

SA businesses look offshore to ease Covid-19 pain

By [Richard Neal](#)

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The Covid-19 lockdown left a trail of devastation across entire industries - but it has also forced many South African businesses to look for new approaches and markets, with a growing number looking to establish offshore operations to create a greater range of options and opportunities.



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While numerous South Africans have offshore investments, retirement structures and trusts to date, relatively few have set up formal trading entities to be able to transact overseas. That's started to change in the past couple of years, with local entrepreneurs and business owners setting up offshore structures in jurisdictions like Mauritius, Gibraltar, the Isle of Man, Guernsey and the United Arab Emirates

The pandemic isn't going to go away any time soon, and it's got a lot of people rethinking the way they do things. We're seeing many clients looking to set up offshore operations to look for new markets, organically create wealth overseas, and then use those funds as a springboard for expansion, and even provide future immigration pathways.

Apart from the ability to find new markets quickly and create diverse revenue streams, the immediate benefits of setting up an offshore company include ease of trade, with the ability to pay suppliers and receive funds in foreign currency without having to go through Reserve Bank approval every time.

South African entrepreneurs are also attracted by the longer-term benefits of registering an offshore company, such as:

- providing a gateway for international market expansion;
- access to a stable and business-friendly legal system;
- access to a more flexible regulatory regime;
- offering tax neutrality on international earnings in respect of personal or company income, capital gains and inheritance taxes;
- offering better access to global funding; and
- providing a vehicle to separate or protect assets, such as Intellectual Property, from operating entities.

Popular destinations

One of the most popular destinations for local businessmen looking to establish an offshore company remains Mauritius, which is wooing a growing number of local investors through its relatively close proximity to South Africa, attractive tax regime and laid-back lifestyle. Occupation and residence permits are freely available to foreigners wishing to work, invest, live or retire in Mauritius.

Part of the attraction of Mauritius for foreign investors has always been its simple taxation system: company, personal income, capital gains and dividend incomes are all taxed at a rate of 15%, with further tax concessions available. Mauritian tax residents are taxed on Mauritius-sourced income only, and there is no capital gains tax, no property tax and no inheritance tax. In addition, there are no foreign exchange controls.

Other popular destinations include Gibraltar, the Isle of Man, and Guernsey, which offer the benefit of being in the same time zone as South Africa, and the familiarity of having many South African financial institutions operated offices in those jurisdictions.

It's important to choose the right offshore destination based on your products and services, and specific business and personal objectives. Don't make life-changing decisions based on a friend's recommendation, or on anecdotal evidence.

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