

IMPACT OF VAT RATE INCREASE EFFECTIVE 1 APRIL 2018

National Treasury recently announced an increase in Value Added Tax (VAT) from 14% to 15%, effective 1 April 2018.

The increase will affect all fees where VAT applies, such as investment management fees, administration fees, financial adviser fees and model portfolio fees.

How will this affect your fee payments?

Since ongoing financial adviser and model portfolio fee payments are calculated from the 16th of a month to the 15th of the following month, we are required, in terms of Section 67A(1) of the VAT Act, 89 of 1991, to apportion VAT in a fair and reasonable manner. We will apply an effective VAT rate of 14.49% for this period, calculated at 14% for the 16 days including 16-31 March 2018 and 15% for the 15 days including 1 - 15 April 2018. For ongoing financial adviser and model portfolio fee payments from 16 April 2018, we will apply VAT at 15%.

For initial advice fees, we will apply the VAT rate applicable on the date the initial advice fee is charged.

If you are receiving ongoing financial adviser fees for umbrella fund investments, please note that umbrella fee payments are calculated from the 1st of the month to month-end. We will apply the VAT rate of 15% from 1 April 2018.

If you have any questions or feedback, please contact your Business Development Manager, our Adviser Service Centre on 0860 000 653 or email us at ifa@allangray.co.za.