

Tax directive simulations for clients available on request

Intermediaries can request tax simulations for clients at retirement or withdrawal stage. Once an actual tax directive is requested it cannot be cancelled and The South African Revenue Services (SARS) has always applied this strictly. SARS however, allows administrators to request a *simulated* tax directive prior to applying for an one for a client.

The simulations will be available for the following instructions:

- Retirement or death
- Pension interest / full and partial cash withdrawals from preservation funds
- Commutations: Living annuities and retirement annuities

What is a tax directive simulation?

SARS refers to this as a tax directive simulation, since it is not an actual one. The actual tax directive will only be requested once a client has made their final selection and provided the administrator with the completed option form.

The purpose

The purpose of the directive simulation is to receive a simulated response from SARS in terms of the tax amount to be deducted from the lump sum. If SARS declines the request for the simulated directive, a reason will be supplied.

Important facts about the simulation:

- They will be limited to one request per transaction.
- The estimated tax to be deducted from a specific transaction is determined by SARS and not by the fund.
- In general it takes up to two business days to receive the simulations from SARS. The response is returned to the administrator as the requestor.
- If the member is in the process of applying for a 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 directive.

- If the member has any outstanding tax (such as an IT88, etc.) SARS will not be able to provide these amounts on the simulation estimate. There will only be an indication on the simulation indicating that there are outstanding debts on the taxpayer's account.
- The amount of tax estimated could change at any stage, based on the member's standing with SARS and as a result of the factors mentioned above. The fund cannot guarantee that the actual tax payable will be in line with the simulation estimate. The fund will also not reverse a member's selection if the actual tax amount on the final/actual directive differs from the estimate on the simulation.
- Should a client wish to dispute the tax amount on the simulation, they should approach SARS directly.

To derive the best value from the tax simulation:

- Intermediaries should ensure that the member's taxes and personal details are up to date at SARS, and that SARS has all contribution details.
- If the member intends on retiring or making a withdrawal from more than one fund, the transactions should be co-ordinated so that they follow one another. They should avoid requesting actual tax directives and simulations at the same time.

Where do I get a tax simulation form?

Tax simulation forms are available on our website or via our Communication Centre.

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