



# How to invest tax-free

PART 1 OF 2

We take a closer look at what tax-free investing is, how it works, and how to get started.

## What is tax-free investing?

In tax-free investing, unlike normal unit trusts, your investment returns are **exempt** from all **local income tax**, **dividends tax** and **capital gains tax**.



## How much can I invest?



R36,000

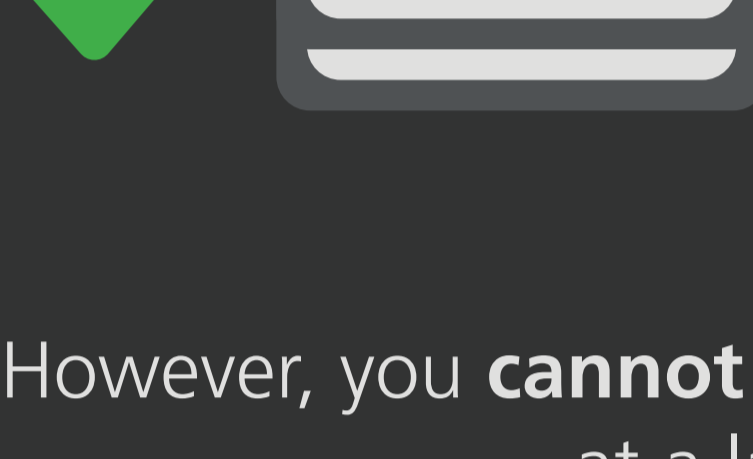
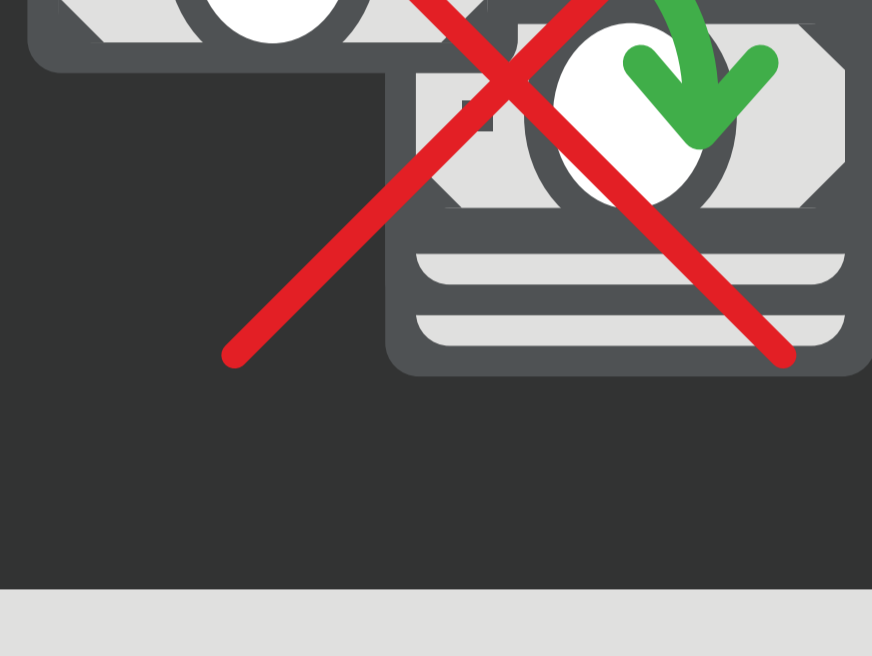


R500,000

The maximum amount is **R36,000** per tax year and **R500,000** over your lifetime.

## Can I withdraw from my investment?

Yes. You can withdraw at any time and **without penalties**.



However, you **cannot replace** it at a later stage.

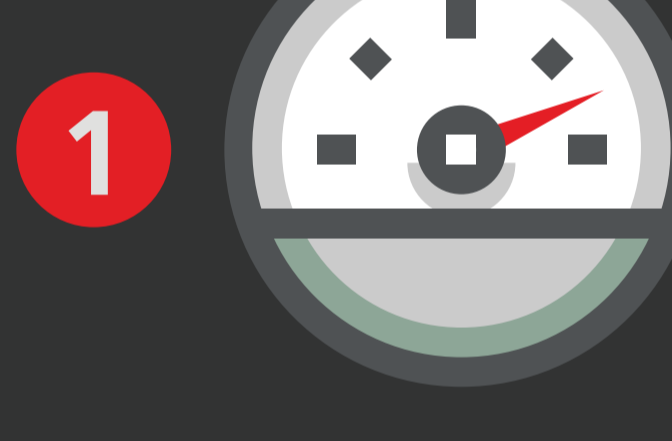
PART 2 OF 2

We take a closer look at how investments are taxed, and how much tax you could save in a tax-free investment (TFI).



## How are investments usually taxed?

This is dependent on **two key factors**:

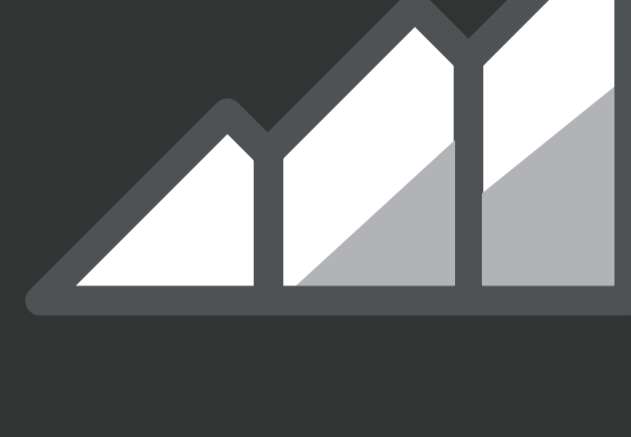


**1** Your **marginal income tax rate**.

The maximum marginal rate for the current tax year is **45%**.



**2** If your returns are made up of **income** or **capital gains**.

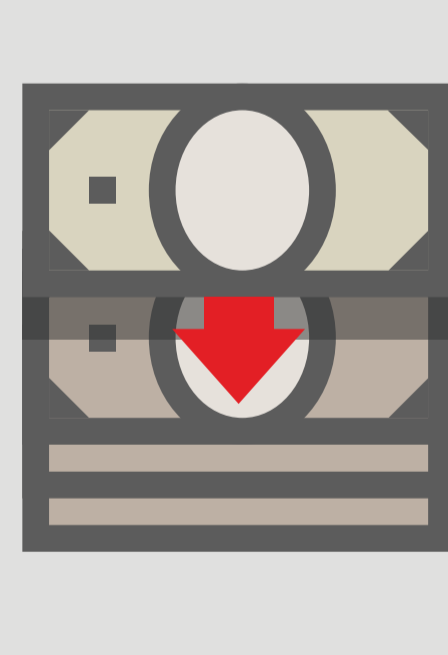
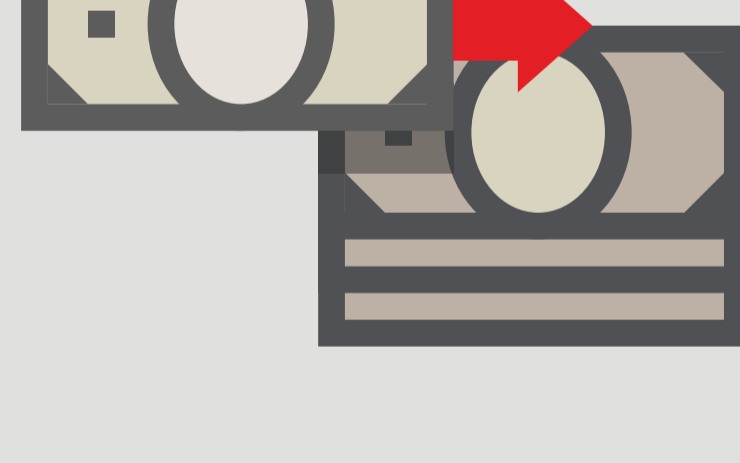


## How are income and capital gains taxed?

**Income:**

Income is made up of **interest** and **dividends**.

**Interest** is taxed at your **marginal income tax rate**. **Dividends** are taxed at **20%**.



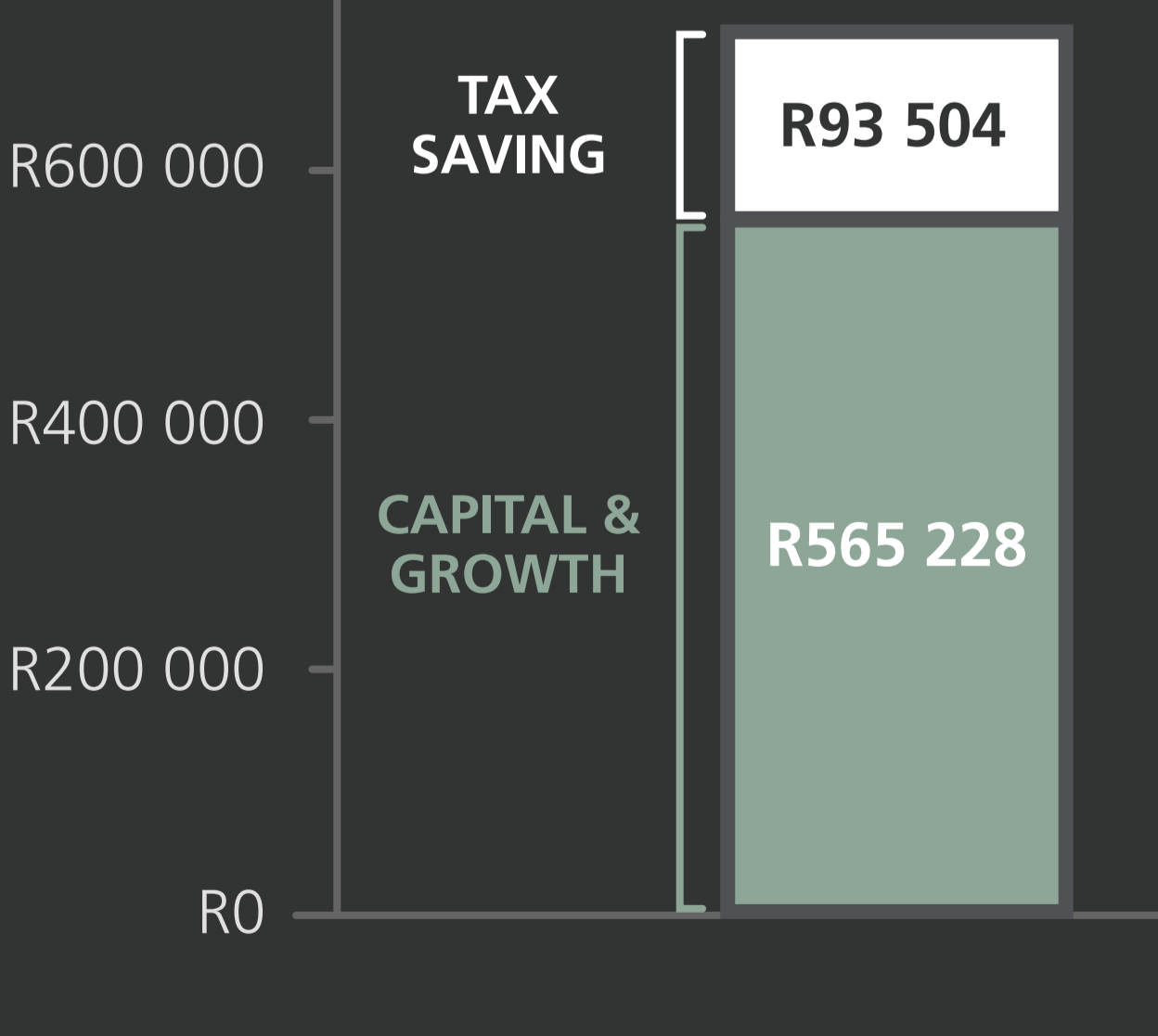
**Capital gains:**

**40%** of your capital gain is taxed at your **marginal income tax rate**.

This works out to a **maximum effective rate of 18%**.

## An example using the Prudential Balanced Fund

In a typical taxable investment, a return of **R658 000** would attract **R93 504 (or 14.2%)\*** worth of taxes, leaving you with just **R565 228**.



Assumptions	
Income tax bracket	45%
Investment term	10 years
Annual lump sum	R36 000
Gross return rate	10.8%
After tax return	9.4%
Capital gains tax	18%

**Tax** In a tax-free investment you would receive the full benefit of **R658 732**.

\*Assumes have used your annual CGT exclusion and annual interest exemption.

## How do I get started?

Invest before the tax year ends on **28 February**

Complete our tax-free unit trust application online in **under 10 minutes**.

**INVEST NOW**



For more information about tax-free investing, or if you have any other investment-questions, please feel free to contact our Client Services Team on 0860 105 775 or email us at [query@prudential.co.za](mailto:query@prudential.co.za).