

What are the B-BBEE ownership changes for the Construction Sector?



The B-BBEE Construction Sector Code will soon be celebrating its 3rd birthday, bringing some ownership target increases to the party.

In this blog we will look at how these target increases will influence measured entities.

“A bend in the road is not the end of the road...unless you fail to make the turn” – Helen Keller.

The amended Construction Sector Code was published on 1 December 2017 in Government Gazette No. 41287, along with the target changes for the construction industry as a whole, which will take effect when the time comes in its 3rd to 5th year of operation.

On 1 December 2020, the code will enter its 4th year, therefore we can look forward to an increase in some of the ownership targets. Let's look at how the affected targets will impact the different business sectors.

Requirements for Qualifying Small Enterprises (QSEs) or Exempted Micro Enterprises (EMEs) using the scorecard for verification

STATEMENT CSC 601 - OWNERSHIP FOR QSE	
Description	Target
1.1.1 Exercisable Voting Rights in the Entity in the hands of Black People.	From 25% to 30%
1.2.1 Economic Interest in the Entity to which Black People are entitled.	From 25% to 30%

Requirements for Generic Enterprises - Scorecard

STATEMENT CSC 100 - OWNERSHIP		
Description	Target	Target
	(Contractor)	(BEP)
2.1.1 Exercisable Voting Rights in the Entity in the hands of Black People.	From 32,5% to 35%	From 32,5% to 35%
2.1.2 Exercisable Voting Rights in the Entity in the hands of Black Women.	From 10% to 14%	From 10% to 14%
2.2.1 Economic Interest in the Entity to which Black People are entitled.	From 32,5% to 35%	From 32,5% to 35%
2.2.2 Economic Interest in the Entity to which Black Women are entitled.	From 10% to 14%	From 10% to 14%
2.2.3 Economic Interest of any of the following Black natural people in the Measured Entity:		
2.2.3.1 Black Designated Groups:	From 10% to 12%	From 5% to 6%
2.2.3.2 Black Participants in Employee Share Ownership Programmes:		
2.2.3.3 Black People in Broad-Based Ownership Schemes:		
2.2.3.4 Black Participants in Co-operatives:		

- The increases might not seem significant, but we need to remember that the difference between a good level and a better level is 0,1 point and that these changes don't have to come with a headache the next day if you plan ahead.
- The increases come with some good news though: a measured entity will only have to start applying them in the financial year that commences after 1 December 2020 as per paragraph 3.8 of the amended codes; for example, if a financial year-end is February, you don't need to hustle to make the cut before February 2021. You can budget and plan for it to be applied in your February 2022 financial year.

Skills development target increases for Generic Enterprises

We also need to consider that there had been an increase in Skills Development targets last year (illustrated below) for Generics only when the code entered its 3rd year of operation, which means that measured entities must during the current financial year aim to spend 0,5% more than in previous financial years to ensure compliance when verified after the current financial year.

STATEMENT CSC 300 - SKILLS DEVELOPMENT		
Description	Target	Target
	(Contractor)	(BEP)
2.1.1.1 Skills Development Expenditure on Black People as a percentage of the Leviable Amount.	From 2% to 2,5% (year 3)	From 2% to 2,5% (year 3)

These changes allow for acceleration of skills development and advancement of *Black People participating in ownership*.

SERR Synergy assists businesses to implement viable B-BBEE initiatives and ensure alignment of initiatives with the legal requirements of the B-BBEE Codes. We assist businesses with Construction Sector Development Plans, which includes B-BBEE consultation, needs analysis in respect of Supplier and Socio-economic beneficiaries, and the compilation of Supplier Development Programme Plans and Structured SED plans, as required by the Construction Sector Code.

The famous Warren Buffet once said: ***"Someone's sitting in the shade today because someone planted a tree a long time ago."***

About the Author: Deseree-lee obtained her LLB from the University of Pretoria in 2013. She was admitted as an attorney by the North Gauteng High Court in 2016 and currently holds the position of Bloemfontein BEE Manager at SERR Synergy.



