INCOMPASS Forex

# IFA NEWSLETTER

## QUARTER TWO 2021

Welcome to the second edition of our 2021 IFA newsletters.

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.

### New video guide for onboarding clients

We are pleased to share with you our latest instructional video which covers the registration process for new clients.

You can view it on youtube at https://youtu.be/YdOgYj2ssj0 or by following us on LinkedIn here.

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# UPDATE ON FINANCIAL EMIGRATION

As we know, the old Financial Emigration process has come to an end, although we have not received all the answers and details regarding the new process, here is a quick look;

- **The New Emigration Process:**

The concept of emigration as recognised by the Financial Surveillance Department has now been phased out with effect from 2021-03-01.

All emigrants and residents will be treated equally, which means that an "emigrant" is regarded as a "SA resident living abroad" therefore they are able to access the R1m SDA and R10m FIA, respectively. Therefore, the client would need to approach SARS and complete the TCR 01 process and cease their South African Tax residency.

- **What if a client has done a belated/formal emigration prior 01/03/2021 and they inherit any funds after the date of emigration? Will those assets be considered non-resident assets?**

If the client already Formally Emigrated and receives an Inheritance, those funds can be remitted offshore as non-resident funds.

- **What facilities will I qualify for when I cease to be a resident for tax purposes?**

  a. Authorised Dealers may, on confirmation that a private individual has cleared his/her tax residency status with SARS, allow the transfer of assets abroad subject to tax compliance.
  b. Authorised Dealers may allow the transfer of up to a total amount of R10 million per calendar year per private individual who ceases to be a resident for tax purposes in South Africa and is 18 years and older, provided that the individual is tax compliant and submits the applicable SARS TCS PIN for verification.
  c. For transfers up to R1 million per individual per calendar year, Authorised Dealers may transfer funds offshore without the requirement to obtain a SARS TCS PIN letter.
  d. South African non-tax residents who wish to transfer more than R10 million offshore are subject to a verification process by SARS as well as a subsequent approval process by the Financial Surveillance Department.

- **Where does the emigration process starts?**

  a. The process will start off by the client declaring to SARS that they are formally exiting South Africa as a tax resident.
  b. Clients will need to complete relevant forms at SARS to complete the process.
  c. SARS will issue clients with a TCS PIN of Emigration or Letter of Compliance in a case of declaration in excess of R10 million.

# UPDATE ON FINANCIAL EMIGRATION

- **The type of the bank account the client can open**

Although SARB does not prescribe the name of the account to be opened for such individuals, the account must be a non-resident account in order to comply with correct reporting to SARB. In order for us to differentiate the normal non-resident account and the emigrant account, Mercantile opted to retain the name “emigrant” for admin purposes until further notice - please note that the name will exclude “blocked” going forward.

Such accounts will be monitored like a normal non-resident account, for all credits.

- **When opening an account, what is expected from and Exchange Control point of view?**

For the account to be authorised by the Exchange Control team, the client must produce proof that they have finalised their SARS process to cease as SA tax Resident and provide documents, as per the bullet points, as listed in the heading above *"Where does the emigration process starts*".

- **Monitoring by Mercantile/subsequently other Authorised Dealers:**

    - The account will be monitored for credits..
    - The expected credits are as per the declaration made by clients to SARS and as per the TCS PIN verification details.
    - For R/A lump sum, we also need to be furnished with TCS that confirms that the client has ceased to be a tax resident, we further require to be furnished with documentation from the insurance company relating to the policy.

- **TCS authorised amounts in excess of R10 million**

All TCS PINs in excess of R10 million must first be approved by SARB, on application request, the client must furnish us with a Compliant PIN Letter.

- **Inheritance transfers**

Inheritance are funds transferable with no requirement of TCS PIN, provided the beneficiary can prove that they have ceased to be tax resident, and we are provided with Estate documents i.e. Last Will and testament, Death Certificate, Letter of Executorship or Authority.

# UPDATE ON FINANCIAL EMIGRATION

- **Where does SDA fit in?**

SARB advised that emigrants will have access to their SDA one time, in the calendar year they depart RSA or in the calendar year when they formalise their exit from South Africa. We will raise this matter again in the next committee meeting to get clear directives, because the Bank is still expected to have confirmation that such individuals have formalised their exit from South Africa as a tax resident.

- **Please further note that the below processes will fall away**
    - No more stamping of MP336(b) by the Authorised Dealer
    - No more issuing of emigration letters by the Authorised Dealer

- **REGULATORY ISSUES AND QUESTIONS STILL NOT APPROACHED:**
    - What about those clients that do not have a SA bar coded ID? For instance, they were not born in SA or have the old blue SA ID or was/is a permanent resident of SA?
    - Further in-depth guidance regarding the ruling: The distinction between South African resident assets and non-resident assets remains extant.

# INTRODUCING INCOMPASSFX (NON RAND TRANSFERS)

You may well be coming across situations where your clients require a money transfer between two currencies that are not rand based.

Typical scenarios presented to us include:

A client who is disinvesting, in, for example, a USD based fund, and reinvesting in a Euro based one. The investment company is unable to simply 'move' the funds and needs to do a physical transfer. Incompass can provide both the account to receive the funds, the exchange, as well as the transfer to the new investment. A client has received funds in one currency and wishes to hold it in another, or simply diversify their existing currency exposure. Once again Incompass can provide both the account as well as initiate the exchange.

IncompassFX offers your clients in excess of 40 different currencies for non rand transfers, with the same transparency as our local offering.

For more details you can visit IncompassFX.com, or contact your local consultant.

Good morning Reinardt,

My experience of converting and transferring my funds has been overall great, it was seamless and easy to do. The online portal provided by Incompass is easy to use and user friendly. Even with just one explanation by yourselves on what steps to follow for the conversion and transfer, I was able to successfully complete the conversion and transfer on my own. Customer service from yourselves is top notch, you are always friendly and willing to help and what I find great is that you respond to any mail quite quickly.

Thank you for this experience, I will hopefully make use of your service again quite soon.

Kind Regards

Marius

# MONEY TRANSFERS INTO SOUTH AFRICA

Did you know you can save your clients time and money on their transfers into South Africa?

We are experiencing an increase in the number of individual clients who are bringing funds into South Africa during these unique times.

It can be that clients are having a need to vest some of their offshore investments or simply wish to take advantage of the current exchange rates to the rand.

As part of our service for IFAs, we also offer money transfers from abroad into South Africa. Most importantly your clients access the same great rates, service and transparency for their transfers into South Africa as they do when transferring funds out of South Africa.

**The process could not be easier:**

If your client is already registered, there is no need for them to do so again. For new clients, simply follow the normal online registration process with your local consultant.

Your client can transfer their foreign currency via SWIFT transfer to the account that we have opened for them - please chat to us to re-confirm the banking details for the transfer.

When the funds arrive, one of the Incompass team members will be in touch to discuss the exchange rate.

**Advantages for your clients:**

- Access the same great rates.
- Clients have up to 28 days to effect the exchange of funds into ZAR, from the date we receive the funds - unlike the banks which tend to be instant, no matter what the ZAR is doing at the time of exchange.
- Completely transparent fee structure.

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