INCOMPASS Forex

IFA NEWSLETTER - QUARTER ONE 2021

Welcome to 2021and on behalf of the Incompass team we would like to extend to you our warmest wishes for a healthy and successful 2021.

Our newsletter serves to keep you up to date with what is happening in the money transfer and exchange control environment.

Should you have any queries or require further information please do not hesitate to contact your local consultant.

This issue:

Tax Clearance update

Transfers in excess of ZAR 11 million per year

Financial Emigration

Foreign bank accounts

Refresher on annual allowances

UPDATE ON OBTAINING TAX CLEARANCES

As you will be aware, for international transfers over R1million a tax clearance certificate must be obtained from SARS. Unfortunately, we are seeing some long delays with the issuing of these.

Background

Some time back, Adobe made clear to SARS that certain forms relying on Adobe Flash would no longer work on the eFiling system unless SARS carry out certain updates. Despite numerous warnings, SARS continued to use outdated software on its eFiling system.

This resulted in significant issues with eFiling users not being able to access certain forms (e.g. Tax clearance, TCS etc). SARS are, of course, were aware of the problem and stated that they were currently working on resolving the matter.

We did manage to implement a work around to this problem, however, it was not as timely as the normal process. As of the 26th January, we are now able to submit tax clearance applications in the normal manner.

The Effect on Tax Clearance Processing Times at SARS:

It is always very important to set expectations and plan in enough time to apply for a tax clearance certificate.

In addition to this latest issue on eFiling, COVID had already had an effect on SARS processing times due to staff working at home and the suspension of physical visits to branches. The annual increase in applications towards the end of a calendar year further put stress on their capacity and now coupled with the eFiling issue we can still still expect delays in the issuing of tax clearance certificates in respect of foreign investments. as SARS clear the back log.

Of course, clients can still transfer out up to R1million without the need for tax clearance whilst they await the clearance for any amount above this.

Timeline for Tax Clearance Applications

We will always do what we can to try and ensure that we monitor applications and follow up with SARS when we can, however, please note the same limitations apply to not just us but all other institutions (as dictated by SARS):

- For the first 21 working days after a tax clearance certificate is submitted, we are unable to query its progress with SARS.

- The 21 working days start as soon as the TCC application has been submitted and the supporting documents uploaded. Sometimes, we can submit both on the same day but in some cases the link to upload the documents is only available after 24 hours. Note the days between 15 December and 15 January of the following year do not form part of the 21 working days.

UPDATE ON OBTAINING TAX CLEARANCES CONTINUED

Once the 21 working days have expired:

We first need to phone the SARS call centre in order to query/escalate the case. SARS then issues us with a case number for the query.

If they still do not attend to the escalation/query after 3 working days, we can lodge a formal complaint via eFiling.

- They then have 7 working days to respond by either a phone call or email.
- They can then request additional documents or authorise the application.

We ask you to please take note of this when looking at timeframes with your clients to manage expectations.

TRANSFERRING ZAR 11 MILLION PLUS OUT OF SOUTH AFRICA?

ZAR 11million per annum remains the annual overall limit a client can transfer out of South Africa. This, however, does not mean it is the maximum a client can send overseas in a year.

If they need to transfer more than ZAR 11million in a year we can make a special application to the SARB for approval to transfer the excess amount. To do this, we will first need to obtain a Letter of Compliance from the South African Revenue Service (SARS). This is then submitted to SARB for approval, together with a motivational letter.

ANNUAL ALLOWANCES

ZAR 10 million Foreign Investment Allowance per adult on a calendar year basis. You will require a tax clearance certificate from SARS for anything over ZAR 1M.

ZAR 1 million Single Discretionary Allowance, per adult on a calendar year basis.

FINANCIAL EMIGRATION

One of the big changes we are going to see on 1st March 2021 is the demise of financial emigration. As of the new tax year, financial emigration in the current format will cease to exist.

South Africans have until 28th February 2021 to access and transfer certain financial assets, such as retirement annuities, pensions, preservation funds and retirement funds, out of the country by means of the current formal emigration SA Reserve Bank application process. With financial emigration no longer an option from 1st March 2021, clients will have to rely on the new legislation to access and transfer these assets.

How much do we know about the new legislation?

At this stage very little detail has been provided other than:

- It will be a SA Revenue Services rather than SA Reserve Bank driven process.
- Applicants will need to show they have been a non-SA tax resident in South Africa for a period of 3 years.

Other than the above we can only speculate but, of course, as details become clearer we will communicate these to you.

Importantly please note that Incompass will not take any new applications for financial emigration after 31st January 2021.

FOREIGN BANK ACCOUNTS

We are receiving an increasing amount of enquires from IFA's whereby their clients are looking to put in place a foreign bank account.

Typically, these are used for:

Holding of some of the client's assets in a cash environment.
A temporary home of cash whilst deciding on their investment strategy.
Where an offshore investment is vesting and the client has no offshore banking to pay the funds into.

We are able to assist you in helping your clients with banking in most major currencies and there is no requirements for the client to attend a physical branch, it can all be set up remotely.

Opening the accounts costs R1150 VAT inclusive.