



# GAP MAYNARD

Personalized Investment Advice

**TOPIC: Basic Info – How to Invest Offshore?**



# How to Invest offshore

- I suggest that before you go through this information on how to invest offshore, you also have a look at the slide deck on why people invest offshore. People think that investing offshore is very complicated, however I'm sure that by the time you finish going through this information you'll see that it is quite simple.

## Step 1: Tax Clearance

- The first step you need to take when sending funds abroad is to ensure you have the correct clearance certificates from SARS.
- Any person over the age of 18 can take up to R1 million offshore a year without needing any clearance from SARS. This is known as your travel allowance.
- A further R10 million can be taken abroad, however this requires clearance from SARS. This is called your Annual Foreign Capital Allowance and can be applied for through SARS by the individual or through a professional.
- Therefore as an individual you can move R11 million offshore in any one calendar year and as a couple this value is doubled, so R22 million.
- For sums above R22 million, there are a number of different ways of moving funds abroad, however this needs to be assessed on a case by case basis.

## Step 2: Convert into desired Currency

- Once you have your clearance (if moving more than R1 million clearance usually takes 5 to 21 days) you need to convert your Rands into your investment currency of choice (usually GBP or USD).
- You can utilize your bank to convert the Rands you wish to invest into USD or GBP, however banks normally charge individuals quite high rates of exchange. It is more advisable to use a foreign exchange broker as their rates are more competitive.

## Step 3: Send funds abroad

- Once you have a tax clearance and have converted your Rands into foreign currency you can then send them abroad.
- Funds can be sent to an offshore bank account in your name, an offshore trust, an offshore retirement structure, an offshore company, purchase of property or directly to an offshore investment platform.
- The trick to offshore investing is ensuring that you use the correct vehicle to hold / own the assets you wish to invest in.

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## Step 4 – Choose a suitable structure to hold your assets

- Choosing the correct investment vehicle or structure for your investment needs is important if you are wanting to protect your assets as well as being tax-efficient. Whilst I suggest you seek professional advice when choosing a structure, some of the more common types of offshore structures can be summarized as follows:

### Offshore Investment Platforms

- This is the simplest way to invest abroad. You open an account with your chosen provider and send your USD or GBP to your account.
- When the funds arrive you send dealing instructions, asking the dealing desk linked to your account to invest in specific investment instruments you choose.
- This is great for stocks, shares, funds, Unit Trusts, structured products and ETF's but cannot hold property or other asset classes.
- These platforms offer no tax efficiency or asset protection.

### Offshore Trusts

- Offshore trusts are used predominantly to protect assets and preserve intergenerational wealth.
- They can also be used to hold shares in private companies, so as to improve tax efficiencies.
- There are many different types of trusts, however the most common is a discretionary trust.
- Setting up and maintaining offshore trusts is not something I'd recommend for everyone. There needs to be a specific reason for having one and it also needs to make financial sense.

### Offshore Companies

- These structures are used by businessmen and individuals, usually to conduct business outside of RSA.
- They can be used to acquire property in foreign jurisdictions.
- Offshore companies are usually established to take advantage of more favourable tax laws.
- You need to be careful when appointing directors and shareholders to offshore companies as SARS is very strict about what constitutes an offshore company.
- Consult a professional before setting up an offshore company to avoid any nasty surprises

### Offshore Endowments & Retirement Vehicles

- Endowments are tax efficient and admin friendly. However there is a period of around 5 years where you have limited access to the investments.
- Retirement structures often work well for individuals in that they are very tax efficient and can offer good liquidity. They can also hold a wide range of different types of assets types.
- It is important to take advice on whether these types of structures would be suitable for you, as some of these retirement structures can tie up your investments for a period of time.



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