



What is it?

Section 12J (of the Income Tax Act) is an incentive granted by SARS to encourage investment into South African SME's which gives investors into section 12J funds the ability to write off **100%** of their investment against their taxable income in the year they invest.

Who is it for?

Individuals, companies or trusts with large PAYE or provisional tax bills that are looking for tax-efficient investment options. These taxes are due on income earned from:

- Salaries or bonuses from employment
- Property rentals or interest income
- Capital gains from the sale of properties, businesses or shares

Key features:



Section 12J investment contributions are 100% deductible. Receive tax refunds on your 12J investments up to:

- 45% for individuals & trusts
- 28% for companies



Customise your Section 12J investment portfolio according to your needs, circumstances and how much risk you are willing to take



Section 12J funds are mandated to invest into South African SME's which, in turn, should create jobs and stimulate the economy



Section 12J funds form a part of the alternative investment asset class with returns uncorrelated to conventional investments like unit trusts and share portfolios

Restrictions:



Yearly investment contributions are limited to R2.5 million for individuals and trusts and R 5 million for companies



Investment holding period is at least 5 years



Investment minimums are at least R100 000 per investor per fund



Capital gains tax payable on exit for individuals & trusts, even if no actual gain was made (see example below)

Sterling Invest (our in-house investment manager) has done detailed research across the Section 12J industry. They have identified highly reputable and established funds across the risk spectrum with attractive expected investment returns in the following industries:

Investment Choice:



Student accommodation property



Hospitality property



Private schools/hospitals



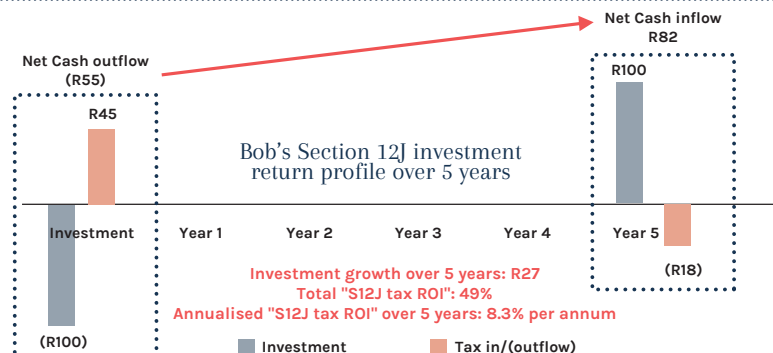
Solar power projects (receive a double tax benefit here via Section 10B of the Income Tax Act)



Check out Sterling Invest for more information regarding these section 12J investment options at www.sterling.za.com

Example:

Bob invests R 100 into a Section 12J Fund. The investment generates no returns and he merely receives his capital back (R 100) in 5 years time. This graph illustrates the resultant cashflows (net of tax) over the investment term. Bob has a 45% marginal tax rate and an effective 18% CGT rate over the 5 years



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