

## Two-pot retirement system - withdrawals from retirement savings

*Kindly note this content is based on the Revenue Laws Amendment Act 12 of 2024, the Draft Revenue Laws Amendment Bill of 2024 and the Pension Laws Amendment Bill of 2024, read together.*

A savings withdrawal benefit from the saving component is referred to as a SWB.

### The Two-pot system

The two-pot system, effective 1 September (herein after referred to as the effective date) applies to retirement annuity funds, preservation provident/pension funds and provident/pension funds. A member's investment in the Fund may consist of up to three components, where applicable. These include a vested, savings and retirement component.

<b>Retirement component</b>	The purpose of this component is to save for retirement, therefore withdrawals before retirement are not allowed, except in special circumstances explained within this document.
<b>Savings component</b>	This component provides members with access to a portion of their retirement savings before retirement, to help in cases of emergency. Withdrawals are allowed once per tax year, subject to conditions.
<b>Vested component</b>	If this investment is funded by a provident/provident preservation fund it will have vested and/or non-vested rights. This impacts the access options available at retirement. This component will consist of vested and non-vested benefits, if applicable, and will retain their pre- September 2024 rules.

### Membership to a Fund

A member can have multiple contracts within a single membership of a Fund. For example, they can have Retirement Annuity 1, Retirement Annuity 2 and Retirement Annuity 3, which would mean they have three contracts, but only one membership in the Personal Portfolios Retirement Annuity Fund. As a result of the two-pot system a member could potentially have up to three different components within one contract. Each component can have multiple underlying investment options.

## Withdrawals allowed before retirement - overview

In a retirement annuity fund, access before retirement is also allowed if the value of the retirement benefit (the sum of the three components, if applicable) is R15 000 or less. This minimum in turn applies to the total membership, i.e. [all contracts](#).

A withdrawal from any component will have an impact on the available funds when a member retires, which will also affect their retirement lifestyle. It is important for members to obtain advice from their financial intermediary, to ensure an informed decision is made. A withdrawal may also lead to being non-compliant with Regulation 28 requirements. It is important for the member to correct non-compliance without delay.

The below table details the withdrawals allowed from each component before retirement and the associated tax applicable.

	Vested component	Savings component	Retirement component
<i>Pre-retirement withdrawal from <b>Preservation fund</b></i>	✓  Once only partial/full withdrawal, deducted proportionally from the vested and non-vested portions, **	✓  One withdrawal, per tax year, of minimum R2 000*	✗  No access before retirement**
<i>Tax applicable</i>	Subject to tax according to the withdrawal lump sum tax table. The principle of aggregation applies.	Subject to tax at marginal tax rates*	N/A
<i>Pre-retirement withdrawal from <b>Retirement annuity fund</b></i>	✗  No withdrawal before retirement**	✓  One withdrawal, per tax year, of minimum R2 000*	✗  No access before retirement**
<i>Tax applicable</i>	N/A	Subject to tax at marginal tax rates*	N/A

\*More info is provided in section 3 on the withdrawal benefit allowed from the savings component.

\*\*Access to the retirement and the vested component before retirement is allowed in the event of 3-year cessation of tax residency or visa expiry, ill-health/disability or death, subject to Fund rules.

## Information on withdrawals allowed from the savings component before retirement

A member is allowed one withdrawal, called a **Savings Withdrawal Benefit (SWB)**, per tax year (1 March to 28 February) from the savings component, per contract. Therefore, if a member has more than one contract, they could take one SWB from each contract per tax year. The minimum withdrawal amount is R2 000 (there is however no limit on the maximum amount a member can withdraw). This withdrawal is accessible without the member having to retire from their respective fund.

If, however, a member terminates their membership in the fund, with a savings component value less than R2000, and they have already used their SWB for the tax year. A second 'termination' SWB may

be allowed for that particular tax year (please note termination does not include retirement, early retirement, retirement due to ill-health/disability or death events).

## What is required for a successful savings withdrawal request?

- **Tax Number:** Any member requesting a SWB must be registered as a taxpayer with SARS and must provide their tax number to the administrator. If the member does not have a tax number, then the SARS e-filing system can be used to register individuals for tax purposes. We will not be able to assist with this registration, the member must request assistance from themselves, as their financial intermediary or from their tax practitioner. If the member is a non-South African tax resident, then a certificate of residency is required.
- **Annual Remuneration:** means income received for services and includes, among others, things like salary, monetary benefits, bonuses, commission, fees, allowances, advances, and even pension income. In other words, it refers to the amounts earned that a member must pay tax on.
- **Up to date tax affairs:** South African Revenue Services (SARS) has confirmed that a tax directive will be declined if the member has not yet filed their income tax return for the 2024 tax year.

For withdrawals from the savings component, it is important to provide the correct tax number and remuneration values 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.

## Tax applied to the savings withdrawal benefit

If a member makes an early withdrawal from a savings component, we encourage them to make use of any functionality that is provided by the South African Revenue Services (SARS) to obtain a tax simulation. This will provide them with an estimated tax amount for illustrative purposes, and therefore a tax directive simulation is not an actual tax directive.

Please note that tax directive requests may be declined by SARS where taxpayers have outstanding income tax returns.

At assessment SARS will include this savings withdrawal benefit amount in a 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 them 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. In addition, any outstanding tax may also be deducted.

**Outstanding tax debt:** The SARS eFiling simulation will indicate to members that outstanding tax debt will also be deducted by SARS during the directive process. Only a taxpayer is able to obtain the value of outstanding tax debt via a Statement of Account (SOA) on the eFiling system or the MobiApp.

Should the tax directive application declare a zero value for 'Annual Remuneration', SARS will apply a flat rate of 18% (lowest marginal rate on scale) to the savings withdrawal benefit request. SARS will not endeavour to determine the correct taxable income value for the purposes of applying the correct marginal tax rate for the taxpayer. Rebates, however, will be considered by SARS when determining the tax payable on the savings withdrawal benefit.

**What is an IT88?** Section 179 of the Taxation Administration Act empowers SARS to issue a collection notice called an AA88 third party appointment notification. This notice essentially instructs a third party to withhold and pay over any amounts due to SARS. The third party can be an employer, a retirement fund or any other person who has 'the management, custody or control of any income, monies or property of the taxpayer' (for instance a bank). This means that if a person does not respond to any of the notices or demands informing them of outstanding tax debts, SARS may appoint a third party who holds money on their behalf or owes them money, including salary, wages, and other types of

remuneration, to pay the outstanding amounts to SARS. Failure by a third-party appointment to act, may lead to that third party being held personally liable for the tax debt and they can also be found guilty of an offence. If convicted, the person is subject to a fine or to imprisonment for not longer than two years. Source: Simeka, Retirement Matters 4/2024

## Impact of divorce and maintenance orders

Access to a savings withdrawal benefit may be limited under certain circumstances as highlighted in the Pension Funds Act.

Divorce orders: if we have received written notification, with documented proof, from the member or the non-member spouse of (1) or (2) below, then we may not allow a savings withdrawal benefit to be taken, until the member provides us with written permission of the non-member spouse, or the final court order is received:

1. a divorce has been instituted, as defined in the Divorce Act, and a summons has been issued
2. an application for a court order to divide marital assets has been made

Maintenance orders: we may not allow a member to take a savings withdrawal benefit where there is a maintenance order against the fund in place, unless we are satisfied that the withdrawal will not result in there being insufficient remaining value to comply with the order.

We may, subject to a formal written notice from the maintenance investigating officer authorising the suspension of a savings withdrawal, suspend a savings withdrawal benefit where we are aware that proceedings relating to a maintenance order against the fund is pending, and the withdrawal will result in there being insufficient remaining value to comply with the pending order, if granted.

Once we have received the final divorce court order or the final maintenance order, the endorsed amount stated on the court order will be deducted from the member's fund proportionally from all three components, where applicable.

## Important tax information for withdrawals from the vested component of a preservation fund, prior to retirement

A tax directive simulation will provide an estimated tax amount for illustrative purposes which may aid members in decisions regarding the withdrawal before we request the final tax directive from SARS. The tax directive simulation is not an actual tax directive and can only be used for **illustrative** purposes. Only one tax directive simulation for each transaction is allowed to be requested. If members are in the process of applying for a final tax directive for another transaction, the tax simulation may not be accurate, and the tax indicated on the simulation may differ from the tax on the actual tax directive received from SARS. If members want to request multiple transactions from more than one investment, the transactions should be co-ordinated so that they follow one another. It is best to avoid requesting actual tax directives and simulations at the same time.

The estimated tax amount may change at any stage based on a member's standing with SARS. We cannot guarantee that the actual tax payable will be in line with the simulation estimate. It may take up to a few business days to receive the simulation from SARS. If the member does not agree with the tax information provided on the tax simulation, they need to contact SARS directly. To prevent any delays with instructions, members must ensure their details and tax affairs are in order with SARS.

Once the final tax directive is requested, we will not be able to reverse the withdrawal transaction. The withdrawal amount will be taxed, and it is therefore important that we have correct tax details from members, as incorrect information could lead to the tax directive being declined.

Incorrect tax details may prevent us from processing a withdrawal, as we may only pay the after-tax amount to members. SARS will determine the tax amount to be deducted from the withdrawal amount.

## How to perform a withdrawal request

A member can request a withdrawal from their **vested component** by requesting the “Make a once-off withdrawal” form from the Call Centre or by requesting you as their intermediary to perform a withdrawal request on their behalf. You can, on behalf of the member, request a once-off withdrawal by obtaining the “Make a once-off withdrawal” form from the Call Centre or by downloading the form on the Intermediary web under ‘Forms and brochures’.

A member can request a savings withdrawal benefit from their **savings component** by requesting the “Make a withdrawal” form from the Call Centre, by submitting the request online through the Client web, or by requesting you as their intermediary to perform a savings withdrawal request on their behalf.

You can request, on behalf of the member, a savings withdrawal benefit by requesting the “Make a withdrawal” form from the Call Centre, by downloading the “Make a withdrawal” form on the Intermediary web under ‘Forms and brochures’, or by submitting the request online through the Intermediary web, if you are duly authorised to do so. You can also download a blank pre-filled form during the online process and complete the request by sending the form to Client Services once the member has signed the form.

The new “Make a withdrawal” form is available on the Client and Intermediary websites from 02 Sep 2024, whereby members/ intermediaries can start sending savings withdrawal benefit requests. The savings component value will be visible if the member’s component has already been ‘seeded’.

## Requesting a savings withdrawal benefit using the online process

1. Select withdrawal component
  - Select the component from which you want to make the withdrawal on the first screen
  - If selecting the savings component, the screen below will display
2. Choose the contract
  - Click the arrow to the right to select the contract for the withdrawal
  - A note will display explaining that the withdrawal will be deducted proportionally from the various investment portfolios in the savings component
3. Proceed to Transaction details
  - Click ‘proceed’ to enter the transaction details tab once happy

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Tony Twopots 32946 - Retirement Annuity: Savings Component

Type in client name, ID, investment no., etc.

### Withdrawal

1 Select Plan 2 Transaction details 3 Bank detail 4 Transaction confirmation 5 Transaction receipt

Choose the investment for the withdrawal

Number	Type of product	Inception date	Percentage	Market value (R/c)	
32946	Personal Portfolio Retirement Annuity: Savings Component	2024-05-01	67.19	20 155.69	
32961	Glacier Invest Flexible Income: Savings Component	2024-05-01	32.81	9 844.20	
<b>Total</b>			<b>100.00</b>	<b>29 999.89</b>	

**Information**

The withdrawal amount will be taken proportionately from the investment options in the Savings component.  
The greyed-out investment numbers are not available to withdraw from, as the withdrawal limit for the tax year has been reached.

FICA compliance

There is an info tooltip (the information icon) to provide more information for various fields.

Under 'Tax details' the fields 'Annual Remuneration' and 'Tax number' are required, which is explained above. These fields cannot be left blank.

For withdrawals from the savings component, it is important to provide the correct annual remuneration 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.

A warning error may pop-up when there is missing information required for a successful savings withdrawal.

The savings withdrawal amount is deducted proportionally across the various investment options in the component.

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32946 - Retirement Annuity Savings Component

Type in client name, ID, investment no., etc.

Withdrawal

1 Select Plan 2 Transaction details 3 Bank detail 4 Transaction confirmation 5 Transaction receipt

Only one bank account can be selected for the payment of the withdrawal.

	Account holder	Branch code	Name of bank	Account number	Account type	Account status	Percentage	Delete
<input checked="" type="checkbox"/>	Tsepoa, Tony	632005	ABSA BANK	0004053892640	Cheque	In Progress	100	

Disclaimer

Glacier Financial Solutions (Pty) Ltd will not be responsible and excludes liability for any damages and/or loss (direct, indirect or consequential) of any kind, directly or indirectly suffered by yourself as a result of any payment in the bank account as instructed.

Back Reset Generate form Proceed

Information

Payments can only be made into a verified bank account of the investor. In the case of an unverified account Glacier will verify the account before payment is made. This may delay the payment.

Should any transaction be pending (eg. switches, new business, cost recoveries, etc.) any instruction will be suspended until the pending transaction has been priced. This may lead to a delay in the repurchasing of units.

In the event of a full withdrawal, annual fees will be levied proportionally for the number of days since the previous fee recovery and deducted from the proceeds before the deposit into the bank account.

Online instructions received before 17:00 on any South African business day, will be captured on the same business day it was received, if there are no other instructions in progress.

The next step, shown above, is to enter the bank details of the client. You can either 'proceed' or 'generate form' which generates a blank form with fields you have already filled-in, pre-populated on the downloadable form generated. You can then request the member to sign this form before sending it through to Client Services.

If you choose to 'proceed' you will be directed to the Transaction confirmation screen, showing a summary of the withdrawal details. You will then be required to tick the box that 'the investor will sign the instruction'.

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32946 - Retirement Annuity Savings Component

Type in client name, ID, investment no., etc.

Withdrawal

1 Select Plan 2 Transaction details 3 Bank detail 4 Transaction confirmation 5 Transaction receipt

Details of withdrawal instruction: Amount proportionately

Number	Investment Fund	Amount (R%)
32946	All investment funds	1 343.72
32961	Glacier Invest Flexible Income Savings Component	656.28
	Total	2 000.00

Bank account detail

Account holder	Account number	Name of bank	Branch code	Account type	Account status	Percentage
Tsepoa, Tony	0004053892640	ABSA BANK	632005	Cheque	In Progress	100.00

Declaration

I declare that I have read and understand the terms and conditions and that

The investor will sign the instruction

You are about to submit a withdrawal from your Savings component.

Back Generate form

Information

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