SENTINEL
Retirement Fund

INFORMANT

NEWSLETTER FOR PENSIONERS
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Your Retirement - Our Passion

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BUDGET 2017/2018 HIGHLIGHTS

The Minister of Finance delivered his Budget Speech to Parliament on 22 February 2017. This article summarises the possible impact tax proposals may have on your pocket.

Personal Income Tax

Although "bracket-creep" tax relief for individual taxpayers is incorporated in the revised tax tables, it will not be as effective as it has been in previous years. The wealthy will experience the new "super tax" bracket of 45% on taxable income exceeding R1,5 million per annum. The following tax table applies from **1 March 2017** and will be implemented by Sentinel with effect from the March 2017 pensioner payroll:

Taxable Income	Rate of Tax
R0 to R189,880	18% of each R1
R189,881 to R296,540	R34,178 plus 26% of the amount above R189,880
R296,541 to R410,460	R61,910 plus 31% of the amount above R296,540
R410,461 to R555,600	R97,225 plus 36% of the amount above R410,460
R555,601 to R708,310	R149,475 plus 39% of the amount above R555,600
R708,311 to R1,500,000	R209,032 plus 41% of the amount above R708,310
R1,500,000 and above	R533,625 +45% of the amount above R1,500,000

Tax thresholds determine the **taxable income** levels where individuals, in different age groups, start paying tax. In addition, the primary rebate (all taxpayers) has also been increased.

Age category	Total Rebate	Annual Tax Threshold
Below 65	R13,635	R75,750
65 to 74	R21,114	R117,300
75 and older	R23,607	R131,150

The following table illustrates the anticipated tax adjustments that individual taxpayers can expect:

Annual Taxable Income	Annual tax reduction Younger than 65	Annual tax reduction Aged 65 to 75	Annual tax reduction Aged 75 plus
R85,000	-R135		
R120,000	-R135	-R209	
R150,000	-R135	-R209	-R234
R200,000	-R285	-R359	-R384
R300,000	-R432	-R506	-R531
R500,000	-R635	-R709	-R734
R750,000	-R941	-R1,015	-R1,039
R1,500,000	-R941	-R1,015	-R1,039
R2,000,000	+R19,059	+R18,985	+R18,961

Pensioner reminder:

- Pensioners are reminded that the threshold applies to your **total annual taxable income**, not only your Sentinel income. Should your pension be below the threshold and you also receive taxable income from other sources, and this raises your income over the threshold limit, you will be required to pay tax. Sentinel may not deduct additional PAYE from your pension unless you specifically request us to do so.
- Some pensioners may not be familiar with a PAYE deduction from their pension in a specific year, but after a pension increase or annual bonus payment, find that PAYE has been deducted. This occurs in the event that either the pension increase or annual bonus, or both, raises your income over the threshold limit.

Dividend Tax

Dividend tax, which is withheld from dividend payments by dividend-paying companies before dividends are paid to shareholders, will increase from 15% to 20% with immediate effect.

Fortunately retirement funds are exempt from this tax, but individual shareholders can expect a reduction in their dividend income. Affected pensioners may want to consider tax-free investments at the recently increased R33,000 allowable investment per annum – if you have not done so already!

Other Tax Matters

The value of the monthly **Medical Tax Credits** on medical aid contributions will increase to R303 (from R286) for the first two dependants and to R204 (from R192) for every dependant thereafter.

The **exemption on interest** income earned has not been changed and remains at R23 800 for those below the age of 65 and R34 500 for those who are 65 and older.

Tax-free savings accounts were introduced on 1 March 2015 to encourage personal savings. Individuals are able to contribute a maximum of R33 000 (previously R30,000) per year, with a lifetime limit of R500 000 and returns earned in these accounts will not be subject to tax.

Although there were no changes to the **Capital Gains Tax (CGT)** inclusion rate, the maximum CGT effective rates for individual taxpayers in different tax brackets will increase from 16.4% to 18% due to changes in the maximum marginal rates and for Trusts, from 32.8% to 36%.

The **transfer duty**-free threshold on the acquisition of fixed property will increase to R900,000.

Duties & Levies

Increases in duties and levies that will impact household budgets include:

- Fuel prices will increase by 39c/litre (30c/litre on the general fuel levy plus 9c/litre for the Road Accident Fund) on 5 April 2017. It was also announced that the VAT exemption on fuel will be reconsidered in the next year.
- Duties on alcoholic beverages and tobacco products will increase between 6% and 10% with immediate effect, as has become the norm with these “Sin Taxes” since 2002. Pensioners are reminded that this is (perhaps) the only voluntary tax in our country!
- Tax on sugar-sweetened beverages will be introduced later this year.

SOCIAL SECURITY & RETIREMENT REFORM UPDATE

National Treasury's retirement reform initiatives form part of a comprehensive social security plan that seeks to achieve universal health coverage and comprehensive social security in line with the National Development Plan.

Progress with regard to broader Retirement Reform, the National Health Insurance and the Social Security Plan is expected to gain further momentum this year.

Health Reform
The long-awaited National Health Insurance (NHI) Fund will be established during 2017/18 and will strive to provide all South Africans with quality, affordable healthcare. The focus will initially be on expanding access to maternal health services, hearing aids and spectacles for children, improved psychiatric care, and services for the disabled and the elderly. Public and private medical practitioners will provide services to the NHI Fund.

Financing meganisms for the NHI Fund are currently being considered, to which the Minister alluded to the possibility of reducing the medial tax credit that individual taxpayers can claim on their medial aid premiums in future.

Retirement Reform
The announced Retirement Reform initiatives will not impact pensioners as these apply mainly to members of Retirement Fund who have not retired yet. However, the following update is shared to keep you informed of these developments.
National Treasury released a second draft on three proposed default Regulations to the Pension Funds Act. These Regulations will ensure that retirement savings of South Africans are invested in a prudent and cost-effective manner, and that members get better value for their money with the ultimate goal of them being able to retire more comfortably.

The initiative aims at addressing the main shortfalls in the current system:
- Regulation 37 addresses Default Investment Portfolios
- Regulation 38 provides for Default Preservation and Portability options
- Regulation 39 addresses the need for an annuity strategy by all retirement funds.

Although Sentinel agrees with the proposals and already complies with most of the content, we have submitted comments. The final version of these Regulations will be published later this year.

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