

# The two-pot retirement system



This content is based on the Revenue Laws Amendment Act 12 of 2024, the Draft Revenue Laws Amendment Bill of 2024 and the Pension Funds Amendment Act 31 of 2024, read together. All information speaks to generic changes and not to any Fund-specific implementation of the new rules.

A MEMBER WILL BE ALLOWED ONE WITHDRAWAL, CALLED A **SAVINGS WITHDRAWAL BENEFIT (SWB)**. THIS WITHDRAWAL IS ACCESSIBLE WITHOUT THE MEMBER HAVING TO RETIRE FROM THEIR FUND.

## Important information

- Only one withdrawal from the savings component will be allowed per tax year (1 March to 28 February).
- A minimum withdrawal amount of R2 000 is applicable.
- The member's **tax reference number** is mandatory and is required for inclusion in the tax directive application.
- The member's **annual remuneration** is required for inclusion in the tax directive application.
- The withdrawal can only be processed upon receipt of the tax directive from SARS.
- The withdrawal amount will be taken proportionately from the investment options in the savings component.
- This withdrawal may lead to being non-compliant with Regulation 28 requirements. If this happens, the member must correct it without delay.

## Potential tax implications

Making an early withdrawal from a savings component, will have an impact on the member's available funds when they retire, which will also affect their retirement lifestyle. We encourage members to make use of any functionality that is provided by SARS. This will provide them with an estimated tax amount for illustrative purposes. This tax directive simulation is not an actual tax directive.

Once we have requested the **final** tax directive, we will **not** be able to reverse the member's withdrawal transaction. We therefore recommend that members either request a tax directive simulation or contact their intermediary before they send in their withdrawal request.

The withdrawal amount will be taxed, and it is therefore **important that we have members correct tax details**, as incorrect information could lead to the tax directive being **declined**.

A member can register for a tax number on the SARS eFiling system.

**Incorrect tax details** may prevent us from processing the withdrawal, as we may only pay the after-tax amount to the member. The South African Revenue Services (SARS) will determine the tax amount. Any outstanding tax may also be deducted.

At assessment SARS will include this withdrawal amount in the member's total taxable income for the year, taking into account the tax that has already been withheld. This withdrawal from their savings component may cause the member to fall within a higher marginal tax bracket for the year of assessment, resulting in a higher marginal tax rate being applied to that year's income.

PS: Lump sum benefits and SWBs are subject to different tax regimes and tax tables. Lump sum benefits do not affect a member's marginal tax rate. Retirement fund lump sum withdrawal benefits are taxed in accordance with the lump sum withdrawal tax tables and lump sum retirement tax tables. SWBs are not aggregated with the lump sum tax tables and do not influence a member's R550,000 taxed at 0% benefit.

## About annual remuneration

**REMUNERATION means income paid for services and includes, amongst others, things like salary, monetary benefits, bonuses, commission, fees, allowances, advances, commission and even pension income. Therefore, amounts earned that you must pay tax on. It is important to provide the correct value as an understatement will result in an annual assessment debt when too low a tax value was withheld at the time of the savings withdrawal benefit.**

 confirmed that:

- the **annual remuneration** field is mandatory and where the reason is "Savings Withdrawal Benefit" a nil amount will be accepted.
- the annual remuneration must **exclude** the amount on the tax directive application to be processed i.e. the value of the SWB.
- annual remuneration is the member's total package for the year including any fringe benefits and any other allowances that they received during the year of assessment.
- the annual remuneration declared will be validated against the information available to SARS.
- the tax amount to be deducted will be calculated on the higher of the annual remuneration declared by the member and the information available to SARS at the time of the directive application request. (If there isn't any information available to SARS, the tax will be calculated based on the annual remuneration declared by the member).
- an underdeclared annual remuneration amount can negatively impact members and result in the incurrence of a debt on assessment.

## The practical side


### WHAT IS A TAX DIRECTIVE SIMULATION?

It is a simulated response from SARS in terms of the tax amount to be deducted. It is not an actual and official directive.

### WHAT IS A TAX DIRECTIVE?

A tax directive is an official instruction from SARS to an employer or fund manager to deduct tax at a set rate, determined by SARS for an individual case.

- Members cannot apply for the tax directives themselves.
- Generally, only an employer may apply for a tax directive and in the case of the new SWBs (as from 1/09/2024) only a retirement fund may apply.
- A tax directive application is called an IRP3(a) and application is made via eFiling or a software vendor.
- Only the retirement fund may apply for the tax directive in the case of a SWB. Often tax simulations are available, but these are not to be confused with tax directives.
- In the case of a SWB, SARS is making a simulation available on eFiling, where members can request the simulation directly. This is called the tax directive calculator by SARS. This is not a tax directive.
- Glacier recommends that members use this eFiling functionality for SWBs.
- The actual tax directive application will still be done by Glacier, for the SWB requested by the member.

 confirmed that:

1. Before applying for the SWB, a member is advised to obtain a Statement of Account (SOA) to ascertain if there is any tax debt on their account. Outstanding tax debt may be deducted by SARS prior to the payment of the net receivable amount.
2. An IT88L stop order will be issued when there is debt on the account. SARS may allocate the amount payable (after tax) to the debt that the member owes. It is therefore possible that the member may receive a R0.00 value SWB.
3. If there is a valid deferment of payment arrangement or a suspension of payment (active or pending) in place, an IT88L stop order will not be issued.
4. The tax directive calculator is available to a member that is registered as an eFiler or to the member's tax practitioner, to determine the tax implications before a request / option form is submitted to the Fund Administrator.
5. The SWB amount will be treated as normal employment income, and it will be taxed using the annual payment / bonus calculation method. No retirement rates, allowable deductions, exemptions or tax-free amounts will be used in this calculation.
6. They will reject tax directive applications for a SWB if the taxpayer's affairs with them are not in order. It is our understanding that this means that from the date annually that the tax season opens, a member who wants to apply for a SWB, should first file their annual assessment, before applying for a SWB.

 examples:

**Please remember that retirement fund fees and costs must still be deducted as well.**

## No debt outstanding

Savings Withdrawal benefit	R20 000
Less: Tax on Savings Withdrawal benefit	<u>(R3 500)</u>
Net amount after tax	R16 500
Less: IT88L amount to be deducted for debt owing	<u>(R0)</u>
Net amount payable to taxpayer	<b>R16 500</b>

## Debt outstanding

Savings Withdrawal benefit	R20 000
Less: Tax on Savings Withdrawal benefit	<u>(R3 500)</u>
Net amount after tax	R16 500
Less: IT88L amount to be deducted for debt owing	<u>(R7 000)</u>
Net amount payable to taxpayer	<b>R9 500</b>

## Debt outstanding higher than amount receivable

Savings Withdrawal benefit	R25 000
Less: Tax on Savings Withdrawal benefit	<u>(R5 000)</u>
Net amount after tax	R20 000
Less: IT88L amount to be deducted for debt owing	<u>(20 000)</u>
Net amount payable to taxpayer	<b>R0</b>

Log onto their eFiling profile link eFiling ([sarsefiling.co.za](https://sarsefiling.co.za))

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Request on SARS Online Query System (SOQS) under 'SARS notices' on the following link:  
Use our Digital Channels | South African Revenue Service ([sars.gov.za](https://sars.gov.za)).

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Request using SARS WhatsApp number 0800 11 7277.

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**How the member can obtain an SOA from SARS:**

Source: SARS External Guide: COMPLETION GUIDE FOR IRP3(a) AND IRP3(s) FORMS. Effective date: 01 September 2024

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