RETIREMENT REFORM

glacier
by Sanlam

70%

Findings from the **2015 Sanlam BENCHMARK Survey** show that close to **70%** of retired South Africans **aren't able to maintain their standard of living in retirement.**

1. A new tax regime for retirement funds as of 1 March 2016

Old scenario

15%

In terms of contributions to an RA, the greater of

- **15%** of non-pensionable income, or
- **R3 500** minus allowable pension fund contribution, or
- **R1 750**

is tax deductible.

In terms of contributions to a pension fund, the greater of

- **7.5%** of pensionable remuneration, or
- **R1 750**

is tax deductible.

EXAMPLE OF RA:

Non-pensionable income: **R2.5 million**

R375 000 can be contributed to RA and is tax deductible.

Tax will be calculated on an income level of **R2.125 million** (assuming no other deductions).

New scenario

27,5%

Contributions to an RA, pension fund and provident fund will be tax deductible.

27.5% of the greater of

- remuneration, or
- taxable income

is tax deductible, but this amount will be limited to **R350 000**.

Employer contributions on behalf of employees to retirement funds will be taxed in the hands of employees.

The Employer will be able to deduct the full contribution to retirement funds for tax purposes.

EXAMPLE OF RA:

Non-pensionable income: **R2.5 million**

A maximum contribution of **R350 000** to a retirement fund is tax deductible.

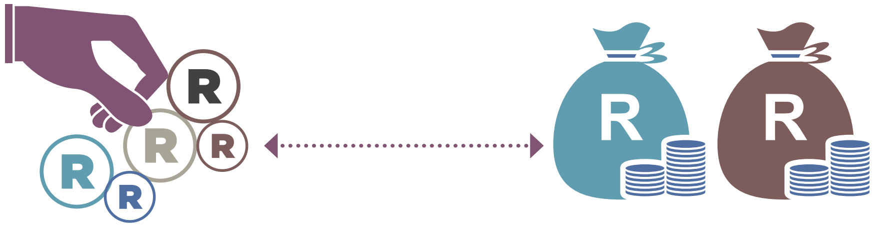
Tax will be calculated on an income level of **R2.150 million**.

2. Alignment of retirement savings - 1 March 2016

A member will be able to commute their full benefit at retirement as a lump sum if the fund value does not exceed R247 500. This will be applicable to the total value of each retirement fund – retirement annuities and pension funds.

3. Alignment of retirement savings - 1 March 2018

Provident funds to be aligned with RAs and Pension funds at retirement



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