

Questions and Answers



When are the proposed changes to South African tax coming into effect?

The proposed changes will come into effect in March 2020.



What are the changes?

Many South Africans working abroad are not completely aware that South Africa has always taxed on worldwide income. There has however been an exemption, that most expats rely on, that is a 'days out of South Africa' test. The magic number known by all expats is 183 days, this section of the act is the one that is proposed to be repealed.

It will instead be replaced by "There shall be exempt from normal tax any form of remuneration to the extent to which that remuneration does not exceed one million Rands in respect of a year of assessment and is received by or accrues to any employee during any year of assessment by way of any salary, leave pay, wage, overtime pay, bonus, gratuity, commission, fee, emolument or allowance in respect of services rendered outside the Republic by that employee for or on behalf of any employer, if that employee was outside the Republic".

In short South African's working abroad could be taxed on their income offshore, notwithstanding any tax credit from tax paid in the country they earn their income and a proposed ZAR 1,000,000 per annum exemption.



What's an example?

An extreme example is a South African working offshore that pays no tax but is deemed tax resident in South Africa. Let's assume they are earning ZAR 150,000 per month. Currently no tax is due. Under the new regime a tax bill would be approximately ZAR 54,000 per month.

As a further example let's assume the same South African earning the same money pays 20% tax on their earnings in the source country which SARS accept as a tax credit. The tax paid in the source country (source tax) would be ZAR 30,000 per month thus reducing the tax bill to approximately R24,000 per month. The ZAR 1,000,000 allowance could then negate the tax due in South Africa.

However, if the source tax was not deemed acceptable the employee would pay approximately ZAR 24,000 per month in tax to SARS.

We wait at this stage confirmation from SARS as to whether the ZAR 1,000,000 will be on total earnings before any source tax or on net income.



Can't I just ignore it?

The head in sand strategy is not recommended – SARS has given expats 3 years to sort out their financial affairs, it has signed up to CRS reporting and will now receive information on any bank account you hold worldwide.

You will also be compelled to complete an annual tax return in South Africa – providing false information on this is a criminal offence.

Does it affect all South African expats?

Absolutely not. It will depend on your individual circumstances which is why you should seek professional advice.



Why is SARS making these changes?

Opinion differs as to why, but we can be sure that SARS needs to increase its tax base. With so many South Africans working overseas this is an easy target to get another tax revenue stream. Also, many South Africans leaving SA never complete their tax affairs, they simply move so this is another way for South Africa to 'tidy up' its tax base and ensure compliance.



I am an employer should I be worried?

From a practical prospective yes you should. There is no doubt that for many South Africans that have made the decision to work abroad, money has played its part. If the new tax changes see a significant reduction in their 'take home pay' some will deem it no longer worth their while to work abroad - others unfortunately will have no choice as they simply will not be able to afford the tax.

Educating your workforce and enabling them with the right information to make decisions and plan in advance will not only be a value add, showing that you as an employer care, but also allow time for appropriate solutions to be put in place.



Is there anything I can do about it?

There are several options you could look at:

- Tax emigration – getting your affairs in order with SARS.
- Financial emigration – this does not affect your South African citizenship but in essence sees you formally emigrating from a tax perspective.
- The Tax Smart Solution.
- Pay the tax in South Africa – possibly not a favoured option.
- Ignore it and hope you don't get discovered – illegal and not advised.



How we can help?

Tax Smart Solutions offers a number of different solutions to contractors, employees and employers. To secure your free consultation either call us on +27 823257028 or e-mail stuart@tax-smart-solutions.co.za