

# Tax Alert

03 November 2010

## Mini Budget Speech 2010- Exchange Control

In the mini budget speech 2010 this week the Minister of Finance announced a number of exchange control relaxations. These relaxations include:

### *Exchange control limits for individuals*

The current R4 million life time offshore investment limit will be replaced by an annual R4 million limit. Investment in excess of the limit will be subject to approval by the South African Reserve Bank. Furthermore the single discretionary allowance of R750 000 per annum will be increased to R1 million per annum.

### *Blocked Assets*

Emigrants from South Africa are currently allowed to remit R8 million in assets from South Africa. Amounts in excess of this are blocked subject to a 10% exit levy. It is proposed that these assets will be released without the exit levy becoming payable.

### *Headquarter companies*

Tax reform initiatives have been proposed in the Taxation Laws Amendment Bill 2010 for Headquarter Companies. In order to complement the tax proposals, it

is proposed that from 1 January 2011 such Headquarter Companies will be allowed to raise and deploy capital offshore without exchange control approval for capital.

### *Investment framework for Pension Funds*

The investment limitations for pension funds contained in Regulation 28 are currently being updated with a second draft to be released shortly and take effect next year. The regulations will be updated to ensure that the regulatory response is proportionate to the risks identified with riskier investments not being banned outright. These relaxations are intended to encourage offshore investment with particular focus on developing countries where investment risk is higher.

### *Domestic companies*

Exchange controls on domestic companies are to be reformed to remove barriers to their international expansion.

Further details have yet to be released in respect of these policy proposals but are expected to be provided by the South African Reserve Bank in due course.

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