



THE POWER
OF INDEPENDENT ADVICE

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FINANCIAL PLANNER FOR
ADVICE AND TO INVEST IN
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OR RA FUND

DEADLINE ENDING
28 FEBRUARY 2017

TAX FREE INVESTMENTS & RETIREMENT ANNUITIES

By Gavin Butchart - General Tax Practitioner (SA) Brenthurst Wealth

As the 2017 tax year draws to a close on 28 February 2017, there is still time to take advantage of the TAX FREE INVESTMENTS and RETIREMENT ANNUITY CONTRIBUTIONS.

► TAX FREE INVESTMENTS

No income tax, dividends tax or capital gains tax is payable on the returns from these investments.

The tax free investment was introduced from 1 March 2015 to encourage taxpayers and households to save.

A maximum investment of **R30 000 per tax year (annual limit)** is allowed, with any unused annual limit being forfeited (not carried forward to the new tax year). For example, should you only wish to contribute R 25 000 per year then the remaining R5 000 does not carry over to the next tax year.

Each individual has a limit of R500 000 per person, per life time.

It is important not to exceed the above limits, as SARS will levy a hefty penalty of 40% on the excess amount. The penalty is added to the normal tax payable on assessment.

Should the returns on the investment be added to the capital contributed, the balance may exceed both the annual and/or lifetime limit. **The capitalisation of these returns within the account does not affect the annual or lifetime limit. Therefore in the following year, you will still be able to invest your full R30 000.**

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However, where a person withdraws the returns and reinvests the same amount, that amount is regarded as a new contribution and impacts on both the annual and lifetime limits. **Note that any withdrawals made cannot be replaced, be it returns or capital.**

No transfers are allowed in the first year of investing (1 March 2015 to 29 Feb 2016). This includes both transfers within a service provider or to another service provider. However, in the 2016 Budget, the Minister announced that the transfers will only be allowed from 1 March 2017. The Regulation will be amended accordingly.

Parents can invest on behalf of their minor child (donations are allowed up to R 100 000 per year per individual tax free). The minor child will use his/her own annual or lifetime limits.

Tax free investment accounts cannot be used as transactional accounts.

Debit or stop orders and ATM transactions will not be possible from these accounts.

SERVICE PROVIDERS WILL PROVIDE SARS WITH THE FOLLOWING INFO TWICE A YEAR:

- ✓ **Total contributions per tax year;**
- ✓ **Total amounts withdrawn per tax year;**
- ✓ **Total amounts transferred per tax year;**
- ✓ **Total returns on investment for example: interest, dividends, capital losses and capital gains.**

The service providers will provide these taxpayers with this information by issuing an IT3(s) Tax Free Investment certificate annually.

► RETIREMENT ANNUITY CONTRIBUTIONS

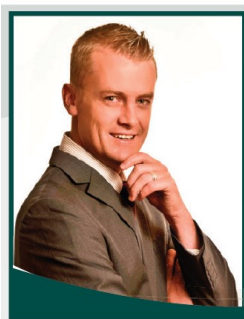
As from 01 March 2016, The Taxation Laws Amendment Act No 31 of 2013 made several changes to the income tax legislation impacting retirement funds.

CONTRIBUTIONS TO PENSION, PROVIDENT AND RETIREMENT ANNUITY FUNDS ARE TAX DEDUCTIBLE, LIMITED TO 27.5% PER ANNUM OF YOUR INCOME OR REMUNERATION (WHICH INCLUDES GROSS RETIREMENT INCOME AND NON-GROSS RETIREMENT INCOME).

Employer contributions are seen as employment expense for the employer and a taxable fringe benefit in the hands of the employee, who shall in turn be eligible for a tax deduction for such contributions to approved funds, in addition to any contributions made by themselves to any of the three fund types. Thereby neutralising the fringe benefits tax up to a prescribed cap of **R 350 000 per annum**.

Any disallowed contributions can be carried forward for deduction in a subsequent year of assessment (subject to the same limits). Contributions which are never deducted will reduce the taxable proceeds on withdrawal/retirement.

Please feel free to contact your financial planner for advice and to invest in the Tax Free Investment or Retirement Annuity fund before the deadline ending 28 February 2017.



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Gavin joined Brenthurst Wealth in March 2007 and presently heads up the Johannesburg office as well as the tax and accounts department. He has an accounting diploma and six years experience in the accounting field, whilst working at various prestigious law firms. Gavin is a registered General Tax Practitioner (SA) and member of the South African Institute of Tax Professionals. Gavin is currently completing his B.Com degree and has successfully completed the First Regulatory Examination, which enable him to give advice on all investment matters under supervision.