Summary of tax consequences of following investment options					
Product	**Description**	**Nature of income/return earned**	**Income tax implication**	**Capital gains tax (CGT) implication**	**Other**
Endowment	This is a long term insurance policy that is used as an investment vehicle for lump sum or regular investments. In terms of the Long Term Insurance Act, all endowment policies have a minimum investment term of 5 years. During this time only one loan and one withdrawal is allowed. No additional access is allowed.	During the investment term the funds are invested in underlying components – for example collective investment schemes, share portfolios, etc. The nature of the underlying investment fund will dictate the nature of the income/return earned in the endowment policy during its term. When the endowment matures, the proceeds paid are treated as capital.	Whilst invested in the endowment policy, the insurer is liable for income tax. The five fund approach applies – where the policyholder is a natural person or trust with natural persons as beneficiaries, the investment funds fall into the Individual Policyholder Fund where the income tax rate is fixed at 30%. Where dividends are earned, dividends withholding tax will be withheld at a rate of 15%. If the policyholder is a company or CC, it will be invested in the Company Policyholder Fund where the income tax rate is fixed at 28%. No dividends withholding tax is payable in the Company Policyholder Fund. Where the investor is a public benefit organisation/tax exempt entity, the investment funds will be invested in the untaxed policyholder fund where the income tax rate is 0%. The insurer does not enjoy the interest exemption. No income tax is payable by the policyholder.	The insurer is liable for any CGT. Capital gains can be realised when investment switches are made, a withdrawal or loan is made and units are sold to fund this or the policy matures and underlying units are sold to pay the maturity value. The effective CGT payable in the Individual Policyholder Fund is 12%, the Company Policyholder Fund is 22.4%, and in the Untaxed Policyholder Fund 0%. The insurer does not enjoy the annual capital gains exclusion. When the endowment policy matures and it pays out to the original beneficial owner or that person's spouse, beneficiary, nominee or estate, no CGT is payable. If it is a traded endowment policy (second hand) the policyholder will incur CGT on any capital gains realised. The maximum effective rate for an individual as the policyholder is 16.4% and for a company/CC it is 22.4% and for a trust it is 32.8%. PBOs will incur no CGT.	The endowment policy is an asset in the estate of the policyholder for estate duty purposes – the fund value on date of death will be included in the deceased estate. This will also be the case where the policyholder is not the life insured. Where the policyholder and life insured is different persons, the policy proceeds will be a deemed asset in the estate of the deceased life insured for estate duty purposes.

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Product	Description	Nature of income/return earned	Income tax implication	Capital gains tax (CGT) implication	Other
Voluntary annuity	Also referred to as a term certain annuity. Clients invest voluntary funds (not from a retirement fund) for a fixed term during which a monthly income is paid. The term is generally 5, 10 or 15years. No lump sum payment occurs during the term. Income is paid until all capital is depleted.	The income/return consists of a capital element and an income element. A portion of the income paid to the annuitant is in fact a return of the capital invested and the balance is the income/return earned on the capital amount invested.	A tax certificate is issued to show the capital and income portion. Income tax is payable on the income portion only and it is part of the investor's gross income and taxable at the marginal tax rate. The capital portion is not taxable. Section 10A of the Income Tax Act contains a formula to determine the capital and income portion.	No capital gains tax is payable as the capital portion is a return of the capital invested and not a capital gain.	When the annuitant dies, the market value will be an asset in the estate of the annuitant for estate duty purposes.
Income Plan	This product consists of a voluntary annuity that provides a monthly income and an endowment policy that provides a guaranteed maturity value at the end of the term. The term is generally fixed for 5 years due to the Long-term Insurance Act's restriction period.	The income payable consists of a capital and income element as above. The endowment policy will pay out a guaranteed maturity value that is treated as capital (as discussed under the Endowment section)	The income tax implications discussed under Voluntary Annuity and the Endowment is also relevant to this product.	See the capital gains tax discussed under the Endowment section as it applies to the endowment portion of the Income Plan.	Upon death, the market value in the investment will be an asset in the estate of the deceased investor.

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Product	Description	Nature of income/return earned	Income tax implication	Capital gains tax (CGT) implication	Other taxes
Unit trust / Collective Investment Schemes	This is a direct investment into collective investment schemes either via a LISP platform or directly via the fund manager.	The nature of the income/return earned will depend on the fund category. Earnings are either interest or dividends. When units are sold capital gains can be realised.	Interest is fully taxable as part of gross income. If the investor is a natural person the interest exemption will apply - R23 800 for persons under 65 and R34 500 for those older than 65. Local dividends form part of gross income – however all local dividends qualify for an exemption. Foreign dividends are included in gross income – an exemption applies for natural persons equal to 36.6% (15/41) and for non-natural persons it is 53.6% (15/28) will apply.	Where units are sold a capital gain may arise. Where the investor is a natural person the effective CGT rate is a maximum of 16.4%, for a company or CC it is 22.4% and for a trust it is 32.8%. A natural person also enjoys an annual exclusion of R40 000 and R300 000 upon death.	Local dividends are subject to dividend withholding tax at 15%. No dividend withholding tax is levied on foreign dividends. On date of death of the investor, the market value will be an asset in the deceased estate for estate duty purposes.
Listed share portfolio	This is a direct investment into a portfolio of shares listed on the JSE.	Dividends are earned and capital gains can be realised when shares are sold. Where active trading takes place, the gains can be seen as gross income.	Will only be applicable if the taxpayer is a share trader and where the proceeds from the sale of shares are treated as income and not capital. Most individual investors will not be viewed as share traders and therefore the gains realised upon the sale of shares will not be subject to income tax. Local dividends earned will be exempt from income tax.	When shares are sold and a capital gain is realised, CGT will be payable. Where the investor is a natural person the effective CGT rate is a maximum of 16.4%, for a company or CC it is 22.4% and for a trust it is 32.8%. A natural person also enjoys an annual exclusion of R40 000 and R300 000 upon death.	Local dividends are subject to dividend withholding tax at 15%. Upon death, the market value of the shares will be included as an asset in the dutiable estate.

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Product	Description	Nature of income/return earned	Income tax implication	Capital gains tax (CGT) implication	Other taxes
Fixed property	This is an investment in immovable property.	Rental income is earned if rented out. Capital gains can be realised when the property is sold.	Rental income is fully taxable and included in gross income of the taxpayer. All expenses related to the production of the rental income will qualify as a tax deduction against the rental income earned – example, interest paid on the bond financing the property, levies, rates and taxes, maintenance, agent fees, etc.	When the property is sold and it was not the primary residence of the taxpayer, the net capital gain realised will be taxable. Where the investor is a natural person the effective CGT rate is a maximum of 16.4%, for a company or CC it is 22.4% and for a trust it is 32.8%. A natural person also enjoys an annual exclusion of R40 000 and R300 000 upon death.	The property will form part of the estate of the property owner for estate duty purposes. Any outstanding bond will be a liability in the estate.
Business venture	Where the client has his/her own business either in the form of a sole proprietor, partnership, close corporation, private company or business trust.	The main objective of starting a business venture is to realise a profit. If the business is sold, it can also realise a capital gain.	The net income generated by the business is fully taxable. If the business is operated as a sole proprietor or partnership, the net income generated by the business is included in the overall taxable income of the individual concerned and taxed according to the marginal tax rate. If it is operated in a company/CC the taxable income is taxed at 28%. In a business trust, the taxable income will be taxed at 41%.	When the business is sold a capital gain can be realised. Where the business owner is a natural person the effective CGT rate is a maximum of 16.4%, for a company or CC it is 22.4% and for a trust it is 32.8%. A natural person also enjoys an annual exclusion of R40 000 and R300 000 upon death.	If the business is operated in a company/CC, any profits paid to a shareholder/ member will be treated as a dividend and subject to dividend withholding tax at 15%. The value of the business interest will be an asset for estate duty purposes.
Cash	This is an investment in a bank deposit, money market account or fund.	Interest is earned.	Interest is fully taxable as part of gross income. If the investor is a natural person the interest exemption will apply - R23 800 for persons under 65 and R34 500 for those older than 65.	N/A	Cash will be part of the dutiable estate for estate duty purposes.

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