



**DAVEY'S**  
**Locker**



**November 2014**

## **Pensions & foreign service**

**Revisited**

**by Tony Davey**

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In 131 *TSH* 2014, I considered the exemption in s 10(1)(gC)(ii) of the Income Tax Act pertaining to residents who receive a pension from a locally registered pension fund flowing from both foreign and local service.

Historically, SARS issued annual directives to pension fund administrators exempting the foreign-service element but this practice ceased this year, with SARS appearing to have revised its view, to the effect that apportionment applies

only to nonresidents rendering partial services in SA.

### **New Binding General Ruling 25**

SARS has, on 14 November 2014 (see the Monthly Listing), issued a BGR pertaining to s 10(1)(gC)(ii), which represents a happy outcome for residents, in that SARS has reverted to its previous position.

In essence, the test for the exemption is the originating cause giving rise to the pension income, namely, the place where the services

have been rendered.

The exemption formula applied is the ratio of the foreign service to the total service, *pro rata* to the total pension.

### **Refunds**

It follows that residents who have suffered the overdeduction of PAYE are eligible for a tax refund upon their subsequent tax assessment for the year ended February 2015.