JULY IAPA NEWSLETTER

EMIGRATION FROM SOUTH AFRICA

What is formal emigration?

Formal emigration is the process to close your financial affairs when leaving South Africa immigrating to another country-and change your status-for exchange control purposes from resident to non-resident. Emigration does not affect your citizenship or the right to retain your South African passport. Many people who have left South Africa and who have not formally emigrated,

. The may be many advantages of arranging this formal emigration:

1. Should there be a potential inheritance, these can be remittance only if the beneficiaries have formally immigrated.
2. If there any insurance policies or retirement annuities, there can be made paid up and proceeds can be remittance. They can be paid out if retirement age is not reached.
3. Closing the door on all tax and exchange control issues in South Africa
4. If you formally emigrate, your non-South African assets are no longer subject to Estate duty in South Africa.
5. Passive income i.e. rent, dividends, director`s fees, salary for services rendered in South Africa and income from trusts can be formally remitted

   We can assist in arranging all aspects of formal emigration

THE REQUIREMENTS OF FORMAL EMIGRATION

To formally emigrate, if there are assets in South Africa it is necessary to get a tax clearance and to submit a tax return at date of emigration which would tax income until date of immigration. On the date of immigration all assets other than fixed property would be valued and any capital gains would be taxed as an effective exit tax.

If there is income on fixed properly, they would continue to be taxed in South Africa after immigration. Capital gains would be taxed when realised. All assets held in South Africa after immigration would be held on the bank handling the emigration and held in a blocked account.

EMIGRATION LIMITS.

The amount of capital that can be taken overseas on emigration is as follows:

- Single person R10 Million per year
- Family unit R20 Million per year
- These are reduced by foreign capital investments
- A travel allowance of up to R1 million per adult and R200 000 per child under the age of 18 years. The travel allowance may not be accord more than 60 days prior to departure, and

- Export of household and personal effects, motor vehicles, caravans, trailers, motorcycles, stamps, coins and minted gold bars(excluding coins that are legal tender in South Africa) within an overall insured value R2 million.

EMPLOYMENT OVERSEAS AND STILL LIVING IN SOUTH AFRICA

Many skilled South Africans have accepted employment opportunities in foreign countries on contract for lengthy periods such as for most of the year or even for several years continuously, and so legally avoided paying tax in South Africa. SARS has treated these people as “non SA resident for tax purposes” South Africa adopted a “residency-based” income-tax system on 1st March 2001 and this basically means that a person pays income tax in the country where they live and work for most of the year. If a SA citizen lives and works in a foreign country with a DTA(Double Tax Agreement), such as the UK for example, for most of the year then they should be treated as a UK taxpayer and pay income tax in the UK.

This also means that if they spend most of the year living and working in a country where there is no income tax, such as Dubai for example, then they pay no income tax in Dubai and no tax in South Africa, so they pay no income tax at all.

SARS has now changed the tax laws in SA (Taxation Laws Amendment Bill Dec 2017) and SA citizens working overseas will now pay income tax on a portion of their offshore earnings to SARS. The law will come into effect on 1st March 2020.

If there is DTA(Double Tax Agreement) in place, the first R1m of salary/income earned offshore will be exempt from tax and SARS`s normal tax rates will apply to the balance of income earned. This means that, if a person earns R1, 100,000 in foreign salary/income then the first R1m will be exempt from tax in South Africa and SARS will tax them on the R100, 000 balances.

Were tax is deducted; they will be used as a credit towards South African tax liability.
Many people working in foreign countries enjoy fringe benefits such as accommodation, the occasional free flights home etc., as part of their contracts, and SARS sees all these benefits as part of taxable foreign earnings. If a South African citizen works in Dubai for a year and earns R2m then no income tax is deducted in Dubai. SARS will exempt R1m of the income and SARS will income-tax on the R1m balance of the foreign income earned. The only current way to avoid this situation is for the taxpayer to emigrate from South Africa.

VAT CLAIMS ON PURCHASING OF MOTOR VEHICLE

Regarding whether or not you would be permitted to claim the input vat on the purchase of a Passenger Motor Vehicle, in terms of the VAT Act, inputs are not permitted to be claimed in respect of the purchase of a “motor car”. The VAT Act further has a specific definition of “motor car” which reads:

A motor car is defined as a motor van, station wagon, minibus, double-cab light delivery vehicle, and any other motor vehicle of a kind normally used on public roads, which has three or more wheels, and is constructed or converted wholly or mainly for carrying passengers.

The last part of the definition which I have underlined is the troublesome part because one has to look at the original construction/intention of design of the vehicle, if the vehicle in question has a seating capacity of 7 passengers, would indicate the intention of design to be the carrying of passengers? This is the question one would have to defend should it come under attack by SARS. If a vendor is denied an input, he also then would not have to charge output tax when the same vehicle is sold

INCOME TAX RETURNS FOR YEAR ENDED 28 FEBRUARY 2018

If you wish us to complete your above income tax return for the year ended 29 February 2018, could you please send us the following, where applicable, as soon as possible. If you have not sent us the information, the deadline is 31 October 2018 for non-provisional tax payers and we urgently need your information.

1. IRP5/IT3 (a) Certificates.
2. Certificates of interest earned, both local and foreign.
3. Certificates for retirement annuity fund contributions paid.
4. Certificate of medical aid contributions paid and a schedule of expenses not covered by medical aid scheme, as well as copies of these invoices and proof of payment thereof.
5. Details of dividends received, both local and foreign.
6. Rental income and any other income, both local and foreign. Please also include details of expenditure incurred in the production of rental income. Please include a certificate of bond interest paid and levy statements if claiming this expenditure. SARS will not allow this expenditure without this interest paid on bond certificate.
7. If you received a travel allowance or a company car or claim travel expenses against business income, details pertaining to your motor vehicle (a comprehensive log book of all business and private mileage, vehicle purchase date, purchase price, registration number and odometer reading at the beginning and end of the tax year). We can send you an example of the format of a logbook should you require it.
8. Details of any investments made or redeemed.
9. Details of any fixed property purchased or sold.
10. Any other information pertaining to your tax return.
11. Should you receive business income, SARS will require a statement of assets and liabilities. We will request this from you if needed.

Tax deadline for non-provisional taxpayers for year ended 28 February 2018 tax return is now 31 October 2018 instead of 30 November 2018. Provisional taxpayers' deadline remains 31 January 2019

SERVICES WE PROVIDE

- Statutory Audits
- Reviews of financial statements
- Compilation of financial statements
- Financial statements of Close Corporations
- Outsourced Financial Management
- Completing personal and corporate income tax returns and advising on the implications of income Tax legislation.
- Accounting services
- Providing company secretarial services including Company formations
- Due Diligence Investigations
- Emigration Assistance
- Voluntary Disclosure Programs
- Outsourced Payrolls