national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Proposal on Postponing the Annuitisation Requirement for Provident Funds for Two Years

Proposal

1. Annuitisation requirement for provident funds to be postponed for two years.
2. All tax-benefit related measures, including the harmonised 27.5% tax deductions (up to R350 000) on contributions to any retirement fund, will be implemented for all retirement funds from 1 March 2016.
3. All provident fund members will also benefit from the 27.5% tax deduction as of 1 March 2016, for the next two years, but this deduction will cease to apply after two years if there is no agreement on annuitisation.
4. Technical provisions have to be in place to prevent tax abuse, particularly around transfers from pension funds to provident funds. In particular, the old rules (i.e. before 1 March 2016) which allow transfers from pension funds to provident funds subject to taxation will continue to apply.
5. We will need to go to Cabinet and Parliament on how to proceed in the most efficient way. We will then make an announcement in the 2016 Budget and look for a quick process in Parliament to implement the proposal. Other non-Nedlac stakeholders will also be consulted on the proposal.
6. On the social security paper, the Minister will contact Minister Dlamini (who co-chairs the Inter-Ministerial Task Team with him) on its status.
7. Government will review the means test, subject to fiscal space, and ask the Department of Social Development and National Treasury to consider this proposal and take it forward.
8. The broad thrust of retirement reform remains in place and will continue.

Date: February 2016