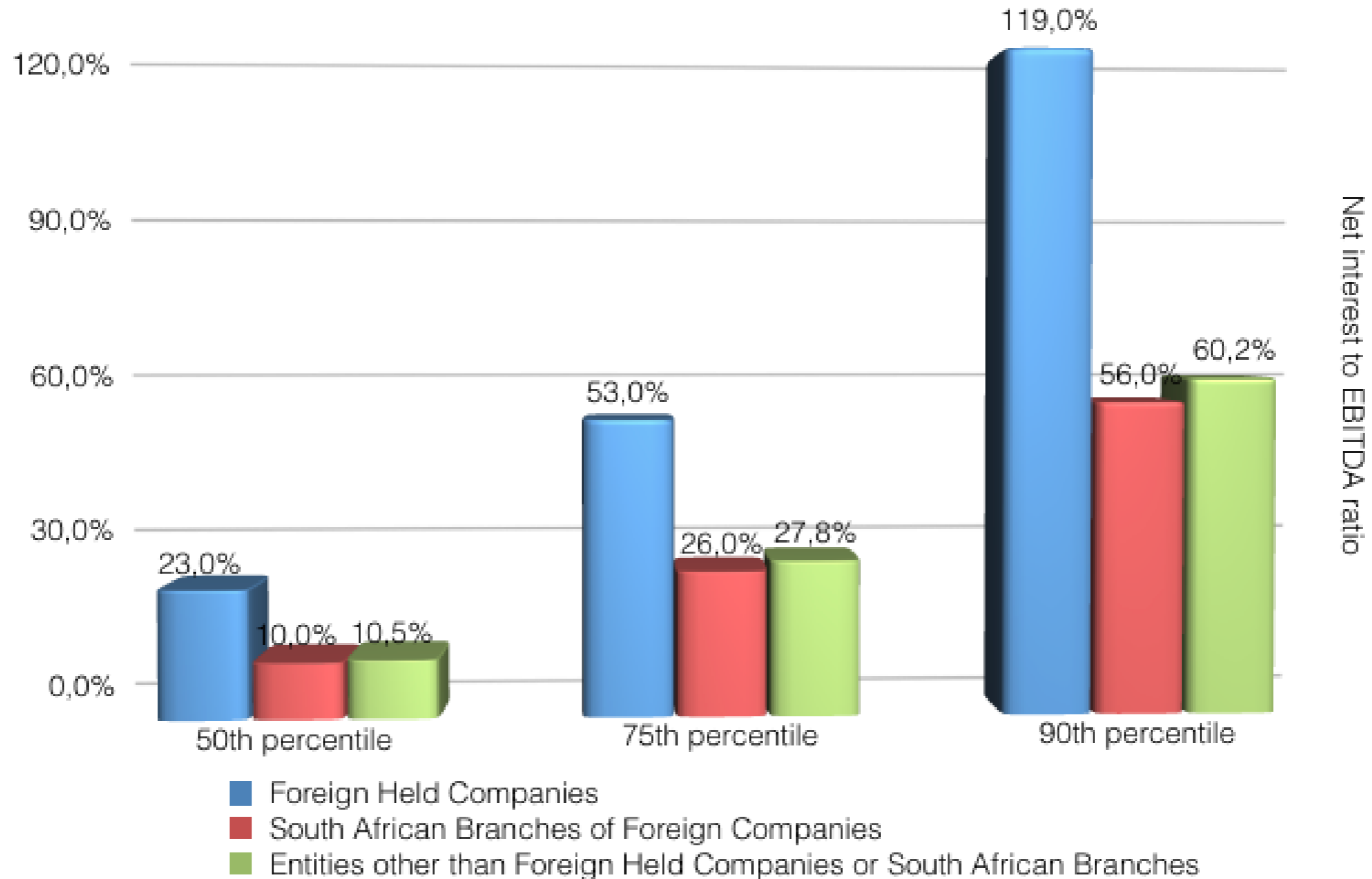
# Net interest-to-EBITDA



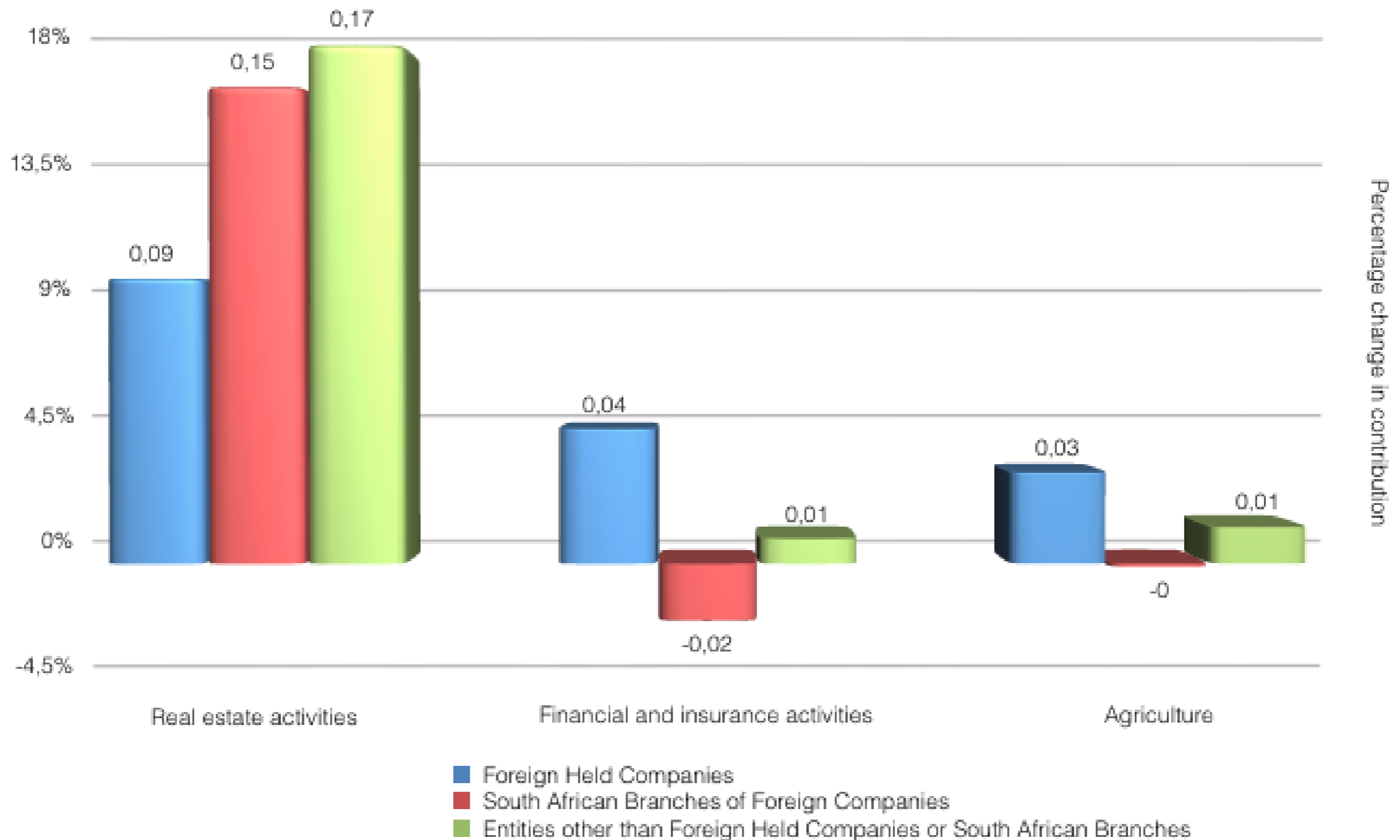
# Net interest-to-EBITDA ratio findings: 75th percentile and up



# Entities with turnover between R1m and R20m

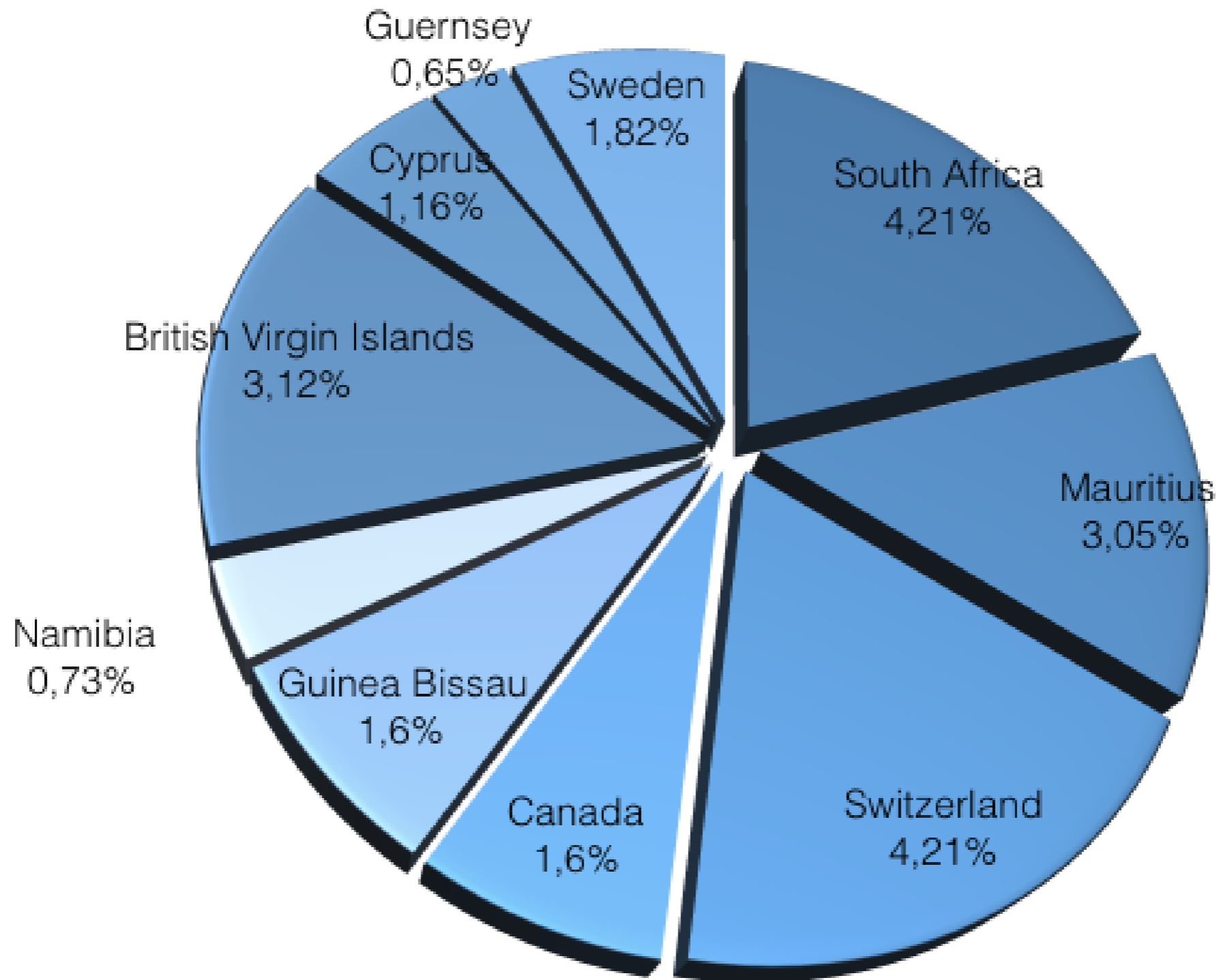


# Industry representation in 75th percentile and upwards





# Change in investor country in 75th percentile and upwards



# Limitations and further research

- Foreign held indicators availability
- More in-depth industry analysis in 75th percentile and upwards
- Panel data - accuracy and detail
  - Tax EBITDA vs accounting EBITDA