

Update on annuity income tax directives

Paragraph 2(2B) of the Fourth Schedule to the Income Tax Act

When we communicated on this matter a few weeks ago, we confirmed the following:

- The intention of the tax directives issued in terms of paragraph 2(2B) of the Fourth Schedule to the Income Tax Act;
- That SARS was sending letters directly to affected taxpayers;
- That it was the intention to introduce the service from 1 March 2022 and
- That only annuitants who have more than one source of income* will be affected. This will apply to both compulsory and voluntary annuities.

*It has been clarified that these *sources of income* are limited to remuneration for which employer tax certificates (IRP5s and IT3a's) were issued.

Regarding implementation, we also confirmed that:

- We will receive an electronic file from SARS along with the formal annual tax directive, and the file will confirm the affected taxpayers (annuitants) and the fixed PAYE that SARS is prescribing in terms of paragraph 2(2B);
- Annuitants can still choose a higher withholding rate as has been the practice to date;
- Annuitants will have the option for the SARS rate (higher PAYE) on the above-mentioned tax directive not to apply, in favour of the normal PAYE, and that we will accept this instruction from the annuitant in a written format, including email.

You can refer to the previous article (*Glacier Weekly mailer, dated 27 January 2022*) on Glacier Insights [here](#).

Update on the implementation of SARS tax directives enhancements

We can now confirm that Glacier has received an electronic file with the paragraph 2(2B) tax directive rates. For ease of reference, we will refer to the rates in this file as the *SARS paragraph 2(2B) rates*.

However, this file will be replaced shortly after the Budget Speech with another file from SARS incorporating the tax rates announced during the Budget speech. Administrators have been given a choice to apply the SARS paragraph 2(2B) rates either from 1 March or 1 April 2022. As the current file is going to be replaced, Glacier has taken the decision to apply the rates from 1 April.

Just a note

SARS refers to the rates on these paragraph 2(2B) tax directives as the *fixed PAYE rates*. Paragraph 2(2B) is in reality just the authority by which SARS issues these tax directives.

At Glacier we will be referring to rates as follows, to avoid confusion:

- *PAYE* – the normal rates
- *Fixed rate* – any rate an annuitant chooses that is either higher than the PAYE rate or lower than PAYE, where a tax directive was received from SARS allowing this.
- *Rate provided by SARS* – the SARS paragraph 2(2B) rate. If the rate provided by SARS is processed, the words *Paragraph 2(2B)* will be displayed on the Income screen on the Glacier intermediary web.

In conclusion

Glacier will be sending a letter to affected clients in March, informing them of the rate (to be supplied in the post-budget file) and reminding clients of their options, including the option to opt out (in other words for the PAYE rate based on income received at Glacier only, to apply).

If they want to opt out, affected annuitants can respond in writing (including email) to Glacier's letter. In the absence of a response, Glacier will apply the paragraph 2(2B) rates.

Kindly note that Glacier will not be able to give financial advice to taxpayers with regard to the decision on whether to opt out or not.

If you have any queries, please contact your Business Development Manager or the Glacier Communication Centre.

For ease of reference, you can view an infographic [here](#).

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