

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 106

DATE OF PUBLICATION

13 FEBRUARY 2004

DR R J RABIE (DA) TO ASK THE MINISTER OF FINANCE

- (1) Whether the National Treasury and the Department of Health have reached clarity on a possible tax rebate for medical funds which serve primarily the medium to lower income groups if such medical funds were to experience serious cash flow problems; if not, what is the position in this regard; if so,
- (2) whether a date of implementation has already been decided on; if not, why not; if so, what are the relevant details;
- (3) whether the National Treasury has the capacity to monitor tax rebates for medical funds; if not, what is the position in this regard? **N154E**

REPLY:

- (1) Medical schemes are not subject to income tax. So the question of a tax rebate for medical funds that experience cash flow problems does not arise. The regulation of medical schemes, including prudential reserve requirements, is the responsibility of the Council for Medical Schemes falling under the Minister of Health. The present tax dispensation relating to medical schemes is that up to two-thirds of an employee's contribution to a medical scheme may be paid by an employer as a tax-free fringe benefit. As indicated in the 2003 Medium Term Budget Policy Statement, the tax treatment of contributions to medical schemes and health benefits is currently under review, with due regard to the challenge of promoting equity in access to health care and to the private health care industry's important role in the South African economy and society. The National Treasury and the Department of Health have not concluded discussions on this matter.
- (2) Not Applicable
- (3) Not Applicable

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER 229
DATE OF PUBLICATION
18 JUNE 2004

MS R TALJAARD (DA) TO ASK THE MINISTER OF FINANCE:

- (1) Whether the review of the regulatory burden on SMMEs announced in the Budget as well as in the President's state-of-the-nation address will include a full review of the tax dispensation applicable to SMMEs; If not, why not; if so, what are the relevant details?
- (2) whether he will make a statement on the matter? **N263E**

REPLY:

- (1) Government remains committed to dealing with small business concerns in recognition of their importance to the development of South Africa's economy. Over the past few years, a number of tax policy measures to enhance administration were introduced in support of SMMEs. As announced in the 2004 Budget, SARS will now be engaging with small business to address their general administrative concerns because this sector identified operational difficulties as a major obstacle.

This process will mainly focus on administrative procedures and may not necessarily require legislative changes. While this process will concentrate on operational issues, ongoing engagements with small business and other stakeholders have already commenced, including identification of areas that require legislative change. The National Treasury and SARS will evaluate these proposed changes for future legislative action.

- (2) Depending on the outcome of the above evaluation, legislative changes will be announced as part of the normal budget process.

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 638

DATE OF PUBLICATION: 10 SEPTEMBER 2004

DR P J RABIE (DA) TO ASK THE MINISTER OF FINANCE:

(a) What progress has been made to date regarding tax reform in respect of pension funds as indicated in his 2004 Budget Speech and (b) by what date will the task team on tax reform in respect of pension funds come forward with concrete recommendations? **N944E**

REPLY:

(a) The National Treasury is committed to review the current Retirement Fund Tax system in South Africa. Currently under consideration are the regulatory aspects of South African pension funds to ensure a holistic approach to reforming the industry.

The new regulatory framework will form the foundation of an improved retirement industry and in turn, a sound basis for undertaking the tax reforms. This review has considered a wide range of issues, amongst which include:

- (i) more transparent disclosure rules regarding the cost structures in respect of retirement and risk benefits in order to minimise leakage and in turn improve returns on invested funds;
- (ii) designing rules for enforcing preservation of built-up reserves by minimising early withdrawal by members for so-called life-time crises (i.e. unemployment, severe illness, education costs) or accessing accumulated funds for current consumptions purposes when changing employers; and
- (iii) improving competition in the industry by providing lower or zero transaction costs as assets are switched amongst different savings funds/vehicles in order to maximise returns to the members.

A discussion paper on the revised regulatory aspects of pension funds will be released for discussion soon. The process will encourage open consultation with various stakeholders so that the final legislation represents a fully deliberated product. This is important to ensure that all the complex aspects of the reform are given adequate attention and the industry fully anticipates the changes. As part of this consultative

process, the National Treasury will be hosting a roundtable to engage industry on its thoughts and proposed reforms. This will take place after the MTBPS.

In the meantime, National Treasury has been engaging with Trustees of Pension Funds under the auspices of NEDLAC. This has culminated in a Trustee conference that was held on 29-30 October. The aim of the conference was to improve the capacity of Trustees in the discharging of their fiduciary duties and to engage them on their expectations with regard to the pension reforms programme.

Once the regulatory aspects are finalised a separate tax policy discussion paper will be prepared to align the current tax regime in South Africa with international best practice. The possible tax reforms will focus on the following key areas:

- Capping the tax deductibility of contributions to make sure that, from an equity perspective, Government does not incentivise high income earners over low and middle income earners;
 - Creating a pragmatic tax environment for employer contributions to retirement funds;
 - Assessing revenue implications for further rate adjustments to the Retirement Fund Tax;
 - The introduction of more punitive tax measures that seek to arrest early withdrawals; and
 - The appropriate taxation of lump sum and annuity payments to pensioners.
- (b) It is planned that a final set of recommendations will be made during the first quarter of 2005. However, this will be dependant on the finalisation of the regulatory reforms which are in turn dependant on the consultation process with the public.

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 994

DATE OF PUBLICATION: 5 NOVEMBER 2004

MR M STEPHENS (UDM) TO ASK THE MINISTER OF FINANCE:

(a) What was the rand value of income tax relief provided, and (b) what percentage of national revenue did this income tax relief constitute, in the past three financial years, respectively?

N1458E

REPLY:

- | | | |
|-----|--------------|------|
| (a) | R35 billion. | |
| (b) | 2002/03 | 5,5% |
| | 2003/04 | 5,2% |
| | 2004/05 | 1,2% |