national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

PRESS RELEASE
TAX FREE SAVINGS ACCOUNTS TRANSFERS

A year ago National Treasury introduced tax free savings accounts to be offered by banks, life insurance companies, collective investment scheme managers, Linked Investments Service Providers (LISPS) and authorised users to the public. Tax free savings accounts are an attractive offering for people to be able to save. Returns to these products do not attract dividend or income tax but investors are required to remain within the stated annual and lifetime contribution limits.

National Treasury intends to allow investors to be able to transfer existing savings from one product provider to another during the life of a tax free savings account. This was not permitted during the first year of the incentive until 1 March 2016 to allow all product providers to prepare. Various product providers have indicated that their systems are not yet able to offer transfers.

The Treasury has therefore agreed to postpone the implementation of transfers until 1 November 2016 to allow more time to consult with product providers on the necessary rules and procedures.

1. Postponement of transfers for tax free savings accounts

The National Treasury today releases an amendment to the Regulations for tax free savings accounts to postpone the implementation of transfers for tax free savings accounts until 1 November 2016.

2. Draft regulations governing transfer of tax free savings account between product providers

Also released are the draft amendments to the Regulations to cater for the transfer process. From 1 November 2016, investors will be able to request a transfer of amounts within a tax free savings account without incurring a reduction of their annual and lifetime limits. Depending on the ability of the product providers involved, transfers may take place in cash or existing financial assets.

The draft regulation on transfers spell out the basic requirements for a valid transfer that will not count against the annual and lifetime limits. Product providers will only be allowed to transfer directly to another product provider. Investors may not accept transfer amounts into their own accounts outside of tax free savings account as this will be considered a withdrawal and reinvesting this amount into a tax free savings account will have an impact on the annual and lifetime limits.

The transferring product provider must provide the receiving product provider and the investor with a transfer certificate. All parties are required to keep this certificate for a minimum of 5 years.

Reporting fields on the IT3(s) form for tax free savings accounts are already incorporated and will make it easier to seamlessly transition into a regime that allows transfers.

Comments on the draft regulations can be directed to savings.incentive@treasury.gov.za by 8 April 2016.

Issued on behalf of National Treasury

Date: 08 March 2016