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Understanding your South African foreign investment allowance

South Africans living abroad and in South Africa, who have not financially emigrated, are entitled to the South African foreign investment allowance of R10 million and the discretionary allowance of R1 million per calendar year. Below we explain some more details about these and other allowances.

What is a single discretionary allowance?
It is an allowance up to an overall limit of R1 million per calendar year, available to each South African adult resident (above 18 years old).

What can be transferred under the single discretionary allowance?
The single discretionary allowance may be used for any legal purpose abroad (including for investment). It may be utilised solely at the discretion of the resident, without a requirement for the resident to produce documentary evidence relating to the funds to be transferred to the Authorised Dealer, except for travel outside the Common Monetary Area (eSwatini, Lesotho, Namibia and South Africa). If the allowance is used for travel, a passenger ticket needs to be produced.

The resident must produce a valid green, bar-coded South African identity document or smart identification card at the Authorised Dealer when using the allowance. In turn, the Authorised Dealer must provide the resident's identification number when reporting the transaction in terms of the FinSurv Reporting System.

What rules apply to South African residents travelling abroad?

- Adult residents (above 18 years old) may use a travel allowance within the single discretionary allowance limit of R1 million per calendar year.
- Residents under 18 years old are permitted a travel allowance of up to R200 000 per calendar year.
- Foreign exchange, in terms of a travel allowance, may be provided in any authorised form. The travel allowance may also be transferred abroad to the traveller's own bank account, but not to a third party's account.
- Foreign currency for travel may not be bought more than 60 days prior to the departure of the traveller.
- Travellers may not use the foreign currency they purchase for any purpose other than stated or declared upon purchase.
- Travellers must convert unused foreign exchange to rand within 30 days of returning to South Africa.
- If a travel allowance was partly used, i.e. not all the funds were spent on holiday, the traveller is not permitted to keep the funds offshore or use them to buy offshore assets.
- The cost of land arrangements (such as hotels, cruises and tours) forms part of the travel allowance, but local payment of airfares does not.
- A South African Revenue Service (SARS) customs declaration may be required for any goods taken outside South Africa. If the insured value of the item exceeds R200 000, prior written approval from the Financial Surveillance Department through an Authorised Dealer is required. If the items exported will not be returned to South Africa and their insurance value exceeds R50 000, an application must be submitted to the Financial Surveillance Department through an Authorised Dealer.
- Travellers may also take cash (rand notes) up to the value of R25 000 per person.

How much can an individual invest offshore?
A taxpayer who is above 18 years old and in good standing can invest up to R10 million in their name outside the Common Monetary Area (CMA), i.e. eSwatini, Lesotho, Namibia and South Africa, per calendar year. A SARS tax compliance status verification result must be obtained and provided to an Authorised Dealer before the funds can be transferred offshore. In terms of funds being reinvested in the CMA countries thereby creating a loop structure or be reintroduced as a loan to a CMA resident, kindly refer to the points below.

Resident individuals with authorised foreign assets may invest in South Africa, provided that where South African assets are acquired through an offshore structure (loop structure), the investment is reported to an Authorised Dealer as and when the transaction(s) is finalised as well as, inter alia, the submission of an annual progress report to the Financial Surveillance Department via an Authorised Dealer.

Existing unauthorised loop structures (i.e. created by individuals prior to 2021-01-01) and/or unauthorised loop structures where the 40% shareholding threshold (40% equity and/or voting rights – whichever is higher – in a foreign target entity which could in turn hold investments and/or make loans into any CMA country) was exceeded, must still be regularised with the Financial Surveilance Department.

In addition, up to R1 million per calendar year, within the single discretionary allowance per person, can be transferred abroad without the requirement to obtain a SARS tax compliance status verification result.

What if I want to invest more than R10 million per calendar year?

Your Authorised Dealer must submit an application to the Financial Surveillance Department of the SARB for approval. A printed SARS tax compliance status verification result must accompany the application.

SARS will issue a Tax Compliance Status (TCS) personal identification number (PIN) letter to the taxpayer. It will contain the tax number and TCS PIN. Authorised Dealers must use the TCS PIN to verify the taxpayer's tax compliance status via SARS eFiling prior to effecting any transfers.

Can a private individual open a bank account in South Africa denominated in foreign currency?

Yes. Private individuals resident in South Africa may open a foreign currency account for permissible transactions.

What value of Krugerrand coins can be taken out of South Africa?
Authorised Dealers may allow residents to export Krugerrand coins or the equivalent in fractional Krugerrand coins up to an amount of R30 000 as gifts for non-residents subject to the completion of the prescribed SARS Customs declaration.

Non-resident visitors may export up to 15 Krugerrand coins or the equivalent in fractional Krugerrand coins, supported by the prescribed SARS customs declaration, provided that they can prove that the coins were acquired with the proceeds of foreign currency brought into South Africa.

What is the maximum amount of cash (both rand and foreign currency) that can be brought into South Africa?
Visitors to South Africa and South African residents are only permitted to import or export SARB notes or banknotes of other CMA countries to the value of R25 000 per person.

Visitors to South Africa are entitled to bring foreign currency in any format into South Africa, which is convertible into rand at any Authorised Dealer or ADLA. Visitors should retain confirmation of this conversion in case they want to convert the rand back into foreign currency.