Media Release
Association for Savings and Investment South Africa (ASISA)
10 February 2016

Taxation Laws Amendment Act cannot be postponed

The Association for Savings and Investment South Africa (ASISA) has noted with grave concern reports that the Taxation Laws Amendment Act may be postponed.

The Act, which is due to take effect on 1 March 2016, was promulgated in January this year by the President following a rigorous and democratic process of consultation with all stakeholders.

This Act not only addresses the harmonisation of the tax treatment of retirement funds, but also deals with important tax amendments and clarifications that are critical for both corporate and individual tax payers in South Africa and therefore the fiscus of the country.

Tax certainty is a pre-requisite for all taxpayers and the prospect of this Act being delayed to some undetermined future date will have negative implications for foreign and local investors as well as how ratings agencies perceive us.

The harmonisation of the tax treatment of retirement funds in specific has been the subject of much debate and misinformation.

ASISA has always supported the harmonisation of the tax treatment of retirement funds as well as the annuitisation of retirement benefits and continues to believe that this is in the best interest of all South Africans.

As stated in our various submissions on retirement fund reform, the reduction of "leakage" from retirement savings is the right path, and together with various other proposed interventions, will enhance retirement savings and ultimately facilitate the reduction of costs.

The reality is that the previous 12-month delay in the implementation of the harmonisation of the tax treatment of retirement funds as well as annuitisation, has by implication also delayed the financially secure retirement of many South Africans.

We firmly believe that yet another postponement would not only be a grave injustice to our citizens, but also create more policy uncertainty that our country can ill afford at this time when our country is determined to avoid another downgrade in our credit rating.

Member companies of ASISA are on track to implement the required harmonisation of the tax treatment of retirement funds following costly systems enhancements. We fully support the Taxation Laws Amendment Act taking effect on 1 March 2016 as planned.

From that date, contributions to all retirement funds, including provident funds, will be tax deductible up to 27.5% of members' remuneration. This means that nothing changes for the majority of pension fund members – in fact most will benefit from the higher tax deduction limits. Provident fund members, however, will have to annuitise at least two thirds of their retirement benefits, but not any vested portions. This applies on retirement only and not when a member resigns.

The vested portion is the member's benefit that accumulated in the provident fund up to 1 March 2016. Where provident fund retirement benefits are below R247 500 no portion has to be annuitised. If the total benefit is over R247 500, then only the portion accumulated after 1 March 2016 must be annuitised on retirement.

Also, provident fund members who are over 55 on 1 March 2016 will not have to annuitise any part of their retirement benefit provided they remain in the same fund.

It is important to note that the Act states that the Minister of Finance must review the impact of these changes after two years and present feedback to Parliament.

ASISA strongly advises all retirement fund members to gather the correct facts before taking decisions that involve exiting a fund. Rumours that the Government is using the Taxation Laws Amendment Act to “steal” retirement benefits are simply not true and it is irresponsible to perpetuate this untruth.

ASISA members are very concerned that an Act, which has been through the democratic process and approved by Parliament and signed into law by the President, is at risk of being postponed at a time when our entire country needs to be committed to economic growth and achieving a positive re-rating.

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Issued on behalf of:
Association for Savings and Investment South Africa (ASISA)

ASISA represents the majority of South Africa’s asset managers, collective investment scheme management companies, linked investment service providers, multi-managers, and life insurance companies. These members hold assets under management of R8.5-trillion.