



Tax Free Savings Accounts

Tax Free Savings Accounts (TFSA) were introduced by National Treasury in March 2015.

At that time, the only exempt investment income available to investors was a portion of interest earned. A taxpayer was exempt from paying tax on interest up to a maximum of R23 800 (below 65 years) or R34 500 (above 65 years). This exemption still applies and SARS has not increased the exemption limit since 2015.

TFSA are exempt from the three main taxes that taxpayers are subject to viz. dividends withholding tax, income tax on interest and other investment income and capital gains tax. This makes TFSA particularly attractive to high income earners as a means of reducing their tax burden.

A natural person can now invest R33 000 per annum with a lifetime limit of R500 000.

A common misconception is that TFSA are only available through a bank.

There are four main vehicles into which one can invest -

- Bank accounts
- Unit Trust funds
- Stock broker accounts including Exchange Traded Funds
- Life assurance products e.g. endowment policies

The type of vehicle chosen depends on (amongst others) the investor's -

- Tax status and level of taxable income
- Risk appetite
- Age
- Investment time frames
- Tolerance for costs

TFSA can also be opened by parents on behalf of their children.

For investors wishing to diversify their investment portfolio, there are TFSA's that track global indices for offshore exposure.

Please contact us should you be interested to take advantage of the tax savings offered by TFSA.

