

Foreign workers may fall foul of SA tax laws

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Professional Services Correspondent

SA's tax laws have sprung a number of traps which foreign contract workers need to avoid at the risk of severe financial penalties, says Deloitte & Touche director, Peter Harrison.

Foreign workers' assets overseas and in SA would be subject to taxation while they were on contract. Foreign workers' homes and other capital assets would also be measured and taxed on the rand's depreciation.

Harrison said SA had set itself goals of increasing the level of

foreign investment in the country by attracting an "influx of hard currency". It had also addressed the skills shortage by encouraging expatriate workers to augment manufacturing capacity, he said.

However, the tax system was working in the opposite direction by penalising the "very people the country needed to help with its development", Harrison said.

He said that capital gains tax had introduced a number of obstacles which foreign nationals needed to avoid at the risk of severe financial penalties.

Any growth in their capital assets, measured in terms of a

depreciating rand, would be taxed over the period in which they were regarded as resident in the country, he said.

Harrison said that would apply even if the assets were located overseas and remained unsold. If foreign workers brought hard currency into SA after becoming residents, they would be taxed on the rand depreciation, he said.

KPMG tax partner Michael Honiball said the tax traps would also apply to SA residents who left the country. He said if a resident left the country, they would pay tax on all their sold assets at the market value on the date of

emigration. He said the same rule would apply to foreign workers who became SA residents in their fourth year in the country.

He said that such workers would be subjected to taxation on their "worldwide assets" when they eventually left SA. "This was the big tax trap," he said, and would also apply to assets which were not sold, which was "almost impossible to avoid".

If a foreign expatriate was subjected to a tax treaty, then they might be able to avoid the trap, he said. "However, such treaties were complicated and difficult to get around," he said.

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commission's documents after launching an appeal to the Constitutional Court, we remain convinced that the commission had no evidence to justify its findings in respect of the IFP and myself," Buthelezi said in the letter.

"The continued absence of this evidence supports the truth that I never once ordered, ratified or condoned human rights violations."

The justice department has inherited responsibility for all pending litigation, as the commission no longer exists. Buthelezi's adviser, Mario Ambrosini, said yesterday that the final report was the last act of the commission which would complete the process.

"It is the only substantial opportunity to review the findings which have been the subject of three years of litigation." Sapa

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