



Want to stay abroad but retain employment from a South African entity, what are the tax implications for you and your employer?

The tax season for individuals started in July 2022 and it will close in October. Many individuals who are tax residents in South Africa (RSA) may have been working abroad during the period either voluntary or as a result of Secondment by employers. If your employer does not pay for your tax to be completed by a tax professional you will benefit from this article.

South African tax resident seconded by employer to a foreign jurisdiction

Your employment income in relation to the services rendered abroad will be subject to tax in RSA, you may also be required to pay tax in the foreign country where the services were rendered. In order to prevent the possibility of double taxation of your income, you may be allowed to claim a foreign employment income exemption of up to R1.25 million, if you are physically out of the country for a period of 6 months (183 days) during a 12 month period. If your absence was continuous for at least two months/60 days of the 6 months.

The following will need to be submitted as evidence when claiming the exemption:

- Employment contract and secondment contract;
- Proof of days spent outside the country (in the form of stamped passport copies);
- Breakdown of income that should be taxed in RSA and abroad; and
- Breakdown from the employer of the number of days spent in and outside RSA



Working remotely in a foreign country with no secondment contract

SARS will not allow you to claim the foreign employment income exemption where you are working remotely in another country without written confirmation from your RSA employer.

RSA employers are obligated to withhold employees' tax (or PAYE) from the remuneration paid to employees, on behalf of the SARS. It is important to note that if the employer is satisfied that the employee will meet the requirements to claim the foreign employment income exemption; the employer may elect not to deduct employees' tax from the income in relation to services rendered abroad. If this is the case when submitting your tax return the exemption will already be noted on the tax return and you may be required to submit evidence for the exemption to hold.

Where you have paid foreign taxes on your foreign income, you may also be allowed to claim foreign tax credits from your RSA normal tax liability on assessment. The credit is limited to the foreign tax payable and may not exceed the RSA total normal tax payable calculated by applying the ratio of the total taxable income attributable to the foreign tax to the total taxable income. Where you are regarded as tax resident of South Africa and another country, you may claim a double tax treaty relief on your foreign income, where there is a DTA in place between RSA and the country of host. The DTA will determine where and how you must pay tax on your income.

For any assistance you are more than welcome to contact us.



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