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Dear Ian

**BUSA's RESPONSE TO THE PROPOSAL BY THE MINISTER OF FINANCE
REGARDING THE POSTPONEMENT OF THE ANNUITISATION REQUIREMENT
FOR PROVIDENT FUND BENEFITS**

BUSA has always supported the harmonisation of the tax treatment of retirement funds as well as the annuitisation of provident fund retirement benefits, and continues to believe that this is in the best interests of all South Africans. The reduction of "leakage" from retirement savings, together with various other proposed interventions, including the harmonisation of the tax treatment of retirement funds, will both enhance retirement savings and enable the simplification and consolidation of funds, ultimately facilitating the reduction of costs.

BUSA has therefore been opposed to the postponement of any elements of the Taxation Laws Amendment Act (the "Act"), which was promulgated in January this year. The aspects of the Act dealing with the proposed retirement reform have been through an extensive and democratic process of consultation dating back to 2013 and included an opportunity for stakeholders to address the Parliamentary Standing Committee on Finance and put forward their concerns.

The uncertainty, confusion and resulting in lack of trust in the retirement fund system that these last-minute changes will bring about, are deeply concerning. Additionally, the costs associated with system changes and the potential for error that can arise after an insufficient testing period should not be underestimated.

However, BUSA understands the need for the proposed compromise on the annuitisation of provident funds, albeit not an ideal outcome. BUSA therefore accepts the two year postponement of the implementation date of the relevant provisions in the Act, notwithstanding the significant industry uncertainty and

financial impact on our members that this will cause. BUSA is however not supportive of the outright scrapping of the relevant provisions of the Act relating to the annuitisation of provident fund retirement benefits.

In BUSA's view, it is essential that, coupled with the delay in annuitisation, certain other elements of the retirement reform must also be delayed in order to avoid a situation where leakage from pension and provident funds is increased and the preservation of retirement benefits is severely compromised.

BUSA believes this is in line with Government's stated retirement reform policy and not doing so would worsen the position rather than merely delaying reform.

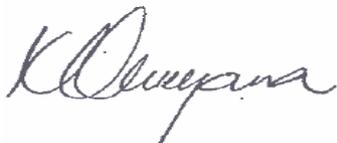
Provisions that should be delayed are:

- o The implementation of tax-free transfers from pension to provident funds, and
- o The increase of the de-minimus amount from R75 000 to R247 500, noting that this de-minimus applies to all retirement funds, not only provident funds.

Urgent clarity is required on the legal position during the period between the effective date of annuitisation, being 01 March 2016, and the enactment of the amendments to the Act to bring about the requisite delay. Adequate consideration also needs to be given to an extensive communications campaign that is required as a consequence of the proposed changes to the retirement reform.

BUSA remains available to engage with its social partners in order to ensure clarity is obtained and importantly the proposed changes are adequately communicated to its members and retirement fund beneficiaries.

Kind regards,



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MS KHANYISILE KWEYAMA
CHIEF EXECUTIVE OFFICER