

Expatriate Tax Morning Session Practical Ideas and Solutions

History to SARS Audit Questionnaire

- History of design
- Layout
 - Expatriate Outbound Section: 11 Questions
 - Expatriate Inbound Section: 11 Questions
- Practical steps

Outbound Questions

Q2	Copy of expat policy	Make sure aligns with payroll
Q3	Method to track 10(1)(o)(ii)	Electronic days tracker Undertaking from employee Guidance note on passport
Q4	RSA or offshore payroll	Offshore ideal, but RSA may be compliant
Q5	Offshore payroll explain process how local company informed	Process and Information Flow
Q6	Bonus pre and post assignment	Obviously not exempt and covered by Process and Information Flow
Q7,8, 9	Share schemes	SARS Ruling
Q 10	List of expatriates and contracts	Alignment between contract, policy and payroll

Inbound Questions

Q2	List of allowances and benefits	Policy and payroll
Q3	Entity responsible for payment	Ideal South Africa, but offshore may be compliant (shadow payroll)
Q4	Expat Policy	Make sure aligns with payroll
Q5	Share Scheme	SARS Ruling
Q6	Offshore Medical Aid / Insurance	Obviously Taxable
Q8, 9	Tax Equalised / Protected and Gross-Up	Tax Calculator Employee Undertaking Break-even PAYE Calculator
Q10,11	Payroll all payments and benefits from month one	Calculator: Alignment of Policy, Contract and Payroll

Expatriate Policy

- Jurisdictions where you operate (into Africa) will dictate per country best practice
- For example South Africa:
 - Accommodation Provided (exempt 2 year R25,000 rule) vs. Accommodation Allowance (fully taxed)
 - Company vehicle vs. Cash Allowance

Case Study: Company Vehicle

Assumed Lease Cost Per Month:		R 6 557.00
Rate	x	Determined Value
2.50%	=	R 200 000.00
	Tax Rate Marginal 40%	R 5 000.00
		R 2 000.00
Gross-Up Tax		R 3 333.33
3.50%	=	R 283 000.00
	Tax Rate Marginal 40%	R 9 905.00
		R 3 962.00
Gross-Up Tax		R 6 603.33
True Cost of Company vehicle (Old)		R 9 890.33
True Cost of Company vehicle (New)		R 13 160.33
Cash Allowance Option		R 10 928.33
Cost Saving (Old)		R 12 456.00
Cost Increase (New)		-R 26 784.00

Expatriate Best Practice

- Expatriate Package and Tax Calculator is often centre of decision making:
 - Covers all payments and benefits (manages tax risk)
 - Planning and methodology covered
 - Shows true cost of expatriate
 - Provides firm take-home pay for employee
 - Addresses shortcomings in internal systems between HR, Finance and Various Country Payroll and Benefits delivery

Expatriate Cost Example

Package Structure Example

Summary

- SARS Questionnaire – David White will e-mail
- Computational Scenarios – Mariana Stander 083 303 0649 mariana@xpatweb.com
- Business Decision – Cost of In-house vs. removed risk, compliance, planning of outsource (tipping-point)
- Binding Class Ruling from SARS: Share Scheme Participation (in and outbound)

Summary

- Policy, Contract and Payroll Must Sync
- Settled best practice per country (address through policy and computational planning)
- Advanced Tax Ruling on short-term and contractors – David White
- Costs of compliance: expatriate tax return inbound (+/- R800 per annum and outbound +/- R3,000 per annum)

Questions