Tax

Frequently Asked Questions

STANLIB

1. When will the tax certificates for each product be available?

End of June 2017.

2. Do clients receive an IT3(b) and IT3(c) when they have invested in the STANLIB Enhanced Yield Fund?

Yes.

3. Will a switch to another fund cause Capital Gains Tax charges even if the client did not receive a cash pay-out, but did receive an IT3(c)?

Yes.

4. I did not do any repurchases/withdrawals, why did I receive an IT3(c)?

When you do a conversion, Capital Gains Tax is applied automatically and that is the reason you will receive an IT3(c).

5. What is the impact of the move to the African Bank Investment Limited (ABIL) retention funds for clients?

The main aim was to move units from the ABIL main fund to these retention funds in order to separate the losses suffered due to the African Bank Investment Limited.

6. What is the implication of a Retirement Annuity not being processed before the end of the tax year?

It means the client will be unable to claim a tax refund from this Retirement Annuity within the specific tax year.

7. Can clients combine Living Annuity/ Retirement Annuity investments into one, and what is the tax implication for the client?

A Retirement Annuity can be transferred to an Living Annuity and there is no tax implications on the amount transferred.

8. If a client has previously made a withdrawal and would like to reverse the transaction, what happens to the tax in the case of an IT(88)? Is the withdrawal also reversed?

The tax and the amount paid can be reversed, but an IT(88) payment made to SARS cannot be reversed as this is an outstanding tax debt.

9. What does the term “base cost” mean and how is it calculated?

The base cost is the cost of the investment and it is calculated using a weighted average method.

10. When is an IT(88) deducted?

An IT(88) is deducted once a tax directive is returned by SARS.

11. Does an IT(88) deduction reflect on a tax certificate?

No.

12. What does the term "WAV" mean and how is it calculated?

A WAV is a weighted average value. It is calculated by adding the cost of the newly acquired asset to the base cost of the asset on hand and dividing that amount by the new total number of assets.

13. What is the difference between WAV and base cost?

WAV is the method used to calculate base cost and base cost is the actual total cost of the investment from inception.

14. When is Capital Gains Tax (CGT) triggered?

If you sell your investment units, do a repurchase, or transfer your units to another entity other than your spouse and when you do a conversion from one product to another.

15. What tax is applied to income earned from Living Annuities?

Tax according to the current tax year's PAYE tax tables are applied.

16. What's the principle and actual calculation for aggregating tax?

Tax aggregation applies when the client has more than one product within a group of companies. Their income for all the products is aggregated and the correct tax percentage applicable is deducted from the products, in order for the correct amount of tax to be withheld.

17. What is the tax change that came into effect on T-day?

The tax change that came into effect on T-day, specifies that the value of retirement benefits that can be accessed as a lump sum will be increased.

18. Which types of investment vehicles will be affected by T-day?

The following investment vehicles will be affected:

1. Pension Funds
2. Provident Funds
3. Pension Preservation Funds
4. Provident Preservation Funds, and
5. Retirement Annuity Funds

19. Which types of investment vehicles will not be affected by T-day?

The following investment vehicles will not be affected:

1. Unit Trusts (Collective Investments)
2. Tax-Free Investments
3. Long-term policies:
   a. Endowments
   b. Life policies
   c. Voluntary Purchase Annuities

4. Bank accounts:
    a. 1, 2 and 4
    b. 1, 3 and 4
    c. 3 and 4
    d. all of the above

20. Deductibility of retirement fund contributions : How will employers tax deduction change?

Employers can currently claim a deduction for their contributions of up to 20% of the approved remuneration of the employee.

21. What is the maximum value which an individual can withdraw from their retirement benefit as a cash lump sum?

R247 500.

22. What is the amount excluded from Capital Gains Tax at year of death?

R300 000.

23. If an individual who is part of Government Employee Pension Fund (GEPF) is left with 10 years of service before retirement and wants to resign after 1 March 2016, will they receive their full pension benefit?

Yes.

24. What are the investment restrictions with regards to the STANLIB Tax-Free Savings Plan?

R33 000 per year, with a maximum lifetime contribution of R500 000.

25. May a client transfer their tax-free investment to another provider?

No, not yet.

26. At which date will investors be allowed to transfer tax-free savings account between product providers?

1 March 2018.

27. What happens to an individual's Tax-Free Savings Plan upon death?

Investments in tax free savings are added to the estate and are only subject to estate duty tax, if the amount of the estate exceeds R3.5 million.

28. What is the new tax rate for dividend tax?

20%.