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Exchange Control Circular No. 10/2021

Income due to non-residents and private individuals who ceased to be residents for tax purposes in South Africa

The following amendments to the Currency and Exchanges Manual for Authorised Dealers (Manual) are outlined:

Section B.3(A)

The subsection has been amended as follows:

- (i) Transfers in respect of dividends, profits and current income accruing to non-residents of the CMA and private individuals who ceased to be residents for tax purposes in South Africa are subject to the conditions laid down in subsection (B).
- (ii) Authorised Dealers must:
 - (a) ensure that the amounts to be transferred are legitimately due to the non-resident and private individuals who ceased to be residents for tax purposes in South Africa;
 - (b) ensure that suitable arrangements are made to meet all local liabilities; and
 - (c) verify a TCS of good standing at least once a year to confirm that the private individual who ceased to be resident for tax purposes in South

Africa is tax compliant in respect of the transfer of income referred to in subsection (B) below, except for (B)(iv).

- (iii) Income must, therefore, be interpreted as net income.
- (iv) Transfers of income other than transfers from pensions and/or retirement annuities, excluding lump sum payments, may not be made to persons who, although temporarily resident outside the CMA, are regarded as residents of South Africa from a Financial Surveillance Department's point of view.

Section B.3(B)(iv)(c)

A new paragraph has been added as follows:

- (c) In respect of the aforementioned, Authorised Dealers must require a TCS of good standing at least once a year for applications up to R10 million and a tax compliance status request – TCS application in respect of Foreign Investment Allowance (FIA) for above R10 million applications.

Section B.3(B)(x)

A new paragraph has been added as follows:

- (x) Salaries and/or fees payable in respect of services rendered
 - (a) Authorised Dealers may allow the transfer of salaries and/or fees payable to bona fide non-residents and private individuals who ceased to be residents for tax purposes in South Africa, provided these individuals are unrelated parties and the services are rendered from abroad. See section B.3(C)(ii) of the Authorised Dealer Manual for payments to related parties.

The amended Manual as well as guideline documents for both individuals and business entities may be accessed on the South African Reserve Bank website: www.resbank.co.za by following the links: Home>What we do>Financial

Surveillance>Financial Surveillance Documents.

Head of Department: Financial Surveillance