

# Foreign residency trend: it's more than just emigration

For the past decade, the major trend in the South African investment space has been the growing number of local investors looking to offshore investments to hedge their earnings against a volatile rand.



Source: Supplied; Coreen van der Merwe, director of Sovereign Trust SA Limited

Now, we're seeing the next big trend: a strong interest in foreign residency and citizenship by investment (RCBI) programmes, as people look for a second residency or citizenship for personal and business reasons.

The 'citizenship by investment' industry started in 1984, when the Caribbean nation of St Kitts and Nevis launched its programme. However, it only really started gaining traction with the introduction of the first European citizenship programme, in Cyprus, in 2011. Today, a host of countries offer residency and citizenship by investment, including Portugal, Mauritius, Malta and Gibraltar.

## Tackling common misconceptions

There's a common misconception that individuals invest in RCBI programmes with the sole intention of enabling their families to emigrate. While this is a requirement of certain programmes – the UK and US, for example – in most instances this is not the case.

In fact, most of our clients who invest in government-authorised RCBI programmes do so to benefit from the flexibility and

freedom they provide and to receive additional benefits that are not currently available to them.

We're seeing Portugal and Mauritius emerging as two of the most popular destinations for South Africans not only looking for a so-called 'Plan B', but also looking to benefit from greater tax efficiency, investment and business opportunities, improved lifestyles, education options and greater freedom of movement.

## Portugal - gateway to EU citizenship

Portugal is popular with many South Africans looking for a path to European Union residency – and ultimately, citizenship – for themselves and their families. Portuguese residency unlocks visa-free mobility across the entire European Schengen area, and offers an excellent quality of life with relatively low tax burdens and investment barriers. While there are several routes to get Portuguese residency, real-estate investment remains one of the easiest, with a minimum investment of €500,000. (This is reduced by 20% to €400,000, if the real estate is located in a designated area of low GDP or low-population density).



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## Foreign investors eyeing Mauritius

Mauritius 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.

It is worth noting that Mauritius introduced a social contribution levy called Contribution Sociale Generalisee (CSG) in September 2020. The CSG is a form of national pension fund and equates to an additional tax of 3%, paid by employees of a Mauritian company. Mauritian tax residents are taxed on Mauritius-sourced income only, and there is no capital gains tax, no property tax and no inheritance tax.

For those who will continue to earn incomes from outside of Mauritius (non-Mauritian sourced incomes), one would only be taxed on the funds which are brought into a Mauritius account (the remittance basis). In addition, there are no foreign-exchange controls.



### Mauritius features third in Lonely Planet's annual best in travel list

8 Nov 2021



## South Africans: Mauritius' growing business starters

South Africans are already among the leading foreign buyers of property on the island. Setting up a business there is quick and easy, and there's already a sizeable community of South African expats, making it familiar and easily accessible.

One word of caution, though. When it comes to foreign residency and citizenship programmes, the most important thing is not to make life-changing decisions based on a friend's recommendation. You have to take advice from the experts, who can unpack the various country and investment options available to you, based on your specific needs.

Right now, few people and advisers are aware of the full range of lifestyle, business, investment and tax benefits to be gained when RCBI programmes are utilised correctly.

This is changing rapidly, however, and it's a trend that is only going to gather momentum in 2022 and beyond.

## ABOUT THE AUTHOR

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