Est. 1991

RETIREMENT ANNUITY FUND

Who can invest?

- Natural persons with voluntary monies who wish to save for retirement.
- Natural persons transferring compulsory retirement savings from an employer's retirement fund, another retirement annuity, or a preservation fund.

Accessing the investment

- **At retirement, a maximum of one-third can be paid out as a cash lump sum to the member, with the remaining value being used to purchase an annuity (unless value less than the de minimus).**
- **Alternatively, up to the entire amount may be used to purchase an annuity.**
- **Member may retire any time from age 55**

TAX IMPLICATIONS ON CONTRIBUTIONS

- Contributions are tax deductible as follows:
- Amounts contributed by an employer are taxed as fringe benefits and deemed to be contributed by the member.
- Amounts contributed in total to a pension fund, provident fund or retirement annuity are limited to the lesser of: R350 000
- 27.5% of the greater of remuneration or taxable income
- Taxable income excl. taxable capital gains
- Any excess contributions are carried forward.
- A Retirement Annuity Fund provides investors with a tax-efficient way to save for their retirement and preserve benefits for retirement.

Withdrawals

Withdrawals may be taken prior to retirement if the benefit is less than R15,000, the member formally emigrates, or in the case of a member who departs from South Africa at the expiry of a visa and is not regarded as a resident.

Taxation prior to retirement

Retirement fund lump sum withdrawal benefits*

Taxable Income	Tax
R0 – R27,500	0% of taxable income
R27,501 – R726,000	18% of taxable income above R27,500
R726,001 – R1,089,000	R125,730 + 27% of taxable income above R726,000
R1,089,001+	R223,740 + 36% of taxable income above R1,089,000

To calculate tax in respect of a withdrawal lump sum:

Step 1: Add current lump sum to all previous lump sums* and apply current withdrawal tax table to calculate tax.

Step 2: Add all previous lump sums* and apply current withdrawal tax table to calculate tax.

Step 3: Answer in step 1 minus answer in step 2 = tax payable on current lump sum.

*__Only the following lump sums must be taken into account:__

- retirement lump sums after 1 October 2007,
- withdrawals after 1 March 2009, and
- severance benefits after 1 March 2011

RETIREMENT ANNUITY FUND

TAX ON INVESTMENT GROWTH

No income tax, capital gains tax or dividend withholding tax is levied within the fund.

TAXATION AT RETIREMENT

At retirement – maximum of one third may be taken as a cash lump sum.

Taxable Income	Tax
R0 – R550,000	0% of taxable income
R550,001 – R770,000	18% of taxable income above R550,000
R770,001 – R1,155,000	R39,600 + 27% of taxable income above R770,000
R1,155,001+	R143,550 + 36% of taxable income above R1,155,000

To calculate tax in respect of a retirement lump sum:

Step 1: Add current lump sum to all previous lump sums* and apply current withdrawal tax table to calculate tax.
Step 2: Add all previous lump sums* and apply current withdrawal tax table to calculate tax.
Step 3: Answer in step 1 minus answer in step 2 = tax payable on current lump sum.

***Only the following lump sums must be taken into account:**

- retirement lump sums after 1 October 2007,
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- severance benefits after 1 March 2011

ON DEATH

- Retirement Funds are subject to Section 37C of the Pensions Fund Act.
- Either a cash lump sum (subject to tax), an annuity or a combination of the two may be paid to the beneficiaries or dependents.
- Both the lump sum and annuity benefits are free from estate duty, however 'disallowed contributions' (contributions in excess of a maximum allowable deduction) may be subject to estate duty where such contributions were made after 1 March 2015.

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