TIME TO COME CLEAN ABOUT OFFSHORE ASSETS

By Brian Butchart – Managing Director

The new global standard on Automatic Exchange of Information will enable governments to recover tax revenue lost to non-compliant taxpayers, and will further strengthen international efforts to increase transparency, cooperation, and accountability among financial institutions and tax administrations.

South Africa’s exchange controls have only as recently as 1997 allowed South African’s to invest abroad. Officially anyway! Of course there are countless stories of how many a South African for many reasons took funds offshore in a variety of interesting ways prior to 1997.

Since then, however, local exchange controls have become a lot more relaxed allowing for up to R10 million per annum per individual to be transferred offshore with tax clearance and R1 million per annum, without tax clearance for travel, studies, gifts and loans.

In the wake of sensational news like the so-called Panama Papers and a leak of documents of international bank HSBC, which exposed global tax dodgers, governments around the world have agreed to take strong action to reduce international tax evasion through offshore assets.

The new global standard on Automatic Exchange of Information (AEOI) will enable governments to recover tax revenue lost to non-compliant taxpayers, and will further strengthen international efforts to increase transparency, cooperation, and accountability among financial institutions and tax administrations.
Additionally, AEOI will generate secondary benefits by increasing voluntary disclosures of concealed assets and by encouraging taxpayers to report all relevant information.

The South African government, like the G20 countries and several others, have agreed to this new global standard. The standard requires financial institutions to report information on accounts held by non-resident individuals and entities (including trusts and foundations) to their tax administration. The tax administration then securely transmits the information to the account holders’ countries of residence on an annual basis.

It is against this background that it was announced in the 2016 South African national budget that an amnesty period will be available to local taxpayers with offshore assets to regulate their affairs before the AEOI comes into effect in 2017.

The SA Revenue Service (SARS) has issued a draft guide on the special voluntary disclosure programme, which from 1 October 2016 will offer non-compliant taxpayers an opportunity to disclose any undeclared offshore assets and income, until 30 June 2017. The initial closing date was set for March 2017, but this was extended to allow more time as in some cases the process may be drawn out. Another change posted to the SARS website states that the tax penalty has now been reduced from 50% to 40% of the highest capital value over the last five years added to an individual’s taxable income.

The guide says the special voluntary disclosure programme is intended to encourage taxpayers to come forward on a voluntary basis to regularise their tax affairs with SARS and avoid the imposition of understatement and administrative penalties. Relief is available in respect of all taxes administrated by SARS, but excludes duties charged in terms of Customs and Excise regulations.

SARS has confirmed that any person may apply for voluntary disclosure relief. However, a person that is aware of a pending audit or investigation, or is the subject on a not yet concluded audit or investigation, may not use the scheme.

Individuals and companies may apply. Trusts, may not. However, beneficiaries of trust may apply provided they deem the assets and income of the trust as their own. Taxpayers with pending audits or investigations regarding their offshore assets and taxes will not qualify for relief.

A similar process offered in 2003/2004 netted an estimated R65bn in disclosures and it is currently estimated that at further R200bn in offshore capital is still outside the tax net.

Should you wish to take advantage of the amnesty period and regulate your offshore assets before the Automatic Exchange of Information (AEOI) comes into effect in 2017, we strongly recommend that you attend the FREE Brenthurst Wealth seminar on “UNDECLARED OFFSHORE ASSETS”.

This will be hosted in association with Hogan Lovells, on the 20 October 2016 at the Westin Hotel in Cape Town.

Do not hesitate to contact any of our financial planners to discuss your undeclared offshore assets” or your investment strategy.

Investments and Wealth creation is a long term commitment that requires a strategy and patience which rewards the disciplined investor.
INVESTMENT SEMINARS, QUARTER 4, 2016

OFFSHORE ASSETS - SHOULD I DECLARE OR NOT?

Taxpayers with undeclared offshore assets will have nine months to regularise their affairs in exchange for tax and exchange-control relief after 1 October 2016. If you are affected attend the FREE Brenthurst Wealth seminar to learn more about how to manage the process.

CPT SEMINAR: 20 OCTOBER 2016

PRESENTERS: MAGNUS HEYSTEK, BRENTHURST, CHARLES VAN STADEN, HOGAN LOVELLS.

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Presenters

CHARLES VAN STADEN - HOGAN LOVELLS (SOUTH AFRICA) INC
Consultant – Exchange Control

Charles van Staden handles all aspects of exchange control. He is a life member of the Institute of Bankers in South Africa and an Audit Committee member of the University of Johannesburg. Prior to joining the firm, Charles was employed in the Financial Surveillance Department of the South African Reserve Bank for 27 years.

Foreign exchange transactions are still subject to comprehensive exchange control regulations and Charles guides and assists clients to comply with these regulations. This includes assisting clients in regularising their exchange control affairs, submitting applications to the Financial Surveillance Department on behalf of high net worth clients, or obtaining exchange control permission for companies to invest in other jurisdictions. He also acts as exchange control expert witness in court.

Charles has substantial experience in handling exchange control.

MAGNUS HEYSTEK - BRENTHURST WEALTH MANAGEMENT
Director & Investment Strategist

Magnus is a director of Brenthurst Wealth Management and is in charge of investment strategies and research as well as client communication. He obtained a BA (Hons) degree from RAU and started his career as an investment journalist with Beeld in 1976,becoming the Business and Investment Editor of The Star in 1986. During his career as an investment journalist, he attended countless international investment conferences across the world, including meetings of the International Monetary Fund and World Bank. He was founder of The Star Investors Club, which he ran for ten years until 1998 when he sold his investment business to Citadel. He wrote his popular column Money Matters in The Star and other newspapers across the country for more than fourteen years. Magnus initiated the first phone-in programme on personal finance on Radio 702, which he ran for 11 years. He has frequently appeared on local television including the 52-part series, ‘The World of Money’, which was based on the book with the same title.

He is the author of several books on investments and retirement planning including ‘Making Money Made Simple’ (co-authored with Noel Whittaker), The World of Money’, ‘Don’t Say You Haven’t Been Warned’, ‘Retirement: The Amazing and Scary Truth’ (co-authored with Bruce Cameron) and numerous other books. Magnus Heystek presents “Geldsake met Moneyweb” on RSG every Friday afternoon, 18:00-19:00.
Brenthurst Wealth Management (PTY) Ltd is a registered financial services provider and is a fully-fledged financial and investment services company with offices in Johannesburg, Pretoria and Cape Town.

All our Financial Planners are CFP® Professionals and members of the Financial Planning Institute of Southern Africa. They are highly qualified to give advice on all investment matters.

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