national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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ANNEXURE D: Responses to National Treasury consultation

	Institution	Preferred options and comment
1	Sentinel	Option1
2	SAMWU	Option 2 –payroll systems need to be developed by employers and cannot be done in 4 months
3	Goldfields	Option 1 requires less time for HR/remuneration departments to be more cost effective for the organisation.
4	Anglo American Platinum	Increase deduction limit to R750 000
5	PAG (Payroll)	Option 1 Our experience tells us that standardised, simple and clear legislation results in cost efficient and accurate administration, which again results in improved compliance. Changing the taxation rules progressively over time (even if timeously notified) results in unnecessary complications, mistakes and potential unintended consequences. The Option 1 requirements are clearly in favour of the majority of retirement fund members and the country as a whole. In our opinion, adequate provision has been made in the 2013 amendments to cater for the vested interests of those provident fund members who are impacted by new annuitisation rules. Option 2A is effectively the same as Option 1 from the perspective of payroll suppliers (our members). Payrolls must comply with the taxation rules regarding the contribution, and are not directly affected by the annuitisation rules. Therefore, from our viewpoint, option 2A is the same as option 1.
6	Simeon Tseisi	Postpone -pending social security
7	SAICA	Option 1 It is unclear to us as to who exactly NT wants to agree to the various options and what the extent of this agreement must be between the various parties of NEDLAC and the public in general. It is also unclear why Option 2B is proposed at all if it diverts from the expressly stated policy of NT.
8	PWC	Option 1

		This option will be the least disruptive and would probably be capable of implementation by industry and role-players before the effective date. In this regard, however, the extent of further system adjustments and potential provident fund rule amendments in a limited time frame will have to be considered. This alternative will ensure that complexity and confusion as to the provisions applicable to provident fund annuitisation requirement and deduction limitations are kept to a minimum.
9	GTC	Option 1 We fully concur with National Treasury that this is the best option to implement. The increased de mimimus threshold from R75 000 to R250 000 is welcomed as this new higher limit, together with the phasing in period on the annuitisation of new contributions to provident funds will mean that the vast majority of provident fund members will be unaffected by the requirement to annuitise for some time. In addition the majority of provident fund members will be better off or unaffected by the new tax deductible limits that will be implemented as from 1 March 2016.
10	SARA South African Reward Association	Postpone because Labour and Community constituencies at NEDLAC have strongly demanded that Government release the social security reform paper to enable more informed debate of retirement reform. About half want implementation of option 1 and about half want postponement.
11	Absa consultants	Option 1 This option will assist with the objective to simplify the tax regime on retirement funds. All the other options (especially 2B and 2C) will be confusing for members as the full deduction for provident fund members will be allowed for one year and then lowered, should annuitisation not be made compulsory.
12	Actuarial Society	Option 1 - option 2 contains uncertainty that will damage industry
13	ASISA	Option1 because it has certainty and systems are developed for it. Given the time available to make and to communicate any changes, it is seen as the correct avenue to follow. While members are concerned to see annuitization compromised by the increase in the de minimus amount, the

		motivation is understood and at least the compulsory annuitization of provident fund retirement benefits will commence.
14	OASIS	Option 1 has certainty and systems already developed for it
15	Old Mutual	Option 1
16	Financial Planning Institute (FPI)	Option 1 this option will be best for consumers and also assist with the objective to simplify the tax regime on retirement funds. A higher *de minimus of* R 247,500 will further protect vested rights of low income workers. Option 2 will have massive ramifications in perceptions amongst members of non-transparency and no-one but the very financially literate will understand Option 2
17	SA Institute of Tax Practitioners (SAIT)	Option 1 the tax deduction of retirement fund contributions must be related to annuitisation, to reduce vulnerability in retirement by ensuring a secure monthly income for members in retirement. We see no need for the implementation of this to be postponed by another year
18	Institute of Retirement Funds	Option 1 The second year (2017) proposal to decrease the tax deduction for provident fund members should be discouraged. If the intention is to encourage the labour constituency to accede to the proposals earlier than 2018, surely it will not. A reduction of the deduction to 10% or R125 000 will surely not affect labour members whose contributions probably still fall within that range. It will affect the parts of the market who are not opposing annuitisation who are members of provident funds because it is chosen by the employer by whom they are employed.
19	FEDUSA	Option 1. It is imperative that the vested interest and rights of members be protected; therefore FEDUSA calls on the Minister of Finance to implement the tax reforms 1 March 2016, as it would be advantageous to members of provident funds. The principle of preservation of accumulated wealth of provident fund members are secured, consequently if a member retires in 10 years' time, such a member has the right to decide to withdraw the accumulated lump sum in cash or preserve.
20	COSATU	Wants to have comprehensive social security paper
21	KPMG	Only Options 1 and 2A meet the stated tax reform objectives. Options 2B and 2C will not meet

		objectives 2 and 4 on the basis that implementation of these options will not result in the harmonisation and equal treatment for all retirement funds, nor will the options lead to the simplification of the tax treatment of retirement funds. In short, Options 2B and 2C will not assist in making the retirement savings tax incentive more effective, and will in all likelihood not assist in increasing the understanding of the average South African of their retirement affairs.
22	Large Employer Forum **LEF**(ABSA, Alexander Forbes, Altron, Anglo American, Esor, Eskom, Investec, Liberty Life, Lonmin, Nampak, Nedbank, Netcare, MTN, Sasol, Standard Bank and Vodacom)	Prefer option 1 and option 2A as a default as these are the least disruptive of the options and would lead to greater buy-in from retirement fund members, employers and retirement funds as a whole. LEF is extremely concerned about the impact that options 2B and 2C would have on employers and members of provident funds
23	UTI	Support option 1. Endorse proposal to simplify system. We were at advanced stage of planning and communicating when March 2015 was deferred
24	Towers Watson	Strong preference for option 1 with higher de minimis bec it requires the least change in payroll and admin systems. Should option 2 be implemented it is important that certainty is provided now. Without certainty funds will not be able to do anything timeously and will be in a similar position this time next year. We prefer 2a with 2c being the next best. 2b is problematic
25	NACTU	Bill needs to be put through and implemented in 2016. Option 2 is proposed. Consider a higher de minimis
26	BUSA	Supports option 1 and strongly oppose 2a, 2b and 2c. Option 1 is simple and harmonises deductions and facilitates better understanding to retirement savings