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3 October 2024

## Notice to Legal Practitioners

### Frequently Asked Questions following the gazette of the Legal Sector Code

#### **Introduction**

The LPC is aware that practitioners require clarity on the Legal Sector Code (LSC) gazetted on 20 September 2024. The Charter Council, which is in the process of being set up, will on its establishment, engage with practitioners and provide information, clarification and guidance. In the meantime, the LPC requested the Legal Sector Code Steering Committee to compile the FAQ below to provide some information.

#### **Do all law firms and advocates have to comply with the provisions of the LSC?**

1. Compliance with the provisions of the LSC is not compulsory for any private sector firm or advocate. However, the following firms and advocates who are registered with the Legal Practice Council (LPC) are obliged to use the LSC for measurement:
  - firms and advocates who elect to be measured for Black Economic Empowerment (B-BBEE); and
  - firms and advocates who do business with the state and are required to be measured for B-BBEE.
2. The LSC is binding on organs of state but only insofar as the procurement of legal services are concerned.

#### **Which firms and advocates are exempted from compliance with the LSC**

3. The following law firms and advocates are exempted from compliance with the LSC
  - Law firms whose annual revenue is R5 million or less; and
  - Advocates whose annual revenue is R3 million or less.
  
4. Such exempted firms and advocates do not need to go through a formal verification process and are only required to, on annual basis, submit an affidavit or a CPIC certificate confirming
  - annual total revenue of R5 million (five million rand) or less; and
  - level of black ownership.

#### **Advocates**

- annual revenue of R3 million or less
- race

#### **What are the thresholds for measurement of legal entities**

5. There are 3 categories of firms and advocates for measurement purposes:
  - Exempted legal entities – annual revenue below R5 million and R3 million
  - Qualifying Small Entities (QSEs) – annual revenue above R5 million/R3million up to R25 million
  - Large Entities – annual revenue above R25 million
  
6. Black owned QSEs need only submit an affidavit confirming annual revenue and level of black ownership unless they elect to be measured in terms of the QSE scorecard.
  
7. All other QSE's and Large entities must utilise the QSE and Large Scorecards respectively.

#### **When does the LSC come into effect?**

8. The LSC comes into on the date of its gazetting which is 20 September 2024.

**From which date must legal entities be measured in terms of the LSC**

9. Whilst the LSC comes into effect on 20 September 2024, all B-BBEE verification certificates which were validly issued prior to the gazetting of the LSC in terms of the Generic Codes, shall remain valid and applicable for the period of their validity.

10. B-BBEE measurement includes the assessment and audit of measurement spend that occurred in the previous financial year-end before the actual verification and certification. Practically therefore, measurement in terms of the LSC will take place only in the course of 2025 depending on the date of the financial year end of the entity. **If verification is currently being done for the past financial year being 2023/2024, it will be done in terms of the Generic Scorecard**

11. For legal firms and advocates who have not previously been measured, practically, measurement in terms of the LSC will only take place in 2025 depending on their financial year end.

12. The LSC provides for the filing of an annual report which would include a verification certificate, and such report shall be filed a year after the gazetting, in this instance in September 2025.

**What are the priority elements, and who has to comply with them**

13. Ownership, skills development and enterprise and supplier development are the priority elements.

14. The LSC provides that all large legal entities must comply with all the priority elements.

15. QSE's who are law firms are only required to comply with ownership and choose between skills development and enterprise, and supplier development. Black

owned QSE's (51% or more) are exempted from complying with priority elements unless they elect to be measured in terms of the QSE scorecard.

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