



**South African Insurance Association**

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**Private and confidential**

**SG 2018/000**

**22 February 2018**

## **TO ALL MEMBERS**

### **INCREASE IN VAT RATE FROM 14% TO 15%**

Dear SAIA Member

Following on the increase in the VAT rate from 14% to 15% effective 1 April 2018, SAIA has contracted PWC as the expert consultant to, in collaboration with the SAIA VAT Task Team including FIA representation, prepare a letter of submission to the National Treasury (NT) and the South African Revenue Services (SARS) containing a high level overview of the difficulties that will be experienced by the industry as a result of the VAT rate increase.

The letter is intended to form the basis of a discussion between the industry and NT/SARS to highlight the need for the application of S72 and request a meeting with NT/SARS to discuss the abovementioned difficulties.

The above process will result in a detailed submission on the manner in which the industry operates, the systems constraints and the difficulties that will be experienced by the industry as a result of the VAT rate increase and the request for an application of S72 to alleviate the difficulties and propose legislative amendments and practical solutions for a VAT ruling application.

The increase also brought into question the practicality of informing policyholders of the change to the premium bearing in mind the disclosure requirements in Rule 11 (Disclosure) of the Policyholder Protection Rules (PPRs).

However, in terms of Chapter 8 of the PPRs (Administration), Rule 11 is operational 12 months after the date of publication of the PPRs in the Government Gazette, hence Rule 11 is operational from 15 December 2018. Upon discussing this issue with the Financial Services Board, they have advised that whilst Rule 11 is operational from 15 December 2018, it does not preclude members from informing policyholders of the change by other practical means, if possible, such as by way of SMS.



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A more detailed document will be forwarded to members via SG Circular tentatively on Monday to request input relating to individual members and we are planning a meeting of the SAIA Taxation Committee for tentatively Tuesday where the industry difficulties will be discussed in more detail.

Further communications will be circulated to members following the above meeting.

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