DAVEY'S Locker

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Retirement funds taxation

Revisited

by Tony Davey

Retirement-reform taxation, due on 1 March 2016 (139 *TSH* 2014), trudges along, with two new provident fund proposals appearing in the Taxation Laws Amendment Bill, 2015, published on 27 October 2015 (see the Monthly Listing).

These proposals attempt to address the impasse between Treasury and Nedlac vis-à-vis both provident fund contributions and a compulsory annuity purchase, with two thirds of the provident fund proceeds accruing after a vested-right preservation date.

The first proposal (concession) is that the current R75 000 fund-value exemption from a compulsory annuity purchase (which was to be increased to R150 000 on 1 March 2016) be further increased to R247 500, effective as from 1 March 2016, on a benefit from any retirement fund.

The effect of this concession is that many members of a retirement fund will not be forced by law to purchase an annuity with their fund proceeds.

The second proposal is to grant a tax deduction on employee-members' contributions to a provident fund. as part of the new tax deduction formula of 27,5% (with a cap of R350 000) of the greater of taxable income and remuneration. Currently, only employers' contributions qualify for a tax deduction.

This employee-contribution deduction will be limited to 10% of the greater of remuneration and taxable income, with a minimum R30 000 a year and a maximum of R125 000 a year, if provident fund annuitization of two-thirds of the fund value is not effected by 1 March 2017.

Finality on these matters is urgently awaited, in order that fund administration and employer payroll systems may be timeously adjusted.

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