



## LEGAL COMMUNIQUE

### MARCH 2015

#### TAXATION LAWS AMENDMENT BILL, 2014- WHAT HAS CHANGED?

The Taxation Laws Amendment Act, 2013 brought about far reaching amendments impacting the financial planning/employee benefits environment and insurers, financial advisors and clients have been planning and positioning themselves for the pending changes that were to be effective on 1 March 2015.

However, National Treasury made a statement on Friday 17 October 2014 (that was forwarded via e mail by New Business to all participating employers, clients and brokers) that a mere four months before implementation that the changes impacting retirement funds have been postponed until March 2016 and possibly to March 2017 depending on the outcome of further negotiations with NEDLAC.

What has been implemented effective 1 March 2015 is the change to the tax basis of premiums paid either via a Group Income Continuation Benefit (ICB) by an employer on behalf of its' employees or a personal ICB policy effected by an individual. The changes are as follows:-

#### INCOME CONTINUATION BENEFITS-DEDUCTIBILITY OF PREMIUMS

<b>Situation –prior to 1 March 2015</b>	<b>New legislation -1/3/2015</b>
Premiums currently paid by natural persons in respect of their income protection benefits are tax deductible under section 11(a) read with section 23(m) of the Income Tax Act	A natural person will no longer enjoy a tax deduction i.r.o. premiums paid on ICB benefits

Where an employer owns the income protection benefit policy and pays the premium on that policy for the benefit of an employee, the employer enjoys a tax deduction under section 11 (w) (i) of the Act as long as the premium is included in the employee's gross income as a fringe benefit. The employee (natural person) also enjoys the tax deduction mentioned above.

Where an income continuation benefit is owned by a natural person and payable to that person upon submission of a successful claim, it is included in gross income and fully taxable.

The employer will still enjoy the tax deduction under section 11 (w) (i) of the Act as long as the premium is included in the employee's gross income as a fringe benefit.

**HOWEVER**, the employee will **NO** longer enjoy a tax deduction i.r.o. the premiums paid.

**THIS MEANS YOU WILL TAKE HOME A LOWER SALARY FROM 1/03/2015**

The income continuation benefit will still be included in gross income, however, section 10 (1) (g) introduces an exemption that will render the income **tax-free!!**

**This communiqué is for information purposes only and is not advice as contemplated in the FAIS Act 2002. If you wish to discuss further please contact your FAIS accredited consultant to your fund and related employee risk benefits who will gladly assist you.**