national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

PRESS RELEASE

Publication of draft Regulations for Tax Free Savings Accounts

The National Treasury today publishes a revised draft of amendments to the Regulations on tax free savings accounts (TFSAs). Earlier in the week, a postponement of transfers until 1 March 2017 was published in the government gazette (Gazette No: 40308 published 28 September 2016). The updated draft regulations cover revised wording for the treatment of performance fees, a relaxation on the rules of access and adjustments to disclosure and compliance requirements.

Draft regulations on the process to be followed for transfers were published in March of this year and comments received were considered when drafting these revised amendments.

Wording on performance fees

The policy intent with regard to the treatment of performance fees has been communicated consistently since the first publication of the draft regulations to tax free savings accounts in November 2014. Performance fees may not be charged in TFSAs nor in any of the underlying funds in which the TFSAs are invested.

The amended wording is intended to make the Regulations clearer by removing any ambiguity in relation to performance fees.

Access to tax free savings accounts

As a principle, TFSAs should be available to investors for any short term needs, including emergencies, large expenditures and asset purchases. Consequently, the ability of investors to access their savings should not be unduly restricted.

However, the current rules which offer access to amounts within 32 days for products with a fixed term and seven days for those without a fixed term appear to have limited the ability of product providers to offer fixed term deposits. Individuals are thus not able to invest in fixed term deposits with higher interest rates as there are few of these products available.

In balancing the above two interests, National Treasury proposes a relaxation of the rules on accessibility, which would allow product providers discretion to only allow individuals access upon the maturity date of the product. Product providers can, however, still allow investors to access these funds before maturity, as is the case with regular fixed term deposits. The current rules that limit the exit penalty on early withdrawals will remain to safeguard investors against excessive penalties when withdrawing or transferring before maturity.

Transfers

In addition to the amendments to transfers, National Treasury proposes to make amendments to address some compliance issues and the administration of fees.

National Treasury will engage in an additional round of consultations with industry. The transfer regulations will come into effect on 1 March 2017, allowing a number of months after the release of the final Regulations for product providers to adjust their systems to comply with the new requirements.

Compliance

It is proposed that product providers will be required to notify the Financial Services Board (FSB) within a calendar month before a new product is advertised in the market. The FSB will be able to review the features of the product for compliance with the Regulations and endeavour to respond to the product provider within the calendar month.

However, product providers will not be compelled to await the regulator's response on expiry of the calendar month, but the regulator may make certain queries on the compliance of the products after they have been rolled-out.

The draft amendments and the gazetted postponement (Gazette No: 40308 published 28 September 2016) are published on the National Treasury website at www.treasury.gov.za.

Comments on the draft amendments will be received until 14 October 2016 and may be sent to savings.incentive@treasury.gov.za

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