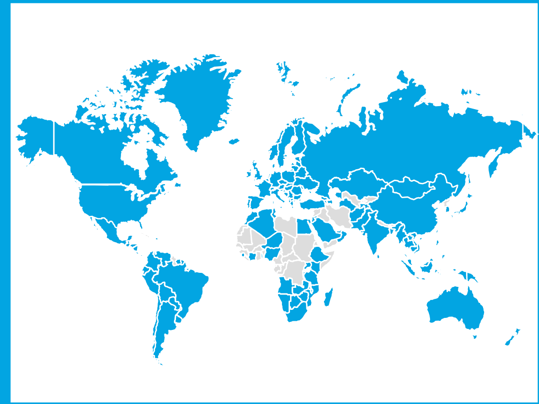
EXPATRIATES South Africa

Tax facts for international assignees



INCOME TAX: WHO IS LIABLE/RESIDENCY

An individual is liable to pay income tax if he/she earns more than R 83,100 in the 2020/2021 year of assessment and is younger than 65 years of age. If the individual is 65 years of age or older, the tax threshold (i.e. the amount above which income tax becomes payable) increases to R 128,650. For taxpayers aged 75 years and older, this threshold is R 143,850.

The tax rates applicable are determined annually by Parliament and are generally referred to as “marginal rates of tax” or “statutory rates”. The tax rates levied on an individual is set out on a sliding scale which results in the tax increasing as taxable income increases. Every year, the Minister of Finance announces the rates to be levied by publishing the applicable tax tables during the annual budget speech.

In principle, the first step in determining the normal tax liability of any natural person in South Africa is to establish whether or not that natural person is a “resident” as defined in section 1 of the Income Tax Act.

Two separate tests are applicable to determine whether or not a natural person is a resident, namely:

- The ordinarily resident test and
- The physical presence test

South Africa (SA) tax residents are taxed on their worldwide income irrespective of where their income was earned, while non-residents for tax purposes in SA are only taxable on income that is of a SA source.

The ordinarily resident test is usually the first test to determine whether the individual is a resident of SA. The main aspect in this regard is to determine if his or her permanent home (to where he or she will normally return) is in SA and whether his/her intention is to permanently remain in SA. If so, he/she will be regarded as a resident for tax purposes.

The physical presence test is time-based and is only applicable to an individual who has not been considered ordinarily resident in South Africa during that relevant tax year.

The test consists of three requirements – the individual must be physically present in SA for a period of periods exceeding:

- 91 days in aggregate during the relevant tax year under consideration ;
- 91 days in aggregate during each of the five tax years preceding such tax year under consideration; and
- 915 days in aggregate during those five preceding tax years.

In terms of this test, the individual, who is not ordinarily resident in SA, only becomes a resident for normal tax purposes in the 6th tax year in SA if they are physically present in SA for the periods mentioned above.

An exemption of non-SA sourced income can be available in certain circumstances. If an employee received remuneration from an employer in respect of services rendered outside SA, the remuneration can be exempt from tax in SA should the employee work outside SA for a period exceeding 183 full days, of which, 60 full days are consecutive in each 12-month period outside SA. If the employee can meet the “days” requirements, only the first R1.25 million of the foreign employment income earned by the employee will qualify for the exemption. This change is effective from years of assessment commencing on or after 1 March 2020.

Foreign employment income earned over and above the R1.25 million will be taxed in South Africa, applying the normal tax tables for that particular year of assessment.

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INCOME TAX RATES

Taxable income in R	Rate of Tax
0 - 205,900	18% of taxable income
205,901 - 321,600	37,062 + 26% of the amount above 205,900
321,601 – 445,100	67,144+ 31% of the amount above 321,600
445,100 - 584,200	105,429 + 36% of the amount above 445,100
584,201 – 744,800	155,505 + 39% of the amount above 584,200
744,801 - 1,577,300	218,139 + 41% of the amount above 744,800
1,577,301 and above	559,464 + 45% of the amount above 1,577,300

SOCIAL TAX RATES

South Africa does not have a social security system as such. Similar levies, however, do apply, such as:

- Unemployment insurance fund contributions (1 percent for the employer, 1 percent for the employee).
- Skills development levies (1 percent of “remuneration” for the employer).
- Workers’ compensation levies (rate varies by industry).

Please note that certain of these contributions do not apply to expatriates in specific instances.

BREAKING RESIDENCY – EXIT PROCEDURES

To determine whether an individual breaks tax residence is a factual inquiry on whether or not that person ceases to be ordinarily resident in SA. An individual, who became a resident through the physical presence test, ceases to be a resident when that person is physically outside SA for a continuous period of at least 330 full days. Taxpayers who break their SA residence status will trigger a deemed capital gain (“CGT”) disposal – also referred to as the CGT exit charge. Under this rule, they will be deemed to have disposed of their worldwide assets (excluding immovable property and cash in SA) at the market value on the day prior to permanently leaving SA.

For further information and to register for future updates contact expat@bdo.global

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