

News Flash

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Relaxation of Exchange Control

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We bring to your attention some of the recent developments regarding further relaxation of Exchange Controls.

- There has been consolidation of cross border payments under the single discretionary allowance of R1m per calendar year in that it now includes alimony and child payments over and above the amount provided in the Court Order; wedding expenses and a foreign capital allowance. No tax clearance certificate is required for these transfers which means that R1m per annum can be invested offshore without having to apply for a tax clearance certificate. Please note that the usual allowance documentation will have to be submitted as required by the specific Authorised Dealer. The Financial Surveillance Department (FSD) is prepared to consider applications for additional funds on a case by case basis.
- SA companies will now be allowed to make *bona fide* outward foreign direct investments outside the current line of business of the company (excluding passive investments). The FSD will consider applications in excess of the R500m per calendar year which can be approved by the Authorised Dealer.
- The policy relating to “loop” structures has been amended in that SA companies can now acquire 10 to 20% equity/voting rights in a target foreign entity which may hold investments/make loans into any Common Monetary Area country.
- The FSD has approved applications for remittance offshore by individuals of significant amounts in excess of the R4m annual allowance for investment purposes. These approvals in the case of individuals, include the requirement to report on an annual basis and to make appropriate disclosure of the foreign investments and income earned thereon. They have also approved certain transfers from trusts, but in addition to the requirement to disclose and report, an Advance Tax Ruling has to be obtained from S A Revenue Services. There is however some uncertainty with regard to future approvals and we are waiting for clarity in this regard.

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