

# Changes in tax afoot as Africa's commercial potential rises

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The extent to which companies in Africa have complied with information archiving, retrieval and management to meet statutory requirements will become more apparent as the continent measures the impact of a more mature tax system.

African markets are growing. There is more opportunity for businesses to engage a broader marketplace, take advantage of higher levels of commercial interest and general investment (both domestically and internationally) in manpower and product. With this increasing level of cross-border business-to-business and business-to-consumer activity, it makes sense that tax systems will evolve to meet demands and regulate economies.

African countries have differing tax laws and requirements, and South Africa is arguably the most advanced in terms of tax revenue collection and processes. One of the biggest challenges when assisting clients with their administration and employment of staff in African countries is obtaining updated statutory information.

The fundamental business principle going forward is that companies should expect that statutory bodies/ tax authorities will make changes to their requirements on an ongoing basis. The onus is on the company or their appointed service provider to obtain these updates timeously and ensure that their Solution remains compliant.

This is where service providers can make a meaningful difference. Companies have the option to engage with expert service providers on different levels to ensure compliance and effective tax management. As is the norm (and what should be understood by all parties) is that criteria for selection of a service provider must include track record, level of expertise and knowledge of the countries in which they operate.

One of the main changes, we believe, that will characterise markets in Africa is that there will always be a need for greater/more enhanced tax collection structures. To this end, in South Africa, the South African Revenue Services (SARS) is becoming an expert in the collection process but the base of collection needs to expand to avoid higher tax rates.

## The case for South Africans abroad

Organisations continue to battle with the challenges associated with cross-border taxation. When appointing 'expats' in Africa, it is essential to find a solution that allows flexibility around these appointments and for the complexities around compliance.

It is important to consider and fully understand the position if you are a South African citizen living abroad. If you work

abroad it is advisable to ascertain whether you are still regarded as a tax resident in South Africa.

If this is the case, you are obliged to disclose your worldwide income in your South African individual tax return. It is important to note that exemptions and deductions may be claimed against the income derived outside of the country.

Should you not be classified as a tax resident, it is only necessary to disclose the South African source of your income on your individual income tax return. The reason for this is to account for interest from a local bank account and/or income from a property being rented out. If you have no locally sourced income, it is possible to deregister from South African tax.

Of course with any developing scenario in business, there are various approaches that can be adopted and each will have consequences. It would be prudent for decision makers to consider the focus of the business, requirements, availability of resources and short and long-term objectives prior to making a final decision on approach.

The view and perception of Africa as an area of solid commercial investment continues to change. Traditionally, the continent has generally been limited to large scale, major enterprise. Today, as more businesses gain access to next generation technology, broaden their sphere of influence and review their strategies, the implication of evolving tax systems will certainly influence success and growth going forward.

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