

However, residents of the CMA may under no circumstances have dividends paid outside the CMA without specific approval from the FSD.

Transfer of shares and ADSs. Effective 6 May 2019, J.P. Morgan became the depositary for Sasol's ADSs. Sasol's ADSs, each representing one Sasol ordinary share, are traded on the NYSE under the symbol "SSL". Under South African exchange control regulations, our shares and ADSs are freely transferable outside South Africa among persons who are not residents of the CMA. Additionally, where shares are sold on the JSE on behalf of our shareholders who are not residents of the CMA, the proceeds of such sales will be freely exchangeable into foreign currency and remittable to them. The FSD may also require a review to establish that the shares have been sold at market value and at arm's length. While share certificates held by non-resident shareholders will be endorsed with the words "non-resident", such endorsement will, however, not be applicable to ADSs held by non-resident shareholders.

10.E Taxation

South African taxation

Corporate Income Tax

The following discussion summarises the South African (SA) tax consequences of the ownership and disposition of shares or ADSs by a US holder (as defined below). This summary is based upon current SA tax law and the convention that has been concluded between the governments of the US and SA for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital gains, signed on 17 February 1997 (the Treaty). In addition, this summary is based in part upon representations of the depositary (J.P. Morgan, as depositary for our ADSs), and assumes that each obligation provided for in, or otherwise contemplated by the Deposit Agreement and any related agreement, will be performed in accordance with its respective terms.

The summary of the SA tax considerations does not address the tax consequences to a US holder that is resident in SA for SA tax purposes or whose holding of shares or ADSs is effectively connected with a permanent establishment in SA through which such US holder carries on business activities. It equally does not address the scenario where the US holder is not the beneficial recipient of the dividends or returns or,

where the source of the transaction is deemed to be in SA, the recipient is not entitled to the full benefits under the Treaty or, in the case of an individual who performs independent person services, who has a fixed base situated in SA.

The statements of law set forth below are subject to any changes (which may be applied retroactively) in SA law or in the interpretation thereof by the SA tax authorities, or in the Treaty, occurring after the date hereof. Holders are strongly urged to consult their own tax advisors as to the consequences under SA, US federal, state and local, and other applicable laws, of the ownership and disposition of shares or ADSs.

Carbon tax

A carbon tax was introduced in South Africa with effect from 1 June 2019. The motivation for the design and implementation of the carbon tax is to ensure that emitters of GHGs change their behaviour and start the process of reducing emissions to enable the transition to a low-carbon economy. This objective is fully supported by Sasol and can be achieved through the alignment of the carbon tax and carbon budgets supported by a well-considered integrated mitigation policy which:

- takes into account South Africa's national circumstances; and
- enables companies to reduce emissions, while ensuring that economic impacts and job losses are minimised.

The tax is currently levied at a marginal rate of R134 per ton CO₂e of GHGs (process emissions, combustion emissions and fugitive emissions) emitted by a company. This rate is reduced by way of a number of allowances resulting in a lower effective tax. However, there are increased administration and compliance costs for the carbon taxpayer over and above the carbon tax liability.

SARS has extended the section 12L energy efficiency allowances that taxpayers can qualify for until 31 December 2022 to incentivise taxpayers to transition into a low-carbon economy. Being a responsible corporate citizen, Sasol has embarked on various initiatives to reduce our carbon footprint over a number of years. This has culminated in the claiming of section 12L benefits totalling in excess of R15 billion since the introduction in 2014 up to the 2020 tax year.

In addition, we continue to investigate and invest in initiatives that result in such energy efficiency savings while shifting towards a relatively low-carbon footprint, thereby effectively managing our carbon tax liability for the group.

Taxation of dividends

A dividends tax was introduced in South Africa with effect from 1 April 2012. In terms of these provisions, a dividends tax at the rate of 20% currently is levied on any dividend paid by a company to a shareholder. The liability to pay such dividends tax is on the shareholder, even though the company generally acts as a withholding agent. In the case of listed shares, the regulated intermediary (being the Central Securities Depository Participant referred to below) is liable to withhold the dividends tax.

In the absence of any renegotiation of the Treaty, the tax on the dividends paid to a US holder with respect to shares or ADSs, is limited to 5% of the gross amount of the dividends where a US corporate holder holds directly at least 10% of the voting stock of Sasol. The maximum dividends tax rate is equal to 15% of the gross amount of the dividends in all other cases. The applicable administrative forms need to be completed by the US holder and received by the regulated intermediary by the date of payment of the dividend.

The definition of a dividend currently means any amount, other than a dividend consisting of a distribution of an asset in specie declared and paid as contemplated in section 31(3), transferred or applied by a company that is a resident (including Sasol) for the benefit or on behalf of any person in respect of any share in that company, whether that amount is transferred or applied by way of a distribution made by the company, or as consideration for the acquisition of any share in that company. It specifically excludes any amount transferred or applied by the company that results in a reduction of so-called contributed tax capital (CTC) or constitutes shares in the company or constitutes an acquisition by the company of its own securities by way of a general repurchase of securities in terms of the JSE Listings Requirements. A distinction is thus made between a general repurchase of securities and a specific repurchase of securities. If the company embarks upon a general repurchase of securities, the proceeds are not deemed to be a dividend whereas, in the case of a specific repurchase of securities where the purchase price is not funded out of CTC, the proceeds are likely to constitute a dividend.

The concept of CTC effectively means the sum of the stated capital or share capital and share premium of a company that existed on 1 January 2011, excluding any transfers from reserves to the share premium account or stated capital account, plus proceeds from any new issue of shares by a company. Any application of CTC is limited to the holders of a class of shares and specifically that a distribution of CTC attributable to a specific class of shares must be made proportionately to the number of shares held by a shareholder in a specific class of shares. In other words, CTC can only be used proportionately by a company and cannot be applied by a company for the benefit of only one specific shareholder. The CTC of the company cannot therefore also be used in respect of different classes of shares and the CTC of a specific class is ring-fenced.

Taxation of gains on sale or other disposition

SA introduced a tax on capital gains effective 1 October 2001, which applies to SA residents and only to non-residents if the sale is attributable to a permanent establishment of the non-resident or if it relates to an interest in immovable property in SA. With effect from 1 October 2007, gains realised on the sale of ordinary shares are automatically deemed to be on capital account, and therefore, subject to capital gains tax, if the ordinary shares have been held for a continuous period of at least three years by the holder thereof. This deeming provision is limited to ordinary shares and does not extend to preference shares or ADSs. The meaning of the word "resident" is different for individuals and corporations and is governed by the SA Income Tax Act, 58 of 1962 (the Income Tax Act) and by the Treaty. In the event of conflict, the Treaty, which contains a tie breaker clause or mechanism to determine residency if a holder is resident in both countries, will prevail. In terms of the Income Tax Act and the Treaty, a US resident holder of shares or ADSs will not be subject to capital gains tax on the disposal of securities held as capital assets unless the securities are linked to a permanent establishment conducted in SA. In contrast, gains on the disposal of securities which are not capital in nature are usually subject to income tax. However, even in the latter case, a US resident holder will not be subject to income tax unless the US resident holder carries on business in SA through a permanent establishment situated therein. In such a case, this gain may be subject to tax in SA, but only so much as is attributable generally to that permanent establishment.

Dividend stripping and anti-avoidance rules relating to share buy-backs

Anti-avoidance rules relating to share buy backs and dividend stripping were strengthened effective 19 July 2017 to address avoidance mechanisms utilised to erode the value of the shares through distribution of dividends prior to the disposal of shares. Such anti-avoidance dividend rules apply to situations where excessive dividends (as defined) are declared prior to disposal of shares and only to the extent that such dividends are treated as exempt dividend therefore not subject to dividend withholding tax. Where exempt dividends qualify as extraordinary dividends, the exempt dividends are re-characterised as proceeds for capital gains tax purposes or revenue for income tax purposes resulting in an increased tax liability for the seller of the shares.

Ordinary shares

Excessive dividends (referred to as the amount of any dividend received or accrued within 18 months prior to the disposal of that share or in respect, by reason or in consequence of that disposal, as exceeding 15% of the higher of the market value of that share at the beginning of the 18 months and as at the date of disposal of the share).

Preference shares

Excessive dividends equate to the amount of any dividend received or accrued in respect of that share as exceeding the amount that would have accrued in respect to that share had it been determined with reference to the consideration for which that share was issued by applying an interest rate of 15% per annum for the period in respect of which the dividend was received or accrued.

Securities transfer tax

With effect from 1 July 2008, a single security transfer tax of 0,25% was introduced and is applicable to all secondary transfers of shares. No securities transfer tax (STT) is payable on the issue of securities, even though it is payable on the redemption of securities. STT is payable in South Africa regardless of whether the transfer is executed within or outside South Africa. A transfer of a dematerialised share can only occur in South Africa.

A security is also defined as a depository receipt in a company. Accordingly, STT is payable on

the transfer of a depository receipt issued by a company. Generally, the central securities depository that has been accepted as a participant in terms of the Financial Markets Act, 19 of 2012 (that commenced on 3 June 2013) is liable for the payment of the STT, on the basis that the STT is recoverable from the person to whom the security is transferred.

Withholding taxes

A withholding tax on interest at the rate of 15% is currently applicable. This withholding tax is reduced to zero percent in terms of the Treaty to the extent that the interest is derived and beneficially owned by a resident of the other Contracting State (i.e. state/ party to a bilateral double taxation agreement). The administrative compliance obligation must be adhered to prior to the payment of the interest to benefit from the treaty rate.

A withholding tax on royalties at the rate of 15% is currently applicable. This withholding tax is reduced to zero percent in terms of the Treaty to the extent that the royalty is derived and beneficially owned by a resident of the other Contracting State. The administrative compliance obligation must be adhered to prior to the payment of the interest to benefit from the treaty rate.

Reportable arrangements

The legislation dealing with Reportable Arrangements (RA) was promulgated during February 2016 which places a requirement on South African taxpayers to report certain transactions which are perceived by SARS to have characteristics that may lead to undue tax benefits. The reporting of such transactions intends to give SARS advance notice of the arrangements. In this regard, RA would typically include the following:

- hybrid equity instruments (excluding listed instruments);
- share buy backs in excess of R10 million and that company issued or is required to issue any shares within 12 months of entering into that arrangement or of the date of any buy-back in terms of that arrangement;
- contributions/payments to non-resident trusts in excess of R10 million;

- acquisition of shares in companies with tax losses (or expected tax losses) in excess of R50 million;
- foreign insurance premiums paid in excess of R5 million;
- payment to foreign service providers rendering services in SA in excess of R10 million; and
- transactions entered into by a closure rehabilitation company or trust prior to a final closure plan of the relevant prospecting right, mining right or mining permit that directly or indirectly distributes, authorises the withdrawal or transfer or authorises the use as security exceeding R10 million in any year of assessment.

Excluded from RAs are:

- transactions listed above where the tax benefit is less than R5 million; and
- transactions where the financial reporting and tax classification differs and the tax benefit is not the main benefit of the transaction.

Non-compliance to this legislation will trigger significant penalties on a monthly basis.

Transfer pricing and Base Erosion and Profit Shifting Project (BEPS)

Transfer pricing was introduced in South Africa in 1995, and the transfer pricing principles adopted largely follow the Organisation for Economic Co-Operation and Development (the OECD) guidelines on transfer pricing. The main requirement is to ensure that a transaction is concluded at arm's length and that the transfer pricing between group entities is also at arm's length (also known as the 'arm's length principle').

The OECD guidelines prescribe methodologies for determining arm's length pricing which have been adopted by many countries including South Africa for their local transfer pricing regulation.

Where there is a deviation from the arm's length principle, the price charged between group entities (where one of those entities is a tax resident) which is different from what would have been concluded at an arm's length basis between unrelated persons and to tax the entity concerned is adjusted to increase the taxable income of the tax resident (also known as a primary adjustment). In addition, the adjusted amount is also deemed to be a dividend (also referred to as a secondary adjustment) that will be subject to dividend withholding tax, as well as the relevant penalties and interest is levied should such an adjustment occur.

Although not a member, South Africa is an observer of the OECD and therefore closely monitors the developments within the OECD. South Africa participated in the BEPS project initiative by the OECD. This influenced certain legislation amendments in the South African Income Tax Act as well as the adoption of three-tiered documentation regulatory obligations such as the country-by-country reporting (CBC), master file and local file. In addition to the OECD-recommended three-tiered documentation for transfer pricing, South Africa has also prescribed additional documentation to be retained by South African taxpayers in support to cross-border transactions entered into by the taxpayer as well as non-South African resident connected party transactions with third parties.

United States federal income taxation

The following is a general summary of the material US federal income tax consequences of the ownership and disposition of shares or ADSs to a US holder (as defined below) that holds its shares or ADSs as capital assets. This summary is based on US tax laws, including the Internal Revenue Code of 1986, as amended (the Code), Treasury regulations, rulings, judicial decisions, administrative pronouncements, all as of the date of this annual report, and all of which are subject to change or changes in interpretation, possibly with retroactive effect. In addition, this summary is based in part upon the representations of the Depositary and the assumption that each obligation in the Deposit Agreement relating to the ADSs and any related agreement will be performed in accordance with its terms.

US holders are strongly urged to consult their own tax advisors regarding the specific US federal, state and local tax consequences of owning and disposing of shares or ADSs in light of their particular

circumstances as well as any consequences arising under the laws of any other taxing jurisdiction. In particular, US holders are urged to consult their own tax advisors regarding whether they are eligible for benefits under the Treaty.

This summary does not address all aspects of US federal income taxation that may apply to holders that are subject to special tax rules, including US expatriates, insurance companies, tax-exempt organisations, banks, financial institutions, regulated investment companies, persons subject to the alternative minimum tax or the 3.8% Medicare tax on net investment income, securities broker-dealers, traders in securities who elect to apply a mark-to-market method of accounting, persons holding their shares or ADSs as part of a straddle, hedging transaction or conversion transaction, persons who acquired their shares or ADSs pursuant to the exercise of employee stock options or similar derivative securities or otherwise as compensation, persons who directly or indirectly hold more than 10% of Sasol's shares (by vote or value), partnerships or other pass-through entities or arrangements or persons whose functional currency is not the US dollar. Such holders may be subject to US federal income tax consequences different from those set forth below.

As used herein, the term "US holder" means a beneficial owner of shares or ADSs that is:

- (a) a citizen or individual resident of the US for US federal income tax purposes;
- (b) a corporation (or other entity taxable as a corporation for US federal income tax purposes) created or organised in or under the laws of the US, any state thereof or the District of Columbia;
- (c) an estate whose income is subject to US federal income taxation regardless of its source; or
- (d) a trust if a court within the US can exercise primary supervision over the administration of the trust and one or more US persons are authorised to control all substantial decisions of the trust.

If a partnership (or other entity or arrangement treated as a partnership for US federal income tax purposes) holds shares or ADSs, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. A partner in a partnership that holds shares or ADSs is urged to consult its own tax advisor regarding the specific tax consequences of the ownership and disposition of the shares or ADSs.

For US federal income tax purposes, a US holder of ADSs should be treated as owning the underlying shares represented by those ADSs. The following discussion (except where otherwise expressly noted) applies equally to US holders of shares and US holders of ADSs. Furthermore, deposits or withdrawals of shares by a US holder for ADSs or ADSs for shares will not be subject to US federal income tax.

Taxation of distributions

Distributions (without reduction of South African withholding taxes, if any) made with respect to shares or ADSs (other than certain pro rata distributions of Sasol's capital stock or rights to subscribe for shares of Sasol's capital stock) are includible in the gross income of a US holder as foreign source dividend income on the date such distributions are received by the US holder, in the case of shares, or by the Depositary, in the case of ADSs, to the extent paid out of Sasol's current or accumulated earnings and profits, if any, as determined for US federal income tax purposes (earnings and profits). Any distribution that exceeds Sasol's earnings and profits will be treated first as a non-taxable return of capital to the extent of the US holder's tax basis in the shares or ADSs (thereby reducing a US holder's tax basis in such shares or ADSs) and thereafter as either long-term or short-term capital gain (depending on whether the US holder has held shares or ADSs, as applicable, for more than one year as of the time such distribution is actually or constructively received).

The amount of any distribution paid in foreign currency, including the amount of any South African withholding tax thereon, will be included in the gross income of a US holder in an amount equal to the US dollar value of the foreign currency calculated by reference to the spot rate in effect on the date the dividend is actually or constructively received by the US holder, in the case of shares, or by the Depositary, in the case of ADSs, regardless of whether the foreign currency is converted into US dollars at such time. If the foreign currency is converted into US dollars on the

date of receipt, a US holder of shares generally should not be required to recognise foreign currency gain or loss in respect of the dividend. If the foreign currency received in the distribution is not converted into US dollars on the date of receipt, a US holder of shares will have a basis in the foreign currency equal to its US dollar value on the date of receipt.

Any gain or loss recognised upon a subsequent conversion or other disposition of the foreign currency will be treated as US source ordinary income or loss. In the case of a US holder of ADSs, the amount of any distribution paid in a foreign currency ordinarily will be converted into US dollars by the Depositary upon its receipt. Accordingly, a US holder of ADSs generally will not be required to recognise foreign currency gain or loss in respect of the distribution.

Accrual basis US holders are urged to consult their own tax advisors regarding the requirements and elections available to accrual method taxpayers to determine the US dollar amount includable in income in the case of taxes withheld in a foreign currency.

Subject to certain limitations (including a minimum holding period requirement), South African dividend withholding taxes (as discussed above under “Item 10.E–Taxation–South African taxation–Taxation of dividends”) will be treated as foreign taxes eligible for credit against a US holder’s US federal income tax liability. For this purpose, dividends distributed by Sasol with respect to shares or ADSs generally will constitute foreign source “passive category income” for most US holders. The use of foreign tax credits is subject to complex conditions and limitations. In lieu of a credit, a US holder may instead elect to deduct any such foreign income taxes paid or accrued in the taxable year, provided that the US holder elects to deduct (rather than credit) all foreign income taxes paid or accrued for the taxable year. US holders are urged to consult their own tax advisors regarding the availability of foreign tax credits or the deductibility of foreign taxes.

Dividends paid by Sasol will not be eligible for the dividends-received deduction generally allowed to US corporations in respect of dividends received from other US corporations. Certain non-corporate US holders are eligible for preferential rates of US federal income tax in respect of “qualified dividend income”.

Sasol currently believes that dividends paid with respect to its shares and ADSs should constitute qualified dividend income for US federal income tax

purposes (and Sasol anticipates that such dividends will be reported as qualified dividends on Form 1099 DIV delivered to US holders) if Sasol was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid, a Passive Foreign Investment Company (PFIC) for US federal income tax purposes. Each individual US holder of shares or ADSs is urged to consult its own tax advisor regarding the availability to such HUS holder of the preferential dividend tax rate in light of its own particular situation including foreign tax credit limitations with respect to any qualified dividend income paid by Sasol, as applicable.

Sale, exchange or other taxable disposition of shares or ADSs

Upon a sale, exchange or other taxable disposition of shares or ADSs, a US holder generally will recognise a capital gain or loss for US federal income tax purposes in an amount equal to the difference between the US dollar value of the amount realised on the disposition and the US holder’s adjusted tax basis, determined in US dollars, in the shares or ADSs. Such gain or loss generally will be US source gain or loss, and generally will be treated as a long-term capital gain or loss if the holder’s holding period in the shares or ADSs exceeds one year at the time of disposition if Sasol was not, at any time during the holder’s holding period, a PFIC, as discussed below, for US federal income tax purposes. The deductibility of capital losses is subject to significant limitations. If the US holder is an individual, long-term capital gain generally is subject to US federal income tax at preferential rates. Each US holder of shares or ADSs is urged to consult its own tax advisor regarding the potential US tax consequences from the taxable disposition of shares or ADSs, including foreign currency implications arising therefrom and any other South African taxes imposed on a taxable disposition.

Passive foreign investment company considerations

A non-U.S. corporation is a passive foreign investment company in any taxable year in which, after taking into account the income and assets of certain subsidiaries, either (a) at least 75% of its gross income is passive income or (b) at least 50% of the quarterly average of its assets is attributable to assets that produce or are held to produce passive income. Sasol believes that it should not be classified as a PFIC for US federal income tax purposes for the taxable year ended 30 June 2021. US holders are advised, however,