Sars cracks down on money leaving the country

While reporting the billions the Guptas are siphoning out the country, it seems the media has totally missed the point that there's a recent substantial change in the South African Revenue Services (Sars) requirements for tax clearance approval.

Jill Wilmans, MD: Currencies Direct

For those who have a phobia about form-filling and bureaucracy the process might have seemed daunting enough ahead of the recent changes. Previously if you wanted to send more than R1m a year (but less than R10m), Sars required a recent bank statement, a statement of assets and liabilities and proof of the source of capital to be invested offshore. Collecting all that information was just the start, then came the difficult part; you had to engage with Sars.

Three years' information

That already daunting process has just been ratcheted up several notches. SARS now wants three years of information. The rule change has only been in place for a few weeks but it is already causing major headaches.

The change has significantly slowed down the process. “Prior to the introduction of these changes, it used to take us a few days to get tax clearance for our clients and have the funds ready to transfer into a foreign currency account, now it’s taking three to four weeks, says Jill Wilmans managing director of Currencies Direct South Africa, says the

The absence of any discussion in the mainstream media and the fact Sars has not made a fuss about the change, including not giving notice to the industry, has resulted in some confusion.

Political climate

She said there’s a temptation to assume Sars is just trying to make life difficult for South African who are looking to move assets offshore because of current political situation seeking shelter from a chilling political situation.

“There’s an unavoidable political dimension; the reality is the number of applications has increased 100% over the last two years and at an even higher rate in the last six months.” But a longer term perspective presents a brighter picture.

Wilmans says up to around two years ago about 50% of the applications her company processed were from offshore clients wanting to convert Euros, dollars or pounds into Rands. These were foreigners keen to set up home, even for just a few months of the year, in South Africa. Currently it’s about 70% outgoing and 30% incoming. “I think South Africans tend to think the flow is entirely and overwhelmingly one way but that’s not so.

Global village

The current public discourse in South Africa is quite grim but large numbers of Americans are having similar discussions about their politicians and increasing numbers of EU citizens are looking to diversify their asset base.”

While South Africans tend to assume the utterances of President Zuma that most determines the international value of their rand assets, the reality is that it’s more likely to be influenced by a tweet from US President Trump or an ill-judged comment from a putative EU leader. “We’re living in a turbulent global village and we often forget it was the post-1994 government that gave us the ability to manage some of that turbulence by allowing individuals to set up offshore accounts.”

Wilmans discourages Sars bashing. While the tax authorities may or may not be concerned about the recent significant increase in “outflow” applications, they have a duty to take whatever action they deem necessary to ensure all the funds are tax compliant. “Having to disclose three years of information is certainly cumbersome but it will make it much more difficult for individuals, no matter how well-placed, to send money offshore that has escaped the tax net.”