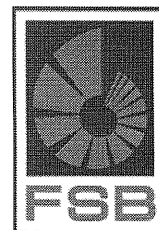


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INFORMATION CIRCULAR PF NO. 6 OF 2014

AMENDMENTS TO THE INCOME TAX ACT, 2013

1. Introduction

1.1. The Income Tax Act was amended in 2013 to provide that, with effect from 1 March 2015 –

1.1.1. the tax treatment of contributions made to pension funds and provident funds would be aligned; and

1.1.2. other than in specified conditions, to enjoy the benefits of being a provident fund approved as such for income tax purposes, a provident fund would have to use not less than two-thirds of that portion of a member's retirement savings that are attributable to contributions made to the fund in respect of the member on and after 1 March 2015 to provide for a benefit for the member on retirement in the form of an annuity rather than a lump sum.

1.2. Many provident funds and provident preservation funds have adopted amendments to their rules to take account of these changes to the Income Tax Act. Some of those amendments have already been approved by the registrar in terms of section 12 of the Pension Funds Act, 1956 (the PFA) and are thus binding on the funds.

- 1.3. However, on Thursday 16 October 2014, National Treasury issued a media statement in which it said, amongst other things

With regard to the tax treatment of retirement fund contributions, Government has agreed to delay the implementation of laws which was originally set for 1 March 2015. For now, the delay will be for a year to allow for further consultations at NEDLAC. But should there be no agreement at NEDLAC by end-June 2015, the implementation date may be moved to 1 March 2017. This comes after the labour constituency at NEDLAC requested that the implementation of these laws - enacted last year - be postponed until further consultations between Government and NEDLAC on social security reform.

- 1.4. A copy of the media release can be found on the National Treasury website (www.treasury.gov.za)

2. Amendment to rules

In the light of the statement by National Treasury, the registrar makes the following recommendations to those funds have adopted amendments to their rules with effect from 1 March 2015 to take account of the amendments to the Income Tax Act that are to be deferred to a later date:

- 2.1. If the registrar has not yet approved such amendments to the rules of a fund, the fund may in writing withdraw its request for their approval and request a refund of its application fee; and
- 2.2. If the registrar has approved such amendments to the rules of a fund, the fund should adopt and submit to the registrar for his approval a further amendment to the rules reversing the changes made in terms of the approved amendments or those amendments. Funds may apply for a refund of the initial application fee when the rules were amended and it is hereby agreed that the amendment to be submitted to the registrar for approval to reverse the initial amendment will be processed free of charge.

Yours faithfully



ROSEMARY HUNTER
DEPUTY EXECUTIVE OFFICER: RETIREMENT FUNDS