

SERVICE HOTLINE

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TAX FREE SAVINGS AND INVESTMENT ACCOUNT (TFSA)

The National Treasury Tax Free Savings and Investment Account have certain requirements that must be met in order for the investor to benefit from the tax exemption. These requirements include the ability to identify the account for purposes of reporting to SARS, limiting the type of instruments held within the account, ensuring a cost-effective offering to the market and adhering to the annual R 30 000 and R 500 000 life time contribution limits.

Identifier

BDA has been enhanced to include a 'TFSA' (Tax Free Saving and Investment Account) indicator on the new LTMNT screen (Included in the FATCA changes that went live on 26 January 2015, -Tax and Legislative Compliance Enhancements). This indicator will be used to flag the accounts that should attract lower BDA transaction charges for the member and to identify the accounts that are free from Dividends Withholding Tax and Withholding Tax on Interest. The field will default to 'N' but it may be changed to 'Y' to flag an account as a TFSA account.

Validations

- The TFSA flag will be active if the 'Title' field on CLMNT is populated as this account is limited to individuals.
- The TFSA flag will be active if the account type is 'C'.
- The TFSA flag will be active if the accounts CSDP details are blank.

Common Error Report

A new section 'TFAC' will be added to the PCOMPR report will be produced (Online and ERD) highlighting when this indicator is loaded or changed.

Dissemination

The TFSA Flag is added to Card Code 79 for dissemination.

Uploads

The TFSA Flag is added to Card Code 036 for CLMNT uploads.

Qualifying Instruments

Controlled Client accounts that have been flagged as a 'Y' (National Treasury Tax Free Savings and Investment Accounts) are limited to a portfolio of instruments

Market / Service:

JSE Broker Deal Accounting (BDA)

Environment(s):

Production

Additional Information:

For further information please contact the Client Services Centre: +27 11 520 7777 or e-mail customersupport@jse.co.za

Issued By:

JSE Client Services Centre

defined by National Treasury. BDA will not block trades in other instruments, but it will produce a COMPR report highlighting trades in non-qualifying instruments and in Instruments that cannot be identified as qualifying.

BDA will identify the following qualifying instruments:

- A. Collective Investment Scheme Unit Trusts (CIS Unit Trusts).**
- B. Collective Investment Scheme Exchange Traded Funds (CIS ETFs).**
- C. BDA Fixed Deposits.**

(Note: National Treasury has verbally confirmed that BDA Fixed Deposits qualify. As they are not loaded as instruments, BDA will make use of the Investment Type (INVSTM-TYP) within the Money Market functionality, to identify these investments). BDA fixed deposits may not be viable as it is not possible to withdraw the funds within 7 days.

Other Instruments

At this time, BDA will not block trades in other instruments; however a new section 'TFSA' has been added to the PCOMPR report and will highlight these trades. BDA will use the Equity Data Type field on INSTM to identify the Unit Trusts and ETFs that qualify. Members must use their own discretion as to whether other instruments qualify.

COMPR Report

The daily PCOMPR report (Online and ERD) will list all the trades in non-qualifying and other instruments under the new section TFSA. In order for the account to continue to qualify, non-qualifying trades must be reversed off the account. A new section 'TFSM' will also be added to list any Call Investments linked to a TFSA account.

Capital Gains Tax, Dividends and Interest Tax

Accounts loaded with the TFSA option set to 'Y', will be exempt from CGT, DWT and WTI.

Annual and Lifetime Limits and Withdrawals

BDA will not report on annual or lifetime contribution limits or withdrawals. Members should monitor these accounts to ensure compliance.

Reporting

Individuals who file returns will be required to provide information in their annual ITR12 return forms (which can be done through e-filing), while members will make use of the IT3 tax certificates.

Individuals will need to include the income earned in the tax free account as non-taxable income under a separate source code (for interest, other income, capital gains and dividends) as well as the total amount of contributions made into tax free account in that tax year.

Tax reporting on the Tax Free Savings account will be dealt with through changes to the IT3 specification.

Investors may hold multiple accounts, provided the annual contribution limit is not exceeded in order to reap the benefit of the tax exemptions.

Lower BDA Transaction Charges for Members

The JSE has agreed to a 66% reduction on the transaction fees on a TFSA. As it is not possible at the moment to bill BDA transactions at different rates, the transactional billing of these accounts will be manually adjusted retrospectively on a monthly basis.

The total number of BDA transactions generated on these accounts will be extracted after each BDA month-end and manual credit notes issued for the difference between the normal BDA transaction fee and the reduced transaction fee.

This is an interim measure which will be managed by CSC staff for the foreseeable future.

Other BDA Charges for Members

The other BDA Charges (Connectivity fees, Disk Storage, data storage for Report production, Fiche History, Report Production, Dissemination, subscription services and software licenses) will be charged and remain as-is for the BDA Tax Free Savings Account.

Lower Commission for TFS Account Holders

Members must take note of the regulations on the charging of Fees on the Tax Free Savings and Investment Accounts. Although a brokerage fee is allowed members are encouraged to reduce their brokerage in order to encourage savings and pass on the benefit of the lower transaction charges.

The following charges will continue to be charged when trading on the BDA Tax Free Savings and Investment Account:

- Investor Protection levy.
- Strate Ad Valorem levy.
- STT - Securities Transfer Tax (ETFs are STT exempt).
- VAT on each charge.