



Tax and Legal News

#BudgetSpeech2022



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Budget 2022 – Financial sector highlights

IFRS17 insurance contracts and the impact on taxation of insurers

IFRS 17 Insurance Contracts (IFRS 17) is a new international accounting standard that changes the way insurance contracts are accounted for. This new standard replaces the interim standard IFRS 4 Insurance Contracts. IFRS 17 will be effective for reporting periods commencing on or after 1 January 2023. IFRS 17 provides consistent application of these principles enabling users of financial statements to meaningfully compare financial results of insurers. The Standard specifically sets out the principles of recognition, measurement, presentation and disclosure of insurance contracts.

The introduction of IFRS 17 may have a material impact on both the long and short-term insurance industry and the relevant income tax provisions will require amendments to minimize unintended (cash flow) disruptions. National Treasury will assess the tax impact and it is proposed that changes may be made to the income tax provisions affecting insurers as a result of the implementation of IFRS17.

Alignment of definitions to the Insurance Act

A South African resident shareholder is required to impute its share of the income of a controlled foreign company (CFC) provided certain requirements are met. There are certain exclusions which apply to the imputation requirement. For insurance companies, specifically the policyholder funds, one such exclusion is where the participation rights in the CFC can be directly attributable to a linked policy. With the introduction of the Insurance Act (effective 1 July 2018), certain definitions such as “linked policy” has been deleted. National Treasury is now proposing that the “linked policy” exclusion be amended to refer to the appropriate provision in the Insurance Act.

Taxation of Collective Investment Schemes

The 2018 Taxation Laws Amendment Bill proposed to tax trading profits of some collective investment schemes as revenue rather than capital. Based on feedback received, National Treasury had agreed to work with affected stakeholders during the 2019 legislative cycle to find solutions to address the taxation of trading profits. Additional concerns have been raised over the past two years which has now prompted National Treasury to release a discussion document that will address the tax treatment of profits generated by collective investment

schemes. The proposed discussion document will be published for public comment before any amendments to the tax legislation is proposed.

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