



DAVEY'S Locker



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Tax-free savings revisited

The regulations

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Section 12T of the Income Tax Act

The Taxation Laws Amendment Act 43 of 2014 introduced a new s 12T, providing for tax-free savings, effective as from 1 March 2015 (136 TSH 2014).

In essence, all investment returns from designated products will be received tax free in the hands of an individual.

The maximum contributions are R30 000 a tax year, with a lifetime contribution-limit of R500 000, irrespective of the amount of the ultimate proceeds.

Product suppliers

Those who may issue financial products qualifying for tax-free status comprise banks, long-term insurers, managers of collective investment schemes, linked investment service providers and national government.

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In order for products to qualify for tax-free status, potential suppliers must apply to National Treasury, and the products must comply with the criteria laid down in the regulations.

These include a limitation on fees based on investment performance, limited charges upon withdrawal, restrictions on the nature of the investment (for example, a limit of 10% may be

invested in a single company, and mortality-risk cover is not allowed), and administrative prohibitions against debit and stop orders and ATM withdrawals.

TSH