



## Taxation Law Amendment Bill: T-Day Changes

### T-Day is part of National Legislation - It's not only an NJMPF thing.

#### When is T-Day?

T-Day is set to come into effect on 1 March 2021.

#### What is T-Day?

T-Day is a set of legislative changes implemented through the Taxation Laws Amendment Act due to come into effect on 1 March 2021. T-Day is the day from which future Provident Fund retirement lump sums will be treated according to the Retirement Reform guidelines regulated 5 years ago.

#### Who is affected and what changes?

Members retiring from Provident Funds are affected when they draw their retirement benefits. In the past the whole benefit could be taken as a lump sum (subject to taxation calculation). With T-Day, money accumulated after 1 March 2021 which exceeds the De minimis amount of R247 500, will need to be used to buy a pension.

#### Cash Lump Sum at Retirement?

For Provident Fund members whose benefits are less than R247 500, accrued after 1 March 2021 the whole amount can be taken as a lump-sum. If more than that, one third could be taken as a lump-sum and the other two thirds must be used to buy a pension.

**Important**– All benefits accumulated up to 28 February 2021, can be taken as a lump-sum.

#### Compulsory Annuitisation - 1 March 2021

- ⇒ Only effects members that are retiring.
- ⇒ It will not affect members older than 55.
- ⇒ At retirement a portion of your retirement savings must be used to buy an annuity.
- ⇒ Vested rights as at 01/03/2021 will be retained.

#### Example

If you had R600 000 pre-1 March 2021 and accumulated a retirement benefit of R300, 000 after 1 March 2021.

Of the R300, 000, the amount that may be taken as a lump-sum is R100 000 (1/3rd) and R200 000 (2/3rd) would have to be annuitised.

This will give you a total lump-sum of R700 000 and the R200 000 would be calculated into a monthly pension.

