



Legal Services

FINANCIAL SERVICES



ON THE SCALES 7 of 2016

Revenue Laws Amendment Bill 2016

On 24 February 2016, Minister Pravin Gordhan presented his National Budget speech. The Minister also announced the release of the Revenue Laws Amendment Bill of 2016 ("the Bill").

The Bill provides for the postponement of some of the tax changes contained in the Taxation Laws Amendment Act of 2015 and clarifies certain technical issues. One of the technical corrections relates to the calculation of the amount to be included in taxable income in respect of deductible contributions to defined benefit retirement funds.

Annuity in provident funds

The annuity of retirement benefits paid by provident funds is postponed for two years, to 1 March 2018. Contributions made by or on behalf of provident fund members to their provident funds before 1 March 2018 will not require annuity.

Tax free transfers between approved funds

The Bill provides for the postponement of a tax free transfer from a pension fund to a provident fund to 1 March 2018.

Comment: All pending transfers from pension funds to provident funds need to be reviewed urgently and possibly withdrawn to avoid any tax liability for members.

Protection of vested benefits on transfers from provident funds to pension funds

The definition of pension fund was amended to include the protection of vested rights when transferring from provident funds to pension funds after 1 March 2018.

Comment: Concerns had been raised that where a member of a provident fund transferred to a pension fund, the vested portion (that is the contributions to the provident fund that could still be taken as a lump sum on retirement) would no longer be protected and annuity would apply to that vested portion.

Annuities paid from provident and provident preservation funds

The Bill provides for the postponement of the inclusion of the compulsory annuity paid by a provident fund or a provident preservation fund from the definition of the term 'compulsory annuity' in the Income Tax Act, to 1 March 2018.

Technical correction- valuing of a fringe benefit employer contributions to defined benefit funds

The Bill includes a correction of the value of the fringe benefit for employer contributions to defined benefit retirement funds that must be deemed to be the employee contribution. It makes provision for the value of the fringe benefit deemed as the employee contribution to be equal to the cash equivalent of the value of the benefit calculated under paragraph 12D of the Seventh Schedule to the Income Tax Act, 1962 even if such value is greater than the actual contribution paid by the employer.

A further publication will be issued as the Bill progresses to an Act. We will be carefully reviewing the wording and consequences of the Bill. We shall keep you informed as to the implications of the Bill. In addition, we may see further clarifications coming out in the Taxation Laws Amendment Bill 2016, which will be released later this year for comment.

If you need more information, please contact your consultant.
