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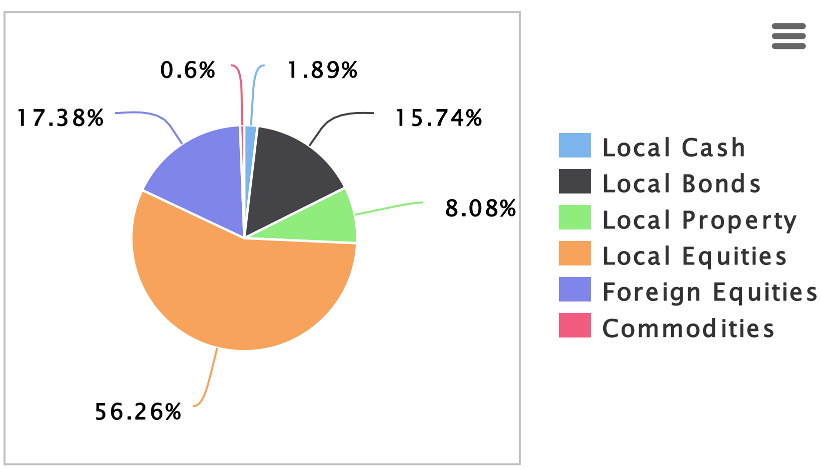
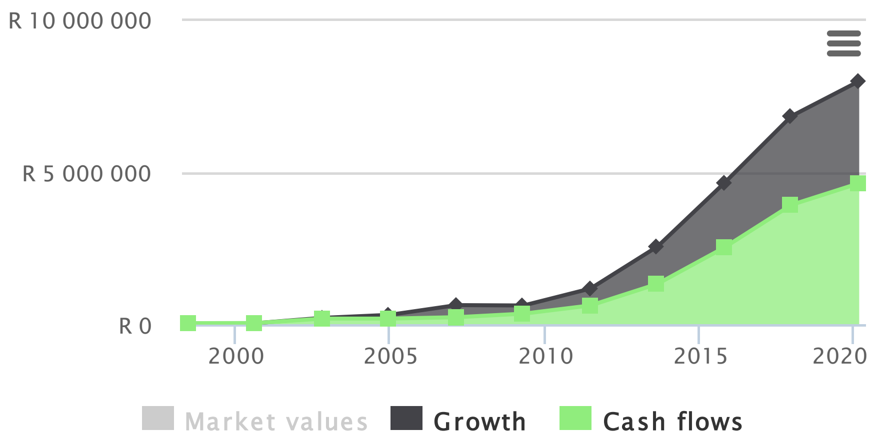
Dear Member

We are nearly in the third month of the first quarter of the year and the new decade. It continued to be a volatile, uncertain period for investors globally. Multilect Administrators and the Board of Trustees do not comment on market movement or investment performance. That is the role of your financial advisor and asset manager. We do however manage money on behalf of investors who started off with a solid financial plan, started saving toward it early in life, never lost focus of the end goal and are today reaping the rewards of the sacrifices they made on the road to achieving their goals.

As Administrators and Trustees our roles are to administer your investment in terms of the Pension Funds Act and to keep you informed of any new developments on our systems and general information relevant to the members of retirement funds.

Those members who have access to our administration system “Finworks” to view their investments may be aware that they are able to view the Internal Rate of Return on their investments. There is also a functionality to view the asset classes your investment is invested in as well as the performance vs cash flow of the investment.





If you are not already registered on the system, please contact admin@multilect.co.za for assistance.

Tax 2021

Contrary to expectations there were no significant tax increases when Minister Mboweni delivered his budget speech. In fact, on the personal income tax side the adjustments for so-called fiscal drag exceed the expected inflation rate over the next year. While the Minister has indicated expected reductions (over previous estimates) in government expenditures over the next three fiscal years, both the deficit and the government debt are projected to rise considerably.

The Budget is clearly designed to limit further damage to the economy with tax rate increases at this point in time. In addition, the revenue projections for the March 2021 year are more conservative and hence far more achievable than has been the case the last few years. Accordingly, significant future revenue shortfalls are less likely. It remains to be seen what view investors and rating agencies will take of the higher deficit and debt to GDP ratios.

The Budget at a glance

Personal tax

- The personal income tax brackets and rebates have been adjusted above expected inflation, providing R2 billion tax relief to individual taxpayers.
- Medical tax credits have been increased from R310 to R319 per month for the first two beneficiaries and from R209 to R215 per month for the remaining beneficiaries.
- Allowable contributions to tax free savings investments will be increased from R33,000 to R36,000 per annum, effective from 1 March 2020. The lifetime contribution limit of R500,000 remains the same.
- The cap on the exemption for foreign remuneration earned by South African tax

residents working abroad will be increase from R1 million to R1.25 million with effect from 1 March 2020.

- Exchange control regulations for individuals will be phased out by 1 March 2021, giving those individuals who work abroad more flexibility, provided their earnings are sourced legitimately and they are in good standing with SARS. Individuals who transfer more than R10 million offshore however will be subjected to a more stringent verification process, including a risk management test that will require certification of tax status and source of funds.
- The concept of 'emigration' for exchange control purposes will also be phased out by 1 March 2021 and replaced by a new verification process. Under the new verification system emigrants and natural persons will be treated identically. Tax residency for individuals however will continue to be determined by the existing 'ordinarily resident' and 'physical presence' tests.
- Currently individuals who are members of pension preservation funds, provident preservation funds and retirement annuities are able to take withdrawal benefits as a consequence of emigration. As the concept of emigration will be phased out, the current emigration trigger for these retirement fund withdrawals will be reviewed.

Corporate tax

- Currently, a company may reduce its taxable income in full by utilising assessed losses brought forward from prior years. It is proposed that the utilisation of assessed losses brought forward from prior years be limited to 80 percent of taxable income for years of assessment commencing on or after 01 January 2021.
- It is proposed that net corporate interest expense deductions for income tax purposes be limited to 30 percent of earnings for years of assessment commencing on or after 01 January 2021.
- A number of technical amendments are proposed to address anti-avoidance type schemes, tax loopholes, tax mismatches, and other anomalies in the current legislation.
- Tax incentives for corporates are under review and government is considering scaling back these incentives over time.

Retirement fund reform

- Government and the National Economic Development and Labour Council ('NEDLAC') have agreed to proceed with retirement reform related to the harmonisation of all retirement benefits. It is anticipated that this will include the annuitisation of provident fund benefits accruing on or after 1 March 2021.
- Government will ensure the development of annuity products more suitable for the low-income market.
- Further reforms will include improving oversight and governance of commercial

umbrella funds, fund consolidation and auto-enrolment of retirement funds.

Other indirect tax proposals

- Fuel related levies will be increased by 25c/litre made up as follows: the general fuel levy will be increased by 16c/litre; the Road Accident Fund levy will be increased by 9c/litre.
- Excise duty rate increases for alcoholic beverages and tobacco products range between 4.4% and 7.5%.
- Heated tobacco products will be taxed at a rate of 75% of the cigarette excise rate with immediate effect.
- It is proposed that electronic cigarettes be taxed due to concerns about the health effects on South Africans.

"I never attempt to make money on the stock market. I buy on the assumption that they could close the market the next day and not reopen it for five years."

Warren Buffett