

## Exchange Control Developments

November 2009

A few days ago substantial relaxations in the South African exchange control regulations were announced. The following new provisions include the following –

- The offshore investment allowance for natural persons 18 years and over and resident in South Africa has been increased from R2 million to R4 million. Those who have utilised the previous allowance (in whole or in part) can now utilise up to the new limits.
- Emigration allowances have been increased from R4 million to R8 million per family unit (R4 million for single emigrants). Increases above these amounts would need special permission which may be granted subject to payment of a 10% exit fee. Previous emigrants will presumably be able to remit the increased amounts from existing blocked funds in South Africa.
- The single discretionary allowance available to resident individuals has been increased from R500 000 to R750 000 per annum. This allowance is instead of separate travel, gift, donation and maintenance allowances. Donations in excess of R100 000 per annum would still be subject to 20% donations tax.
- Foreign direct investment by companies do not require prior Reserve Bank approval in respect of transactions up to R500 million (was R50 million). These investments are subject to all existing criteria and reporting obligations.
- Companies are no longer required to convert their foreign exchange into Rand. South African companies are still required to repatriate export proceeds to South Africa.
- Advance payments for imports are no longer restricted to R250 000.
- South African companies are permitted to open foreign bank accounts for permissible purposes without prior approval although reporting obligations remain.
- The current paper based monitoring system of exports (Form F178) is to be replaced in due course with a more efficient electronic system.
- Local financial assistance by companies controlled to the extent of at least 75% by non-residents was restricted to a 3 times multiple of foreign capital introduced into South Africa. The restriction has been abolished so as to encourage foreign direct investment by non-residents. The relaxation will not apply to emigrants, the purchase of residential properties by non-residents and certain other transactions.

Please contact us for further information.

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