

## IAPA JUNE 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
- Application to the South African Reserve Bank can be made to remit larger amounts.
- 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.

## **SOME QUESTIONS AND ANSWERS**

- **If I emigrate from South Africa, do I have to relinquish my South African citizenship?**  
No. Emigrating from South Africa formalises your exit from South Africa for exchange control purposes. It does not mean that you have to relinquish your South African citizenship. You can retain your South African passport.

- **I have been living abroad for a number of years, how do I formalise my emigration?**  
In terms of exchange control policy, private individuals (natural persons) who reside permanently in a country outside the Common Monetary Area are required to formalise their emigration by completing a Form MP336(b).

Your emigration should be formalised through a local commercial bank of your choice in South Africa as follows:

(i) Complete a Form MP336(b) – Emigration: Application for foreign capital allowance.  
(iii) Apply for a Tax Clearance Certificate - Emigration via the South African Revenue Service (SARS) eFiling system. The Tax Clearance Certificate - Emigration is based on the Form MP336(b), therefore, you will also have to provide SARS with a certified copy of the completed Form MP336(b).

(iv) If you have resided permanently outside South Africa for a period longer than five years and you do not possess any assets other than an inheritance or insurance policies, it would not be necessary to obtain a Tax Clearance Certificate - Emigration.

(v) Submit the Form MP336 (b) and the Tax Clearance Certificate - Emigration, if applicable, to the bankers attending to your emigration. You will also have to submit any other documentation as required on the Form MP336 (b), which includes a copy of the permanent residence permit, if you have been granted permanent residence abroad.

- **Can I transfer the proceeds from the insurance policy directly to my overseas bank account?**  
Yes. The proceeds from insurance policies may be transferred directly to the emigrant abroad where the emigrant has no bank account in South Africa, provided the person's emigration has been formalised and that the foreign capital allowance limit will not be exceeded.
- **South African Retirement Annuities ?**  
Retirement annuities in South Africa can transfer the full capital value of your South African RA's offshore before age 55

## **REQUIREMENTS WHEN APPLYING FOR EMIGRATION.**

- 1) Completed form MP 336(b)
- 2) Certified ID documents of husband and wife
- 3) Certificate of Citizenship in new country
- 4) Latest Bank statements of all accounts
- 5) Insurance Policies (Retirement Annuity, Endowment policy, Life policy etc) – must have original copy of policy
- 6) Fixed Properties – valuations at date of emigration

- 7) Stocks, shares, unit certificates etc – Listed Investments and Unlisted Investments – valued at date of emigration
- 8) Debtors ( loan accounts, credit cards etc) – at date of emigration
- 9) Interest in Trusts
- 10) Any other liabilities

**PLEASE NOTE: ALL DOCUMENTS ARE TO BE THE ORIGINAL COPIES**

### **FOREIGN FUNDS VOLUNTARY DISCLOSURE PROGRAMS**

#### **Voluntary Disclosure Programs**

For South African tax payers who have not previously formalized their foreign assets, it is necessary to formalize their foreign funds with the South African Revenue Bank.

#### **The South African Reserve Bank Regularization Program**

1. The Reserve Bank regulation program works as follows:
  - Depending on various factors a “forfeit to the state” i.e. fee is charged to regulate the Unreported / unauthorized foreign funds.
  - It is possible for certain situations to be legalized without any “fee” i.e.
- 1.1 Funds earned overseas
- 1.2 Funds that were in owned by immigrants to South Africa prior to the arrival in South Africa.
- 1.3 Funds inherited overseas (for funds inherited overseas from a non South African resident)

#### **Taxation VDP (Voluntary Disclosure Program)**

In terms of this program a taxpayer would need to disclose and thus regulate their tax situation. Were taxes were not paid since 2001 on foreign taxes the income would be taxed without penalties but interest would be charged on late payment of taxes.

### **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

### **GREAT QUOTES**

- "I learned that you don't get anywhere by sitting comfortably in a chair" Conrad Hilton
- "I'm not an inventor. I just want to make things better" Daniel Ek
- "Hire people that are better than you and then leave them to get on with it" David Ogilvy
- "The leader is the person who brings a little magic to the moment" Denise Morrison
- "The most dangerous thing for a branded product is low interest" Dietrich Mateschitz
- "When the ideas are coming I don't stop until the ideas stop because that train doesn't come along all the time" Dr Dre
- "I'm not afraid to take a swing and miss" Fred Smith
- "If I had asked people what they wanted, they would have said "a faster horse!" Henry Ford
- "If you don't sell, it's not the product that's wrong, it's you" Estee Lauder
- "You don't learn to walk by following rules, you learn by doing and by falling over" Sir Richard Branson
- "You only have to be right once" Drew Houston
- "Your most unhappy customers are your greatest source of learning" Bill Gates
- "I don't believe too much in luck I believe in circumstances. I believe in work" Carlos Slim
- "It is not the strongest species that survive, nor the most intelligent, but the most responsive to change" Charles Darwin.
- "Success is best when it's shared" Howard Schultz.
- "A man generally has two reasons for doing a thing. One that sounds good and a real one" J.P Morgan
- "The knowledge that you have emerged wiser and stronger from setbacks means that you are, ever after, secure in your ability to survive" Jack Dorsey
- "Never give up. Today a hard, tomorrow will be worse, but the day after tomorrow will be sunshine" Jack Ma

- “Before you a leader, success is all about growing yourself. After you become a leader, success is about growing others” Jack Welch
- “Always think outside the box and embraced opportunities that appear, wherever they might be” Lakshmi Mittal
- “When you innovate, you`ve got to be prepared for people telling you that you are nuts” Larry Ellison
- “If we were motivated by money, we would have sold the company a long time ago and ended upon a beach” Larry Page

#### **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