

# Sars partially lifts prohibition on distributions from resident trusts to offshore trusts

 By [Joon Chong](#)

24 Oct 2022

The South African Revenue Service (Sars) practice, until recently, has been to not approve any applications for the release of funds by resident trusts vesting and distributing funds to non-resident trusts.



Joon Chong, Partner at Webber Wentzel

In a statement dated 8 April 2022, Sars clarified that they were still investigating other options related to the distribution of funds/amounts to non-residents and were in discussions on the matter. They also took note of the fact that the South African Reserve Bank (SARB) had relaxed certain exchange control requirements, decided, due to the risks, not to approve these applications.

A statement dated 26 August 2022 and published on Sars' website has clarified the organisation's position. In the statement, Sars has confirmed that it will consider approval for the release of funds/amounts distributed to non-resident trusts. The process to obtain the necessary approval is to apply to Sars for a manual letter of compliance. This appears to be the same process for non-resident individuals to apply for the manual letter of compliance when they are unable to apply for a tax compliance status (TCS) because they are not or are no longer registered on the Sars database. Details of the relevant process to apply for a manual letter of compliance is set out on the Sars website.

Although this is overall good news – we note that in practice, there are a few difficulties in the process for non-resident individuals to apply for the manual letter of compliance and also that the website also currently does not deal with the requested information or the specific process for non-resident trusts to apply for the manual letter of compliance. It may be that this will be addressed in due course.

## ABOUT JOON CHONG

Joon Chong is a partner in the Tax Practice at Webber Wentzel.

- Unitrans tax deduction appeal dismissed: What went wrong? - 19 Feb 2024
- Proposed tax law amendments raise concerns for global business outsourcing - 11 Sep 2023
- New tax dispute resolution rules in place with immediate effect - 9 Jun 2023
- What foreign employers need to know about required Sars registration - 24 Mar 2023
- Sars partially lifts prohibition on distributions from resident trusts to offshore trusts - 24 Oct 2022

[View my profile and articles...](#)

For more, visit: <https://www.bizcommunity.com>