

memberalert

Sanlam Employee Benefits

RETIREMENT REFORM CHANGES

1 March 2016

Retirement Reform Changes

What you need to know



Over the last few months, there have been a lot of uncertainty over the Government's new taxation laws that were supposed to come into effect on 1 March 2016.

We explain what has been changed, what will not change now and how this will affect you.

TODAY

1
March
2016



What will change

The same tax rules in relation to tax deductions on contributions will apply to all types of retirement savings funds; namely pension funds, provident funds and retirement annuity funds.



What will not change now

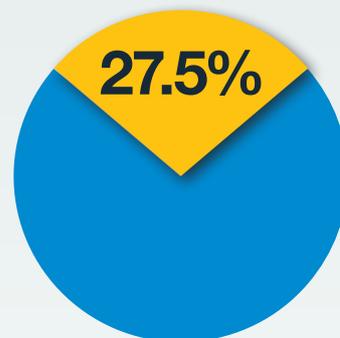
Provident fund members will in future be subject to the same withdrawal limits at retirement that are applicable to members of pension funds and retirement annuity funds. Nothing changes when you withdraw **before retirement**.

POSTPONED TO 1 MARCH 2018

What is meant by ‘the same tax rules will apply to pension funds, provident funds and retirement annuities’?



This means that 27.5% of your salary can be tax free.



From T-Day onwards, you will be able to get a total tax deduction on contributions to all types of retirement funds of up to 27.5%* of your salary (or taxable income.)

***** You may contribute more than 27.5% of your salary to your retirement savings, but you can only claim a tax deduction up to the maximum of 27.5% of your salary and limited to a maximum tax deduction of R350 000 per year.

If your contributions exceed 27.5% and/or R350 000 in a tax year, you will be able to claim the balance (which you couldn't claim in the current year) the following year(s). Any balance remaining when you retire or withdraw from service may be taken as a tax-free lump sum or be deducted from the tax payable on your annuity (pension).

Example: a member receives a salary of R10 000 per month

Member contributes 10% of his salary to retirement savings



Member contributes 17% of his salary to retirement savings



Member contributes 27.5% of his salary to retirement savings

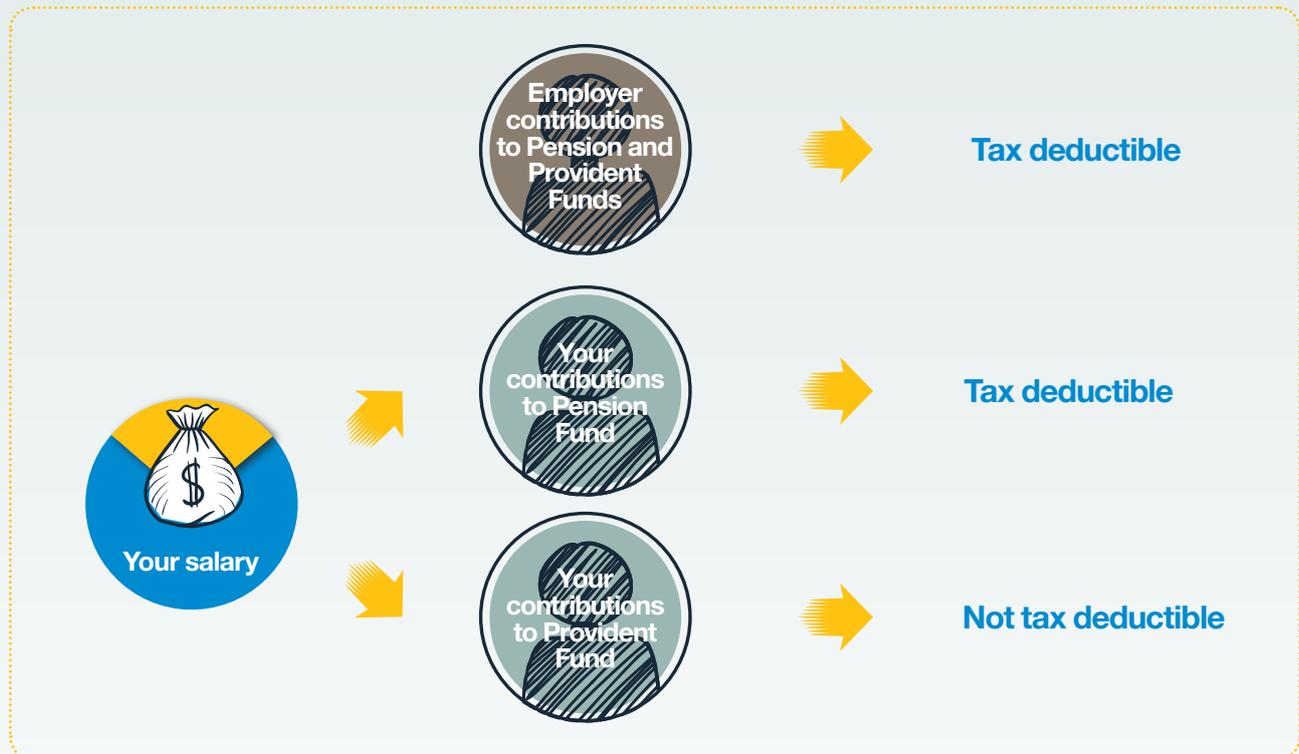


***** How will this affect you?

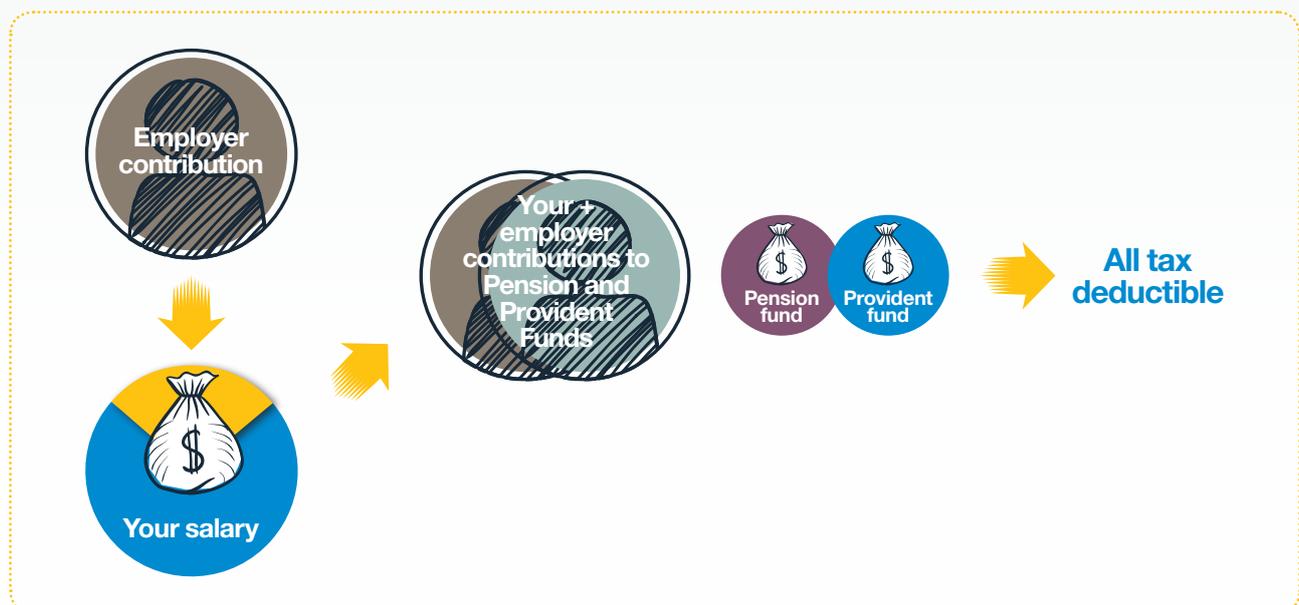
You now have much more control and can increase your retirement contributions in accordance with your retirement needs and the contributions will be fully tax deductible (subject to the maximums as prescribed by legislation and your fund rules).

There will also be a difference in how the contributions made to your retirement fund are treated from a tax perspective

Present » You and your employer make separate contributions



From T-Day onwards » Your employer contribution will be added as a fringe benefit to your salary.



* How will this affect you?

This should have no negative effect on you or your take-home salary. In fact, if you make member contributions to a provident fund, you will now enjoy a tax deduction and an increase in your take-home salary.