TAXATION OF BENEFITS GUIDE

PetroSA Retirement Fund

All about your fund and what it does for you

In this section, the tax treatment of the following benefits is explained:

- Contribution allocation towards retirement savings
- Retirement benefits
- Death benefits
- Resignation benefits
- Two-pots system

Disclaimers

In the event of a conflict of the following with the Income Tax Act, the Act will apply. The Income Tax Act is complicated and it is very important that you seek specialist advice if you have questions about taxation of your retirement benefits.

CONTRIBUTION ALLOCATION TOWARDS RETIREMENT SAVINGS

Amended Tax Laws 2016: Harmonisation of tax treatment of contributions

This was primarily intended to allow for tax harmonisation of retirement fund contributions and benefits, and it introduces a cap on contributions for tax purposes.

The tax deduction for contributions is limited to 27.5% (of the greater of taxable income or remuneration), up to an annual limit of R350 000. This is to the benefit of most members and allows members, in terms of tax deductibility, to save more towards retirement and would only negatively affect the tax of members of Funds who are very high earners.

It is meant to create fairness in tax harmonization of contributions and to clamp down on very high earners who contribute larger amounts to retirement funds in order to reduce their tax commitments.

RETIREMENT BENEFITS

Taxation of the cash lump sum payment

Any amount of your retirement benefit that you take in cash is subject to tax. Please refer to the Retirement Options Guide which explains the amount of cash you are permitted to take at retirement. The Tax-Exempt (tax-free) portion is:

Up to R550 000 of the retirement benefit will be exempt from tax.

This (once-off) tax exempt amount of R550 000 will be reduced by any tax-exempt amounts that you have received previously on withdrawal from a Pension or Provident fund. Any contributions that have been made by the member that were not previously tax-exempt will also be taken into account and will be added to the R550 000, thus increasing the tax-free portion of R550 000.

If a member has previously received lump sum cash payments from a Retirement Fund, these amounts will be taken into account (at the tax rates applicable at retirement) thereby reducing the R550 000 tax-exempt portion.

Any amount of the retirement benefit that is taken in cash and that exceeds the limits stated above will be taxed as follows:

Lump sum death or retirement benefit	Tax liability
R0 to R 550 000	0%
From R550 001 to R770 000	18% of taxable income exceeding R550 000
From R770 001 to R1 150 000	R 39 600 plus 27% of taxable income exceeding R770 000
Exceeding R1 150 001	R143 550 plus 36% of taxable income exceeding R1 155 000

NOTE: The same tax-table applies to a withdrawal from a **Retirement Annuity Fund.**

Taxation of your pension benefit – for both Life Annuitants and Living Annuitants

You will pay income tax in the usual way on the monthly pension you receive. Income tax (PAYE) will be calculated and deducted each month, when paying you the pension. It is important to note that, if you have income from more than one source (e.g. pensions arising from two different retirement funds), you may have to pay extra tax when SARS assesses you – this is because SARS will combine the two incomes when calculating how much tax you owe.

Taxation of your pension benefit for the 2024/2025 tax year, the following tax thresholds apply:

- If you are under the age of 65 and your total income is less than R95 750 per annum you will pay no tax.
- If you are aged 65 to 75 and your total income is less than R148 217 per annum, you will pay no tax.
- If you are aged 75 and older and your total income is less than R165 689 per annum, you will pay no tax.

DEATH-IN-SERVICE BENEFITS

Taxation of the cash lump sum payment

Taxation of death benefit is treated on the same basis as taxation on retirement so please refer to the details above.

RESIGNATION, RETRENCHMENT OR DISMISSAL BENEFITS

The taxation of your resignation or dismissal benefit is rather complex and depends on how you elect to receive your benefit (your Member Share Account). In this regard you have the following options:

Note: your Member Share Account is made up of 3 components viz. the **VESTED COMPONENT** (if applicable); the **SAVINGS COMPONENT** and the **RETIREMENT COMPONENT.**

- You may elect to receive part of your benefit in cash as follows:

  Vested Component: You can elect to take all the money in cash

  Savings Component: You can elect to take whatever balance is left in this pot, in cash

  Retirement Component: Not allowed to take this in cash

  NOTE: taxation of these lump sums from the different components are taxed differently (see below)
- You may elect to transfer your entire benefit (all the components) to your new Employer's Fund or to a Preservation Fund or Retirement Annuity Fund.
- You may elect to become a paid-up member (leave your entire Member Share Account in the Fund).

Taxation of any cash benefit from the Vested component

The first R 27 500 is tax-free. However, the R 27 500 is a 'once-off' cumulative value and once the limit of R 27 500 is reached, tax-exemption on future withdrawals is not available.

Very important to also note that the tax-exempt amount of R 27 500 reduces the once-off tax exempt amount of R550 000 at retirement. Also note that the tax rates at withdrawal are higher in certain brackets than those applicable at retirement.

Lump sum resignation benefit	Tax liability
R0 to R 27 500	0%
From R27 501 to R726 000	18% of amount above R 27 500
From R726 001 to R1 089 000	R 125 730 plus 27% of amount above R 726 000
R1 089 001 and above	R223 740 plus 36% of amount above R1 089 000

Taxation of any cash benefit from the Savings Component:

This amount is taxed at your marginal tax rate as shown below as per the SARS tax table for the 2025 tax year:

Taxable income (R)	Rates of tax (R)

1 – 237 100	18% of taxable income
237 101 – 370 500	42 678 + 26% of taxable income above 237 100
370 501 – 512 800	77 362 + 31% of taxable income above 370 500
512 801 – 673 000	121 475 + 36% of taxable income above 512 800
673 001 – 857 900	179 147 + 39% of taxable income above 673 000
857 901 – 1 817 000	251 258 + 41% of taxable income above 857 900
1 817 001 and above	644 489 + 45% of taxable income above 1 817 000

Taxation if you transfer to your new Employer Fund or to a Preservation Fund or Retirement Annuity Fund

In this case, no tax is payable at this time. You will, however, pay tax on the benefit you ultimately receive from your new Fund.

Taxation if you become a paid-up member

In this case, no tax is payable at the time you elect to become a deferred pensioner. You will, however, pay tax on the benefit you ultimately receive.

Benefits paid to a former spouse in terms of a Divorce Order

This is a complex subject, and we are not able to cover all the details here. However, our current understanding of the tax legislation is that, if you get divorced and the divorce order (made after March 2009) stipulates that a portion of your "pension interest" in the Fund must be paid to your ex-spouse, any tax that the Fund is required to pay when executing this order will be deducted from the portion paid to your ex-spouse – i.e. the tax will be for your ex-spouse's account and not for your account. The tax rates applicable will be the same as the tax rates in respect of a cash resignation benefit, as set out above. In negotiating the divorce settlement, however, you and your spouse are strongly encouraged to take specialist advice (including tax advice) on the implications of "pension splitting", as there have been several changes in the law relating to this and we cannot be certain that the law will not be changed again.