

LEPPARD LEGISLATION WATCH

AUGUST 2017

Two matters need our attention this month, as they could / will have an impact on the way in which we will do business going forward. What makes it difficult in trying to analyze the impact of these pieces of legislation is that both appear to be interim measures, with no clarity or finality as to their exact application. The legislation we are referring to includes the Financial Intelligence Centre Act (which we briefly looked at in June) and the Financial Sector Regulation Bill. In addition, there are a myriad number of proposed amendments in the draft Taxation Laws Amendment Bill, which we will touch on below.

What to watch – selected recent developments

Financial Zone

- ❖ Financial Intelligence Centre Act, 1 of 2017 – we looked at aspects of this Act in the June issue of Leppard Legislation Watch. The Act is aimed at strengthening the Financial Intelligence Centre’s ability to produce high quality financial intelligence in order to combat financial crimes such as money laundering and the financing of terrorism. The Act provides for the implementation of some of the amendments from 13 June 2017, further amendments from 2 October 2017, and a third set of amendments that have no implementation date yet. Draft regulations have also been issued with a proposed commencement date of 2 October 2017. Two key issues that we need to take note of concern the move away from a ‘tick box’ approach to the Know Your Client procedures to one of greater due diligence procedures, with an emphasis on verification of one’s client, and the second relates to ongoing discussions as to whether or not the short term insurance industry will be included as an accountable institution, with the greater compliance issues that that entails. More information is available at www.fic.gov.za.
- ❖ Financial Sector Regulation Bill (Version D) – this Bill has been amended for the third time and is aimed at paving the way for the introduction of the ‘Twin Peaks’ model of financial regulation, which will see the FSB being replaced by the Financial Sector Conduct Authority. We will continue to monitor these changes as and when they occur.

- ❖ Draft Taxation Laws Amendment Bill – this Bill has a comment deadline of 18 August 2017, and proposes amending many sections of the Income Tax Act. The following proposed amendments may have an impact on our businesses: Section 1 [postponement of annuitisation requirement for pension, provident, provident preservation and retirement annuity funds]; section 7C [further measures to prevent tax avoidance through trusts, and the exclusion of employee share scheme trusts from such measures]; section 7D [anti-avoidance rules for zero or low interest loans to apply regardless of statutory or common law in duplum rule]; section 7D [interest payable by SARS only accrues on the date of the actual payment]; section 10 [repeal of foreign employment income exemption]; section 10 [increase in the exemption threshold for employer bursaries to learners with disabilities]; section 10 [subjecting to tax the annuity income arising from foreign services rendered, that is paid by a South African Insurer to a SA resident]. The amendments can be viewed in full at www.treasury.gov.za .
- ❖ National Health Act: National Health Insurance Policy Towards Universal Coverage – the policy document was gazetted at the end of June and is something we will need to monitor going forward. The National Health Insurance Policy towards Universal Health Coverage states, amongst others, that: (i) The focus for 2017 to 2022 will be on national health insurance legislation, and amendments to related laws such as: • The Allied Health Professions Act, the Dental Technicians Act, the Health Professions Act, the Nursing Act, and the Traditional Health Practitioners Act; • The Medicines and Related Substances Act, the Mental Health Care Act, and the National Health Act; and • Provincial Health laws. (ii) The intention to amend the Medical Schemes Act (for example to facilitate option consolidation and eventually complementary cover). (iii) The intention to align social security, Compensation for Occupational Injuries and Diseases Act, Occupational Diseases in Mines and Works Act, and Road Accident Fund Act benefits; and (iv) The last phase (2022 to 2026) will introduce mandatory prepayment as NHI-specific taxes, and NHI purchasing services from accredited private specialists/hospitals.

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