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MAKE THE MOST OF OFFSHORE ALLOWANCES

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"Current legislation allows South African residents with a green barcoded identity document (ID) or ID card to take up to R10 000 000 out of the country annually to utilise offshore."

Current legislation allows South African residents with a green barcoded identity document (ID) or ID card to take up to R10 000 000 out of the country annually to utilise offshore. This requires tax clearance to be obtained from the South African Revenue Service (SARS). However, the same person is also subject to an annual Single Discretionary Allowance (SDA) amounting to R1 000 000 or R200 000 for persons under the age of eighteen (18), per calendar year. This can be used for travel, to study abroad or investing in offshore instruments. This SDA does not require tax clearance and applies for the period January 1 to December 31. No unused allowance may be carried over to the following year.

What few are aware of is that certain online purchases and reservations might also be offset against your annual SDA, but if done correctly, you can utilise an amount over and above your SDA for these purchases.

THE FOLLOWING ARE CATEGORISED AS OFFSHORE TRANSACTIONS:

1. ASSET PURCHASES

With asset purchases, you will either import the assets to South Africa or leave them abroad. If the latter is the case, it will be offset against the purchaser's SDA. Should you import the assets, you can do a once-off payment and then import them. However, the understanding is that SARS still requires you to apply for importer/exporter codes. If you do such an import, it is considered an invoice payment and not allocated to your annual SDA.

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2. CREDIT AND/OR DEBIT CARD PAYMENTS WHILE TRAVELLING OR USED LOCALLY FOR ONLINE PURCHASES

According to the Currency and Foreign Exchange guidelines for individuals (2021.05.21 SARB), individuals with locally issued credit and/or debit cards are permitted to make foreign currency payments for small transactions (e.g., imports over the Internet) by using such credit and/or debit cards. Payments are limited to R50 000 per transaction. However, cardholders will not be absolved from ad valorem excise and customs duties or from complying with the requirements imposed by Customs. Any single transaction exceeding R50 000 may not be split to circumvent the limit applicable to this dispensation.

CROSS-BORDER ADVICE AT FNB FINANCIAL ADVISORY EXPLAINS IT AS FOLLOWS:

Credit card and debit card transactions are reported in one of two ways over the Cross-Border Reporting System:

⇒ **If used to purchase items over the Internet, i.e., miscellaneous imports, these transactions are reported as import transactions. This is apart from the SDA and there is a transaction limit of R50 000.** Typically, we refer to these transactions as "card not present". Purchasing an item on Amazon will thus be regarded as separate from your SDA. As soon as a transaction exceeds the R50 000 limit, it is flagged and you will need to explain. If it is seen as an asset import, SARB might clear it without infringing on your SDA.

⇒ **If South African residents use their SA debit or credit cards whilst travelling i.e., "card-present transactions", these transactions are automatically reported as travel expenditure and are then allocated to the individual's SDA.** In addition, where travel costs, such as accommodation (e.g., bookings through Airbnb), are paid from South Africa, but relate to upcoming trips abroad, it is referred to as "land arrangements" and are also offset against the individual's SDA. Payments for taxi services, such as Uber, in a foreign country will also be offset against your travel allowance.

3. INVOICE SETTLEMENTS VIA TELEPHONE TRANSACTION (TT) PAYMENTS:

Invoice settlements that are done via normal TT payments do not form part of your SDA, but if the asset remains in a foreign country (e.g., offshore unit trust investment), it will be allocated against the purchaser's SDA.

OTHER IMPORTS THAT WILL NOT BE OFFSET AGAINST AN INDIVIDUAL'S ANNUAL SDA ARE AS FOLLOWS:

Currency and Foreign Exchange guidelines for individuals (2021.05.21 SARB)

In addition to the SDA, residents may export Krugerrand coins, or the equivalent in fractional Krugerrand coins, up to an amount of R30 000 as gifts to non-residents, subject to the completion of the prescribed SARS Customs Declaration.

Up to R25 000 in rand notes may be taken offshore per person, in addition to the travel allowance, when visiting outside of the CMA (Common Monetary Area), in order to meet your needs upon return to South Africa.

Miscellaneous commercial payments and receipts: Payments effected under this section require the presentation of documentation (invoice) and will not be deducted from the SDA limit of R1 million per calendar year.

Facilities may be provided to residents of the RSA to cover the cost of specialised medical and dental treatment abroad, provided documentary evidence confirming the amount involved is presented to the authorised dealer concerned. This facility is in addition to the allowed holiday travel allowance.

Finally, take note that one is absolutely prohibited from using a South African credit or debit card to play any Lotto or game of luck on a platform outside SA. The National Gambling Act (No. 7 of 2004), as amended by the National Gambling Amendment Act (No. 10 of 2008), states that Exchange Control (Excon) residents may not participate in any gambling activities not authorised in terms of the Lotteries Act (No. 57 of 1997).

It is important to understand that, in terms of Financial Surveillance (FinSurv) rules, Excon residents are not allowed to use their South African credit and/or debit cards to make payments to foreign platforms. The South African Reserve Bank (SARB) issued specific instructions to all issuers of credit cards, such as American Express, Diners Club, MasterCard and Visa, not to accept such debits against the South African accounts of Excon residents.

Investors who travel abroad multiple times a year must ensure to keep track of their spending and the currencies they purchase on these trips, especially if they make use of the SDA for offshore investing. If you make use of only one bank or forex trader to purchase foreign currency for your transactions, the bank will inform you immediately if you have breached your allowance for the current year. If it is done via several institutions, which is most often the case, it may only be picked up years down the line.

Years ago, I had a client that was in violation of the annual allowance, which was only picked up by SARB three years after the actual investment was made. In this case, the amount was minimal and the client was able to come to an agreement with SARB. I am not aware of any cases where SARB has penalised an investor for having exceeded any allowances, but that is not to say they won't, as those decisions are made at their discretion.

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CERTIFIED FINANCIAL PLANNER® and FOREIGN EXCHANGE CONSULTANT

SUZEAN is head of the Tyger Valley office as well as one of the company's key individuals. She is a CERTIFIED FINANCIAL PLANNER® and a registered member of the Financial Planning Institute of South Africa.

She has experience in various aspects of financial planning, focusing on investment and retirement planning. Suzean is also a qualified Foreign Exchange Consultant for the company, with a wealth of knowledge in offshore investments.

Suzean joined Brenthurst Wealth in 2010 and is fully qualified to give advice on all investment matters.

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