



Tax directive changes

A. Background

The Tax Administration Laws Amendment Act 16 of 2016 that was published in Government Gazette No. 40563 on 19 January 2016 amended paragraph 9(3) of the Fourth Schedule of the Income Tax Act relating to tax directives. Refer to paragraph B of [Legal Update 3-2017](#) where the specific change is discussed. The effect of the amendment was that from 1 March 2017 retirement funds had to apply for tax directives on all transfers in terms of section 14(1) and 14(8) of the Pension Funds Act (section 14 transfers). A section 14(1) transfer must be approved by the Financial Services Board (FSB). A section 14(8) transfer does not require approval by the FSB.

Although not specifically required by law, the South African Revenue Services (SARS) recommended that a tax directive application should be submitted for annuities purchased on retirement and by beneficiaries on death of a member. The purpose of this is to track the transfer of a member's retirement interests on purchase of an annuity.

B. Tax directive system

To accommodate the above changes, SARS enhanced the tax directive and eFiling systems. The tax directive enhancements will be operational on 30 June 2017.

An updated IBIR-006-Tax Directive Interface Specification (Interface Specification) was published. All the rules of the Interface Specification need to be followed. Incorrect applications will be rejected. If a taxpayer is registered and the application is submitted without a tax number, the tax directive will be declined.

To ensure that the process is expedited, employers are requested to provide us with as much information as possible. The member's identity number, tax number, contact details (e-mail and cell number) and physical address are the most important requirements, along with the member's instruction on how his benefit is to be dealt with.

Employers are requested to provide us with the member's tax number where they have not already done so, failing which we will not be in a position to obtain a tax directive, which in turn will lead to a delay in payment of the member's benefit.

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