

# NOVARE UNIT TRUST DIVIDEND WITHHOLDING TAX SUMMARY

Novare CIS (RF) (Pty) Ltd | Registration Number: 2013/191159/07 | SARS Registration Number: 9649/248/16/9

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CIS

## DIVIDEND WITHHOLDING TAX (DWT)

The fundamental change in the way that dividends will be taxed from 1 April 2012 is that DWT will be levied on the shareholders (or beneficial owners) receiving the dividend; where secondary tax on companies (STC) used to be levied on the company declaring the dividend. To simplify administration, institutions such as Novare CIS (RF) (Pty) Ltd "Novare" in its capacity as Regulated Intermediary has been appointed as withholding agent of the new tax by SARS. The DWT rate to be deducted is currently 20% (it was 15% until February 2017).

## WHO WILL DEFINITELY BE TAXED?

### Novare Unit Trust Funds

- Natural persons
- Non-resident natural persons (if residing in countries where the Double Taxation Agreement between South Africa and the non-resident's country does not reduce the DWT rate of 20% - countries such as Australia, Canada, Germany, New Zealand, Switzerland, UK, Northern Ireland and the US – to name but a few). Any dividends from a foreign company listed on the JSE will however not be taxed for non-residents.

## WHO WILL DEFINITELY BE EXEMPT?

### Novare Unit Trust Funds

- Pension fund, pension preservation fund, provident fund, provident preservation fund, retirement annuity or beneficiary fund
- Medical aid funds
- Approved public benefit organizations
- South African resident companies
- The dividends of a foreign company listed on the JSE will be exempt from DWT if held by a non-resident

### Novare Pre- and Post-Retirement Funds

- Preservation Funds

## WHO MAY QUALIFY FOR A REDUCED TAX RATE?

### Novare Unit Trust Funds

- Non-resident natural persons (if residing in countries where the double taxation agreement between South Africa and the non-resident's country states a rate of 0% - countries such as Malawi, Seychelles, Zambia, Zimbabwe, Cyprus, Ireland – this results in zero DWT being deducted)
- Non-resident companies (if residing in countries where the double taxation agreement between South Africa and the non-resident's country states a rate of 0% - countries such as Australia, UK, Northern Ireland – results in zero DWT being deducted)
- Non-resident natural persons (if residing in countries where the double taxation agreement between South Africa and the non-resident's country states a rate less than 20% - countries such as China, Croatia, Nigeria, India, Malta, Mexico, Netherlands)
- Non-resident companies (if residing in countries where the double taxation agreement between South Africa and the non-resident's country states a rate less than 20% where the company has a minimum holding, generally 10% or 25%, in the share capital - countries such as Botswana, Namibia, Canada, China, Germany, Netherlands, New Zealand, Switzerland, and the US – to name but a few)

## ARE TRUSTS TAXABLE OR EXEMPT?

In general, payments of dividends to trusts will be subject to the DWT and the company paying the dividend (or the regulated intermediary) will withhold the DWT from the dividend payable to the trust.

However, it is necessary to ascertain whether the beneficiaries of the trust have vested rights to the dividend income accruing to a vesting or bewind trust, or whether the trustees have exercised their discretion to distribute the dividends of a discretionary trust to the beneficiaries. If the beneficiaries are the beneficial owners of the dividends, then the beneficial owners of the trust income may qualify for the exemptions and/or reductions (as set out in the lists above). If for example the beneficiary has rights to the dividends and is a company, then an exemption could apply, whilst if it is a natural person, the 20% DWT could be applicable.

## DOCUMENTATION REQUIRED

Exempt investors, or investors who qualify for a reduced rate of tax, need to complete a prescribed declaration form to enable Novare to pay their full or partial dividend proceeds to them. If the declarations are not completed in time, Novare will be obliged to deduct DWT.

Investors will then have three years to complete their paperwork and claim back the tax.

Should you be unsure of your tax status regarding the new DWT, please contact your financial advisor or tax consultant. For any other DWT queries, please contact Novare CIS (RF) (Pty) Ltd "Novare" on **0800 668 273 (0800 novare)**.

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Novare CIS (RF) (Pty) Limited is a registered Manager in terms of the Collective Investment Schemes Control Act (Act 45 of 2002)

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