PRESERVATION FUNDS

Who can invest?

Natural persons who have monies from pension or provident funds in the event of:

- Retrenchment
- Dismissal
- Resignation
- Dissolution of the fund
- Divorce
- Transfer from another preservation fund

Please note: no cash contributions may be made.

Accessing the investment

- **Member may retire any time from the age of 55.**
- **A once-off withdrawal prior to retirement up to the full value of the investment (unless a restriction is applicable).**
- **Preservation pension funds – at retirement, a maximum of one-third can be paid out as a cash lump sum to the member, unless the value is less than the de minimus amount. The remaining funds must be used to purchase an annuity. Alternatively, the entire amount can be used to purchase an annuity.**
- **Preservation provident funds – at retirement, the full value may be paid out to the member in cash. The investor may also elect to purchase an annuity with a portion of the benefit, or with the full benefit.**

TAX ON INVESTMENT GROWTH

- Prior to retirement
- No income tax, capital gains tax or dividend withholding tax is levied within the fund.
- Taxation prior to retirement (once-off withdrawal)

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

TAXATION AT RETIREMENT

- Preservation pension funds – a maximum of one third lump sum and remaining value must be transferred into an annuity on a tax neutral basis.
- Preservation provident funds – up to full value may be taken as a lump sum.

Lump sum taxed as follows:
Retirement fund lump sum benefits or severance benefits*

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

ON DEATH

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

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