



REPUBLIC OF SOUTH AFRICA

EXPLANATORY MEMORANDUM

ON THE

REVENUE LAWS AMENDMENT BILL, 2016

24 February 2016

Explanatory Memorandum to Revenue Laws Amendment Bill, 2016

1. Purpose of Bill

The Revenue Laws Amendment Bill, 2016 aims to amend certain provisions of the Taxation Laws Amendment Act, 2015 [Act No.25 of 2015], Taxation Laws Amendment Act, 2014 [Act No.43 of 2014] and Taxation Laws Amendment Act, 2013 [Act No.31 of 2013] in order to provide for the postponement of certain provisions in respect of taxation of retirement benefits and to provide for a correction of the calculation of the amount of a deduction to be included in taxable income in respect of deductible contributions to defined benefit retirement funds.

2. Clause-by-clause explanation

2.1 *Clause 1* provides for the postponement of the annuitisation requirement for provident funds for two years, until 1 March 2018. Contributions made by provident fund members to their funds before 1 March 2018 will not require annuitisation.

2.2 *Clause 2* provides for a correction of the value of the fringe benefit in respect of employer contributions to defined benefit retirement funds that must be deemed to be the employee contribution. It makes provision for the deemed employee contribution to be equal to the value of the fringe benefit under paragraph 12D of the Seventh Schedule to the Income Tax Act, 1962 even if such value is greater than the actual contribution paid by the employer.

2.3 *Clause 3*: Subparagraph (b) of clause 3 provides for the postponement of the annuitisation requirement for provident funds for two years, until 1 March 2018. Subparagraph (c) of clause 3 deletes the provision that was available in the Taxation Laws Amendment Act, 2015, that required the Minister of Finance to consult with the relevant stakeholders and table a report in parliament by 30 June 2018, on the impact of the implementation of the annuitisation requirement for provident funds.

2.4 *Clause 4* provides for the postponement of the inclusion of the compulsory annuity paid by a provident fund or a provident preservation fund from the definition of the term 'compulsory annuity' in section 10C of the Income Tax Act, until 1 March 2018.

2.5 *Clause 5* provides for the postponement of a tax free transfer from pension fund to provident fund until 1 March 2018.

2.6 *Clause 6* proposes a short title for the Revenue Laws Amendment Bill.