



SENTINEL

Retirement Fund

TAXATION IN SOUTH AFRICA 2015/6

INCOME TAX

Taxation of retirement provision in South Africa is based on the **E – E – T** principle which implies that contributions are tax deductible (**Exempt**), growth earned in the fund is tax free (**Exempt**) and benefits are taxed (**Taxable**) when these become payable.

Tax Deductions on Pension Fund Contributions

The Income Tax Act currently provides for the following tax deductions on contributions made to a pension fund:

- Employers may claim up to 20% of remuneration for employer contributions (including in-fund risk benefit contributions)
- Employees may claim 7.5% of pensionable salary, or R1 750 per year for current contributions.
- Employees may also claim a deduction of R1 800 per year for arrear contributions.

The amount contributed by a member that did not qualify for a tax deduction during his/her contributory term is rolled over to the following year of assessment.

Taxation of Pension Fund Benefits

Benefits become payable when members leave the service of their employer, either due to resignation, dismissal, retrenchment, retirement or death.

Withdrawal benefit lump sums are taxed in terms of the following tax table, on an accumulative basis over a person's lifetime:

WITHDRAWAL LUMP SUMS	
Taxable Income	Rates of Tax
R0 – R25,000	0%
R25,001 - R600,000	18% of taxable income above R25,000
R600,001 – R990,000	R114,300 + 27% of taxable income above R660,000
R990,001 +	R203,400 + 36% of taxable income above R990,000

Retirement, retrenchment and death benefit lump sums are taxed in terms of the following tax table, on an accumulative basis over a person's lifetime:

RETIREMENT, RETRENCHMENT & DEATH LUMP SUMS	
Taxable Income	Rates of Tax
R0 – R500,000	0%
R500,001 – R700,000	18% of taxable income above R500,000
R700,001 – R1,050,000	R36,000 + 27% of taxable income above R700,000
R1,050,001 +	R130,500 + 36% of taxable income above R1,050,000

Members, who have fund credits below R75 000 at retirement, will be able to fully commute and take a full withdrawal benefit.

Tax on monthly pensions (PAYE)

All monthly pensions paid by the Fund is taxable. The following Income Tax Table for 2015/6 was implemented with effect from **1 March 2015** and will apply until **29 February 2016**.

Taxable Income	Rates of Tax
R0 – R181,900	18% of each R1
R181,901– R284,100	R32,742 plus 26% of the amount above R181,900
R284,101 – R393,200	R59,314 plus 31% of the amount above R284,100
R393,201 – R550,100	R93,135 plus 36% of the amount above R393,200
R550,101 – R701,300	R149,619 plus 39% of the amount above R550,100
R701,301 and above	R208,587 plus 41% of the amount above R701,300

Tax thresholds determine the taxable income levels where individuals, in different age groups, start paying tax. These thresholds are currently:

Age category	Annual Tax Threshold
Below 65	R73,650
65 and older	R114,800
75 and older	R128,500

Pension Fund members who worked outside SA during their term of membership will be entitled to a tax exemption, based on the number of years worked outside in relation to the total years of membership. This is arranged by the Fund for members who provide substantiating documentary proof.

Medical tax credits on monthly medical aid contributions are:

- R270 for the first two dependants and
- R181 for every dependant thereafter.

Exemption on Interest Earned

The following exemptions apply to interest earned on investments:

- Individuals below the age of 65: R23 800 p.a.
- Individuals aged 65 and older: R34 500 p.a.

Tax-free savings accounts will be introduced from 1 March 2015 to encourage personal savings. Individuals will be able to contribute a maximum of R30 000 per year, with a lifetime limit of R500 000 and returns earned in these accounts will not be subject to tax.

OTHER TAXES

The following table provides information about different taxes, thresholds and rates that are levied in South Africa.

Description	Threshold and rate
Estate Duty Exemption at death Tax rate	R3,5 million per person 20%
Donations Tax Annual Exemption Tax Rate Donations between Spouses	R100,000 per person 20% Exempt
Transfer Duty on Property Value R 0 to R 750 000 R 750 001 to R 1 250 000 R 1 250 001 to R 1 750 000 R 1 750 001 to R 2 250 000 R 2 250 001 and above	0% 3% on value above R 750 000 R 15 000 plus 6% on value above R1 250 000 R 45 000 plus 8% on value above R1 750 000 R 85 000 plus 11% on value above R2 250 000
Capital Gains Tax Annual Exclusion Primary Residence Exclusion Exclusion on Death Exclusion on disposal of small business CGT Rates: Individual Company & Close Corporation Trust	R30 000 R2 million R300 000 R1.8 million 0 – 13.65% 18.6% 27.31%

SARS website address: www.sars.gov.za

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