



DAVEY'S
Locker



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Retirement funds taxation revisited

Provident fund finality

by Tony Davey

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Harmonization of retirement funds

As from 1 March 2016 all retirement funds (pension, provident and retirement annuity funds) will be treated similarly for tax purposes, thus bring to an end the uncertainties previously surrounding tax-deductible contributions to a provident fund and compulsory two-thirds annuitization (151 TSH 2015).

Contributions

The new tax deduction formula of 27,5% a year (with a cap of R350 000) of the greater of taxable income and remuneration will apply to members of all retirement funds.

Annuitization

Similar parity of treatment will apply to all retirement funds, requiring a compulsory annuity purchase upon retirement with two-thirds of fund benefits,

including provident fund benefits.

Exceptions to annuitization

The threshold below which a full fund benefit is allowed to be commuted is R247 500 (currently R75 000).

Vested-right benefits, being the value of a member's provident fund benefits as at 1 March 2016, plus future investment growth, remains exempt from annuitization.

Members who are 55 and over as at 1 March 2016 remain fully exempt from annuitization on their full provident fund benefits, including future contributions plus investment growth at retirement, provided they remain members of the same provident fund to which they belonged 1 March 2016.

The bill has been passed by Parliament and the National Council of Provinces, and awaits only the assent of the President.

