

## TFI tax certificate (IT3(s)) explained

The tax season for individuals runs from July to November every year. For provisional taxpayers who submit via eFiling, it runs until January of the next year. During tax season, you need to submit an income tax return (ITR12) to the South African Revenue Service (Sars) so that they can calculate your tax on your income and the tax-deductible expenses for the assessment year (1 March to the end of February).

Depending on the products that you have with Momentum, we'll send you the relevant tax certificates every year so that you can complete your tax return. Usually you would have received all your tax certificates from us by the end of June every year.

Some or all of the information on the tax certificate may already be prepopulated by Sars on your tax return. If it is, all you have to do is to check the prepopulated information against the information on the tax certificate. If you are happy that the information is correct, you can continue completing your tax return. If the information is incorrect, contact the Sars call centre on 0800 007 277.

If it hasn't been prepopulated by Sars, use the information on the tax certificate to complete your tax return.

You don't submit the tax certificates to Sars when you submit your tax return, but keep them for a period of five years in case Sars requires them from you.

In the table below we give you some more information about this tax certificate:

General questions and explanations	
What type of tax certificate is this?	This is a tax-free investment (TFI) tax certificate (IT3(s)).
What is a TFI tax certificate (IT3(s))?	It reflects the investment value of your TFI at the end of a particular tax year and the transactions during the tax year such as the contributions you made to it and withdrawals you took from it.
What is a TFI?	<p>A TFI is an investment product that does not attract any South African tax, provided that you don't exceed the contribution limits. Any foreign withholding tax that is deducted inside an investment portfolio will have an impact on your investment balance.</p> <p>TFIs can be administered by banks, long-term insurers, collective investment scheme companies and national government.</p> <p>Government implemented TFIs on 1 March 2015 to encourage household savings.</p> <p>The following taxes won't apply:</p> <ul style="list-style-type: none"> <li>• income tax in respect of interest and profit or loss in share trading;</li> <li>• dividends tax; and</li> <li>• capital gains or losses.</li> </ul>
When will you issue an IT3(s) tax certificate?	When you've made a contribution, withdrawal or transfer in a particular tax year.
When will a deposit be allocated to my TFI account?	<p>Deposits are defined as contributions only on the date that both of the following conditions are met:</p> <ul style="list-style-type: none"> <li>• the contribution paid into the correct bank account reflects before the communicated cut-off date (28 February 2017);</li> <li>• a clear and complete investment instruction is received before the communicated cut-off date (10 March 2017).</li> </ul>

**General questions and explanations**

<p>Why am I receiving it?</p>	<p>We must report the contributions, withdrawals and transfers to and from this investment to Sars.</p> <p>This is to monitor and manage the allowed contribution limit of R30 000 (R33 000 from 1 March 2017) to TFIs during a tax year, and R500 000 over the lifetime of a person.</p> <p>You will pay tax at a rate of 40% on contributions that exceed these limits.</p> <p>Example:</p> <ul style="list-style-type: none"> <li>• If you contribute R50 000 to a TFI account during the 2016 tax year, the yearly limit is exceeded by R20 000. So, you'll pay tax of R8 000 (R50 000 – R30 000 x 40%) on this amount.</li> <li>• If you contribute more than R500 000 in total to a TFI over your lifetime, a 40% tax will be payable on the amount over R500 000 (reduced by any tax paid under the yearly limit).</li> </ul>
<p>Will my certificate details and values automatically be updated on eFiling?</p>	<p>No, you'll have to fill in the information on your income tax return (ITR12).</p>
<p>What should I do with the certificate?</p>	<p>Use it to fill in the relevant fields on your tax return. Keep the certificate for your records.</p>
<p>Where can I get more information and help with this tax certificate?</p>	<p>Speak to a registered tax practitioner or visit <a href="http://taxim.co.za">taxim.co.za</a> (a Multiply partner), who can help you file your tax return.</p> <p>Contact Sars on 0800 007 277 or visit their website at <a href="http://sars.gov.za">sars.gov.za</a>.</p>

**What do the different source codes in this certificate mean?**

<p>4239 Net return on investment – profit or 4240 Net return on investment – loss</p>	<p>We have to report the gross profit or loss on the investment to Sars. The net return on investment is the closing balance minus the sum of the opening balance and contributions minus withdrawals. It's not simply the difference between the opening and closing balances.</p> <p>We report the net return for the tax period as either a 4239 net return on investment – profit or a 4240 net return on investment – loss. This product is a long-term insurance product and Sars doesn't require reporting on the detailed investment returns of the investment components.</p>
<p>4219 Contribution</p>	<p>This field reflects the total contributions to the TFI for the tax year.</p>
<p>Should I declare any of the certificate values on my individual Sars filing?</p>	<p>The TFIs section of the income tax return (ITR12) is only applicable from 2016 onwards.</p> <p>Fill in the following fields:</p> <ul style="list-style-type: none"> <li>• Net return on investment – profit (source code 4239) or net return on investment – loss (source code 4240)</li> <li>• Contributions made to TFIs during the year of assessment (source code 4219)</li> <li>• Amounts withdrawn during the year of assessment (source code 4248)</li> </ul> <p>You don't have to report the interest (source code 4241), dividends (source code 4242) and capital gains (source code 4243 or 4244) where your TFI is based on a long-term insurance product. You only need to report net return on investment.</p>

## Other information fields on this certificate



### Year of assessment

This date refers to the contribution period.



### Account number

This is your investment number.



### Start date

This date refers to the start date of the TFI if it was during the tax year; otherwise it refers to the start date of the tax year.



### End date

This date refers to the end of the tax year. If the investment owner passed away during the tax year, then it refers to the date of death.



### Investment closing balance

This amount reflects the value of your investment at the end of the tax year.

Financial wellness is about you and your money and how you use the money you earn to make a living and shape your financial future throughout the different stages of your life and that of your family.

How you structure your income, and therefore your tax payable, can have a significant impact on your financial wellness. A financial adviser or registered tax practitioner can help you understand how to best structure your tax.

### Disclaimer:

The information provided in this document is for general information purposes only and is not intended to be relied on as advice as contemplated in the Financial Advisory and Intermediary Services Act 37, of 2002 (FAIS). The information does not take into account your personal financial circumstances.

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