



“Your Empowered Insight into the World of Tax, Business and Personal Finance Issues.”
“FOREIGN EMPLOYMENT INCOME”

In a former edition we highlighted **SARS` s** intent to levy tax on **`expats`**.

`Expats` are persons who live outside their native country. This article is however written in the context of **`expats`** who are gainfully employed.

In **December 2017** legislation was amended in relation to **`expats`** holding **foreign employment** which takes effect on the **1st of March 2020**.

An exemption of **R1 million rand** will be capped. It is an open secret that there has been a rapid increase in the number of **South Africans** seeking work abroad and the reasons for such migration are best left to individual interpretation.

Dubai, by way of example appears to be more advantageous for **`expats`** considering its **`tax free`** jurisdiction and policies.

These **`expats`** are physically present in foreign jurisdictions in excess of **183 days**, hence they are able to benefit from the **`tax free`** incentive.

The **de-novo amendments** will significantly impact on the **`tax free`** benefit that these **`expats`** currently enjoy. **`Expats`** earning in **excess of R 1 million rand** will be taxed on the residue between the threshold and their actual salary.

It must be highlighted that **expats** are paid in the currency of their host country. By way of example, 10 000 US dollars per month will roughly translate to R140 000.00 rand in South African currency, which makes the threshold easily attainable.

This legislative amendment could see **`expats`** paying up to **45%** of their **foreign employment** income to **SARS**.

SARS will aggressively focus on **`expats`** in an attempt to bolster its revenue collections. **SARS** is also well aware of **taxpayers** submitting NIL returns, whilst being paid handsomely abroad.

The process to identify **`expats`** has already begun - considering the **2017/2018** tax return which includes key questions pertaining to expatriate tax status. Simply denying **foreign employment** is not an option as such willful conduct can attract **criminal sanction**.

Limitations:

Limitations do exist in the following circumstances;

1. If the taxpayer has broken South African Tax Residency;
2. In a jurisdiction where double tax agreements exist;
3. Where the taxpayer tenders the exit taxes in South Africa.

Conclusion

Many **`expats`** migrated, albeit temporarily due to the attractive **`tax free`** incentive. There was always an intention to build **capital** and someday return to **South Africa**.

The tax implication now levels the playing fields and temporary migration no longer appears to be a favoured choice.

The below scenarios may present itself;

1. **Expats** may become compliant;
2. **Expats** may become delinquent;
3. **Expats** may terminate their **SA** Tax Residency;
4. **Expats** may return to **SA** to seek employment.

The future will determine the **`statistics`** on the imminent implementation.

Morality Upheld

With the general election fast approaching **citizens** can expect more and more protests. The right to protest is **constitutionally** enshrined and very much a part of a functioning democracy.

However why convert a protest into a riot? It only diminishes the principle aim or cause of the matter.

Political parties then opportunistically join the fray contributing to this public disorder with the sole intention of securing more votes and more seats in **parliament**.

The **rioters** will eventually return empty handed barring a T-Shirt and a happy meal until the next election and **taxpayers** are left to once again foot the bill for the repairs.

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