



# MoneyTalk

## Retirement Taxation: The New Rules

THE SA Institute of Chartered Accountants advises that its submissions regarding the Draft Pensions Amendments and Explanatory Memorandum resulted in amendments made in the Taxation Laws Amendment Bill, 2007. Accountancy SA reported these amendments as follows:

- The proposal to provide relief by simplifying the complex tax-free lump sum and averaging formulas and introducing a simplified rate schedule. SAICA believes the rate schedule left low-income persons worse off, especially in the case of full provident fund withdrawals. The schedule has been revised thus:

- **Previous Schedule:**

- 0 to R300000 : No tax
- R300000 to R600000 : 18%
- R600000 + : 36%

- **Amended Schedule:**

- 0 to R300000 : No tax
- R300000 to R600000 : 18%
- R600000 to R900000 : 27%
- R900000 + : 36%

- The rewording of the limit referred to in section 1: "two thirds of the total value does not exceed R50 000", the previous wording did not provide clarity that if the lump sum in total is R75 000 or less, then the full amount can be withdrawn.
- The insertion of an effective date for the subsections dealing with "any retirement fund lump sum benefit and any other amount" to be included in gross income to come into operation on 1 October 2007 and apply to any lump sum benefit accrued on or after that date.

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