



# UPDATE ON RETIREMENT REFORM

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# AGENDA

1. Taxation Laws Amendment Act, 2014 ('TLAA') and Taxation Laws Amendment Bill, 2015 ('TLAB')
  - ✓ Contributions
  - ✓ Provident fund annuitisation
  - ✓ Postponement of retirement benefits
  - ✓ *De minimus* retirement fund lump sum amount
  - ✓ Estate duty and retirement annuity funds
  - ✓ Other
2. Other draft Regulations
3. The future of the pension fund industry as per National Treasury

# CONTRIBUTIONS

- Currently – tax treatment between different funds and member & employer contributions not aligned
- T-day aimed at creating a uniform tax regime
- Implementation date 01/03/2015 changed to 01/03/2016
- TLAB does not indicate further postponement
- Possible delay to 01/03/2017 - NEDLAC

discussions ?

*NEDLAC :National Economic Development and Labour Council - key statutory body which institutionalises this mode of policy-making*

# CONTRIBUTIONS - Continue

- Employer contributions
  - Fund contributions taxed as fringe benefit in hands of employees, but deemed to have been made by employee and included in employee deduction
- Member contributions
  - Consistent tax treatment between different fund types
  - Tax deduction for member contributions - higher of 27.5% of taxable income or remuneration
  - Overall annual tax deductible limit of R350 000 – excess contributions will not rank for tax deduction

# Provident Fund Annuitisation

- Tax treatment of contributions aligned = benefit design between funds aligned
- May take max of 1/3 of retirement lump sum from provident fund as cash benefit
- Restriction not applicable to member account prior to 01/03/2016
- Administrators to keep 2 accounts for members younger than 55
- No restriction on commutation will applied to members 55 years and older as at 01/03/2016

# Provident Fund Annuitisation - continue

- Member accounts includes returns up to 01/03/2016, plus future returns on vested portion, less
- Reasonable fund expenses, less deductions permitted by law such as divorce awards and housing loans
- Vested amounts are protected on transfer to another approved fund

# *De minimus* lump sum amount

- Commutation threshold upon retirement increased from R75 000 (or less) to R150 000 (or less) for all retirements

## Postponement of retirement benefits

- From 01/03/2015 a retirement benefit does not accrue upon retirement from employment, but only when member elects to retire from the fund
- Fund rules to determine how benefit invested
- Normally no further contributions and risk cover

# Estate Duty and Retirement Annuity Funds

- Prevent taxpayers using large, non-deductable single premiums RA contributions to reduce estate duty –  
example:
  - Mr B has large estate duty problem, but has R8m he does not need which he contributes as single premium RA. He dies one year later and RA has grown by R500 000
  - Estate will pay no tax on R8.5m as death benefits from RA are free of duty.



# Other

- Paragraph (a) and (b) public sector funds – proposed provident fund annuitisation rules do not apply
- Tax free transfers between funds – changes will allow for ALL transfers between approved funds to be tax free effective 01/03/2016
- Expatriates – withdrawal from retirement annuity funds

# Other Draft Regulations

- National Treasury draft paper of “defaults”
  - Default investment strategy
  - Default annuity strategy
  - Default preservation strategy
- Regulation 30 and other
  - Fidelity cover requirements
  - Administration Agreements
  - Fund rules
  - Standards to comply with

*The above points and those covered elsewhere in the presentation are not extensive but are intended to only highlight certain legislative changes*

# THANK YOU and QUESTIONS