
29 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 clarity.

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

1. Compliance with the provisions of the LSC is applicable to all private sector firms of attorneys and advocates registered with the Legal Practice Council (LPC) who elect to be measured in terms of, and benefit from, the provisions of the B-BBEE Act.
2. The LSC is applicable to organs of state and public entities 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 R0 - R5 million,
 - Advocates whose annual revenue is R0 - R3 million.

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 the following:

Attorneys

- annual total revenue of R0 -R5 million
- level of black ownership which determines the automatic B-BBEE Status level.

Advocates

- annual revenue of 0 - R3 million
- level of black ownership which determines the automatic B-BBEE Status level.

What are the thresholds for measurement of legal entities

5. There are 3 categories of firms and advocates for measurement purposes:
 - **Exempted legal entities (ELEs)** – annual revenue is R0 - R5 million for attorneys and R0 - R3 million for advocates
 - **Qualifying Small Entities (QSEs)** – annual revenue above R5 million but not more than / up to R25 million for attorneys and above R3million but not more that R15 million
 - **Large Entities** – annual revenue above R25 million for attorneys and above R15 million for advocates
6. Black owned ELEs and QSEs need only submit an affidavit confirming annual revenue and level of black ownership.
7. A black-owned QSE may be measured in terms of the QSE scorecard should it so choose.
8. QSEs that are not black owned must be measured in terms of the QSE scorecard.

9. All Large entities must utilise the Large Scorecards.

When does the LSC come into effect?

10. The LSC comes into effect on the date of its gazette which is 20 September 2024.

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

11. 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.

12. If the Measured Entity had commenced with verification process prior to the gazette of the LSC, it will be finalized and be issued with a certificate in terms of the Generic Scorecard.

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

14. 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

15. Ownership, skills development and enterprise and supplier development are the priority elements, which means that the measured entity must achieve subminimum targets to avoid their B-BBEE level being discounted.

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

17. QSE's who are law firms are only required to comply with ownership and choose between skills development and enterprise, and supplier development, which means that the measured entity must achieve subminimum targets to avoid their B-BBEE level being discounted.

18. 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.
