BRENTHURST
THE HOME OF WEALTH

# INVEST BETTER with BRENTHURST

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*South Africa is considering the introduction of a wealth tax targeting the top 1%, with rates of 3% - 7% on wealth above R3.6 million, aiming to raise R143 billion annually. Critics argue this could lead to economic challenges, including capital flight, reduced investment and inefficiencies, while failing to significantly address wealth inequality.*


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## THE LOOMING REALITY OF
# WEALTH TAX IN SA

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It would seem a wealth tax in South Africa is all, but unavoidable. While no one knows exactly when it will become a reality, it is probably a good idea to start paying attention now. The writing is on the wall, and if you are not prepared, this could have a big impact on your financial future – especially if your assets exceed certain thresholds.

The proposed wealth tax aims to target only the wealthiest individuals, with discussions suggesting the tax would apply if you have taxable assets worth more than R3.6 million. Rates proposed by academics from Wits University, for instance, include a 3% tax on wealth above R3.6 million, with higher rates for higher amounts, such as 5% for wealth over R27 million and 7% for amounts exceeding R119 million.

**Here is the problem: South Africa's tax base is already miniscule. Just 1.6 million people pay most of the country's taxes, and a quarter of those contribute about 80% of all personal income tax. Adding a wealth tax to the mix will place further pressure on a group that is already carrying a heavy load, and for those who have not planned ahead, it could mean losing a significant chunk of your wealth.**

**South Africa's proposed wealth tax targeting the richest 1% aims to raise R143 billion, but critics warn it risks capital flight, reduced investment, and minimal impact on wealth inequality.**

## WHAT IS THE DEAL WITH THE WEALTH TAX?

**The government is pushing for this tax as a way to address inequality and generate more revenue.** SARS has even set up a High Wealth Individual Unit to investigate people with assets worth more than R50 million. While the exact timeline for implementation of the proposed wealth tax is unclear, the chances of this tax becoming reality is high. If you have not planned for it, this could become a significant financial challenge once rolled out.

The question remains as to whether this taxation will focus on the generated wealth, which is already subject to high taxes, such as personal tax, capital gains tax and tax on interest and rentals.

There is also talk of taxes being applied within collective schemes when buying and selling takes place, and profits are realised. This will be detrimental to the South African unit trust industry, and it remains to be seen if and how it will be implemented.

If your wealth exceeds the proposed R3.6 million threshold, then you could be subject to this new tax. Beyond the immediate implications – and it will bite – you will need to consider the broader implication on your ability to grow and protect your wealth, and the implication on the inheritance of the next generation. **But there is a way to stay ahead of the curve and protect what you have worked hard to build.**

## OFFSHORE TRUSTS: A SMART MOVE

One of the most effective ways to safeguard your wealth is to set up an offshore trust. By transferring your assets offshore, you remove them out of the reach of South African tax authorities, while still maintaining full control over how they are managed and distributed.

Mauritius, for example, offers a trusted framework for offshore wealth management. Trusts established there are designed to ensure confidentiality, provide a secure legal structure, and offer significant tax benefits.

They can also help you diversify your assets, spreading your investments across various classes and regions to reduce exposure to South African tax liabilities.

### HOW DOES IT WORK?

**Mauritius offers several types of trusts, including discretionary and accumulation trusts. These allow you to dictate how and when assets are distributed, giving you flexibility while keeping wealth secure.**

**Offshore trusts can also play a crucial role in protecting generational wealth by ensuring assets are passed on with minimal tax impact.**

### WHAT OFFSHORE TRUSTS CAN DO FOR YOU:

- Shelter excess wealth above the R3.6 million threshold.
- Consolidate global assets for easier management.
- Offer tools for tax-efficient estate planning, ensuring minimal disruption to generational wealth.
- Provide an avenue to diversify wealth holdings and reduce reliance on cash-heavy assets that could face steep taxation.

## GETTING STARTED

**If your wealth places you above the proposed threshold, it is worth taking proactive steps now.**

Setting up an offshore trust takes time and expertise, so it is best to get started sooner, rather than later. Working with one of our consultants, we can walk you through the process of creating an offshore structure that fits your needs. The wealth tax may be inevitable, but with the right strategy in place, you can minimise its impact and secure your financial legacy.

**Given the complexity of cross-border tax implications, consulting with a qualified tax expert is crucial to ensure compliance and proper planning.**




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Renee is head of the Claremont office. She is a CERTIFIED FINANCIAL PLANNER® professional and a member of the Financial Planning Institute of South Africa. Renee received the prestigious SA Top Wealth Manager Award at the 2024 Krutham Top Private Banks and Wealth Manager Awards. Additionally, she was also recognised as one of SA's top three financial advisors at the 2022 Intellidex Awards. Renee has been in the financial services industry since 1998 and has worked for institutions such as TMA and Investec Asset Management. She obtained her Higher Certificate in Financial Markets in 2004 and attained her CERTIFIED FINANCIAL PLANNER® designation in 2006. Renee is fully qualified to give advice on all investment matters.

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