



IN THIS ISSUE

The 2025 Draft Taxation Administration Laws Amendment Bill ends the exemption on foreign pensions, making them fully taxable for South African residents from 1 March 2026. Taxpayers must act swiftly to assess residency, double taxation agreements and planning options to limit the impact.

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FOREIGN PENSIONS – NO LONGER SAFE FROM SARS?

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In the ever-evolving landscape of personal finance, few developments carry as much significance as the recent proposal in the 2025 Draft Taxation Administration Laws Amendment Bill (2025 Draft TALAB), which has put the spotlight on foreign pensions.

This proposed change has the potential to redefine financial planning for internationally mobile professionals, returning expatriates, and retirees choosing South Africa as their home.

If enacted, it will take effect from 1 March 2026, giving taxpayers a narrow window to prepare.

2025 DRAFT TALAB PROPOSAL

The 2025 Draft TALAB proposes the removal of the foreign pension exemption, so that all foreign retirement benefits received by South African residents will be taxed in line with South Africa's residence-based tax system, subject to applicable double taxation agreements (DTAs).

Historically, South Africa has provided an exemption under Section 10(1)(gC)(ii) of the Income Tax Act. Subject to certain conditions, this section exempted foreign pensions, lump sums and annuities received by South African tax residents from a foreign source, provided they were paid as consideration for past services rendered outside South Africa.

National Treasury has highlighted two key issues with the current exemption. First, it may result in double non-taxation, particularly where the foreign jurisdiction does not tax the retirement income due to domestic law or tax treaty limitations. Second, in instances where a double taxation agreement grants South Africa the exclusive right to tax such retirement benefits based on residence, maintaining the exemption effectively forfeits this right.

Nevertheless, the general sentiment remains that South Africa risks losing its edge as a magnet for returning expatriates, foreign retirees and skilled professionals. Comparatively, jurisdictions such as Mauritius continue to attract talent with tax-friendly incentives. South Africa's move in the opposite direction could deter valuable capital and skills.

PLANNING AHEAD: STEPS TO CONSIDER BEFORE MARCH 2026

With just months before these changes could take effect, taxpayers with foreign retirement benefits should act now and consult cross-border tax experts.

- Review your tax residency status. Your residency determines how South Africa taxes your worldwide income, including foreign pensions.
- Review DTA coverage. Understand which treaties apply to your pension income and how taxing rights are determined.
- Model your tax exposure. Quantify the potential South African tax liability if the exemption is removed.
- Consider restructuring. Explore whether there are any steps that can optimise outcomes before the exemption is removed.

CLOSING THOUGHTS

The proposed removal of the foreign pension exemption marks a turning point in how South Africa treats offshore retirement income. While Treasury frames the change as closing a loophole, its impact will be felt by returning expatriates and retirees.

The rules are complex, and proactive planning can prevent costly mistakes. Early engagement with qualified advisors and a careful review of relevant tax treaties can make the difference between an avoidable tax shock and a smooth transition.

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