



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

DRAFT REGULATIONS FOR PUBLIC COMMENT

10 JUNE 2014

**INCOME TAX ACT, 1962: PUBLICATION OF PROPOSED REGULATIONS MADE
IN TERMS OF PARAGRAPH 12D(5)(b) OF THE SEVENTH SCHEDULE ON THE
INFORMATION TO BE CONTAINED IN CONTRIBUTION CERTIFICATES**

Proposed regulations in terms of paragraph 12D(5)(b) of the Seventh Schedule to the Income Tax Act, 1962 (Act No. 58 of 1962) are hereby published for public comment.

Please forward comments on the proposed regulations in writing by the close of business on **23 June 2014** to Nombasa Nkumanda at

Nombasa.nkumanda@treasury.gov.za and Adele Collins at acollins@sars.gov.za.

SCHEDULE

Definitions

1. In these Regulations, any word or expression to which a meaning has been assigned in Income Tax Act, 1962 (Act No. 58 of 1962) or the Regulations in terms of paragraph 12D(5)(a) of the Seventh schedule to the Income Tax Act, 1962, on the determination of the fund member category factor bears the meaning so assigned.

Persons that must prepare contribution certificate

2. The contribution certificate must be prepared by the board, as defined in section 1 of the Pension Funds Act, in consultation with the valuator of that fund.

Signing of contribution certificate

3. The contribution certificate must be signed by the valuator of the fund and two board members of the board of the fund, as contemplated in section 7A of the Pension Funds Act, and the principal officer of the fund as contemplated in section 8 of the Pension Funds Act;

Preparation of contribution certificate in respect of each fund member category

4. A contribution certificate must be prepared in respect of each fund member category in respect of each year of assessment

Content of contribution certificate

5. A contribution certificate must contain—
- (a) the year of assessment in respect of which the contribution certificate is issued;
 - (b) the name and such details as are necessary to identify the fund that issues the certificate;

DRAFT

- (c) the name and such details as are necessary to identify the employer in respect of whose employees the contribution certificate is issued;
- (d) the fund member category in respect of which the certificate is issued;
- (e) the defined contribution, defined benefit and underpin components for which members of that fund member category may become eligible in terms of the rules of the fund;
- (f) the fund member category factor for the fund member category in respect of which the contribution certificate is issued;
- (g) an analysis of the fund member category factor in a manner indicative of the composition of the fund member category factor in respect of the defined contribution component factor, defined benefit component factor, underpin component factor and risk benefit factor of which that fund member category factor is comprised;
- (h) an analysis of the actual contribution rate to the fund in respect of members of the fund member category a manner indicative of the composition of the contributions in respect of employer and employee contributions and the defined benefit, defined contribution and underpin components;
- (i) an analysis of how the retirement funding employment income of members of the fund member category to which the contribution certificate applies relates to the final salary used for benefit calculations for those members in terms of the rules of the fund;
- (j) a setting out of the pension increase policy of the fund and to what extent the pension increases actually granted to the members of a fund member category in respect of the previous five years accords with that pension increase policy;
- (k) an analysis of the actual retirement ages of members of the fund in respect of the previous five years and the adjustments which were applied to benefits of those members who retired earlier or later during those five years than the retirement age stipulated in the fund rules;
- (l) an analysis of any benefit increases in respect of past service, granted over the year of assessment in respect of which the contribution certificate is issued (including changes in retirement age, pension increase policy and the definition of pensionable salary); and

- (m) an description and detailed explanation of any matter which may have an effect on the difference between the value of benefits for tax purposes in terms of these Regulations and the current or future cost of paying for these benefits.

Short title and commencement

6. These Regulations are called Regulations in terms of paragraph 12D(5)(b) of the Seventh Schedule to the Income Tax Act, 1962, on the information to be contained in contribution certificates and come into operation on 1 March 2015.