

Residency, emigration, the impact on your taxes.

March newsletter | 2022



South African tax resident individuals are taxed on their worldwide income. You will be classified as a South African tax resident because, your intention is to be a tax resident in South Africa (your true home test) or you spend most of your time in South Africa on a continuous basis (physical presence test).

If you are a South African tax resident, you should declare, and potentially be taxed, on income from anywhere in the world. You can still be classified as a tax resident without being present in South Africa during a tax period.

Emigration and immigration have become a normal part of the global economy. Whether a taxpayer is leaving the country or deciding to make South Africa your permanent home there would be financial and tax implications.

For the purposes of this article financial emigration will be seen as the act of moving the ownership or location of assets from South Africa to somewhere outside our borders, (with the exception of the common monetary area (CMA) where exchange control rules generally do not apply. The CMA comprises of South Africa, Namibia, Eswatini and Lesotho. Prior to 1 March 2021, financial emigration from South Africa was subject to restrictions, which were regulated and monitored by the South African Reserve Bank. The objective of the South African Reserve Bank, among others, is to limit asset flows out of South Africa. Moving the ownership or location of assets, or the rights to those assets offshore does not inherently have an impact on a taxpayers tax residency status.

As from 1 March 2021, the concept of exchange control/financial emigration is no longer applicable and has been linked with the ceasing of tax residence. An emigrant is permitted a foreign capital allowance from assets disclosed as at the date of ceasing

of residency of R10 million per calendar year.

Cessation of SA tax residence will arise when an individual no longer meets the requirements of “resident” per section 1 of the Act. Once you are classified as a South African tax resident, and wish to change your status, merely not being present in South Africa during a year of assessment does not achieve this.

A taxpayer is required to formally notify the South African Revenue Service (SARS) when there is a change in tax residency, this is to stop the process of being taxed on your worldwide income from a South African tax perspective. Failure to change your tax status may result in the taxpayer being taxed on their worldwide income in South Africa irrespective of whether you are present in South Africa during a year of assessment unless one is able to apply the tie-breaker rules contained in the relevant double taxation agreement which confirms that you are no longer tax resident in SA. Regardless of this it is still advisable that you ensure that your residency status with the SARS is correct. With tax authorities internationally sharing more information, a taxpayers worldwide income information will become more readily available to SARS which will make such income easier to tax in South Africa.

The main implication for a South African tax resident on the date the taxpayer changes their tax residency status is that you will be deemed to have disposed of all assets owned at that date, and you will potentially pay capital gains tax based on the value of those assets at that date (certain assets are excluded from this general rule such as immovable property situated in South Africa).

If South Africa is no longer your true home and you were registered as a South African tax resident, please consider contacting one of our Tax advisors to help you navigate this process, and the impact of potential capital gains tax, the application of the relevant double tax agreements and the tax implications of your international income/assets.

Author:

Herman Nieuwoudt
Partner
PKF VGA
herman@vg-a.co.za

Contact us:

Should you have any queries on these matters, please contact your PKF relationship partner or firm.

[PKF Cape Town](#)

[PKF Constantia Valley Cape Town](#)

[PKF Durban](#)

[PKF George](#)

[PKF Octagon Johannesburg](#)

[PKF Port Elizabeth](#)

[PKF Pretoria](#)

[PKF VGA \(East Rand\)](#)

[PKF Welkom](#)