NEWS

NJMPF
Fund Insight
Your news update - March 2021

NEWS

Taxation Law Amendment Bill: T-Day Changes

T-Day is upon us

It has been a year and counting and the world is still grappling with the coronavirus disease.

Yes, vaccines are being rolled out with hopes that things will soon return to normal. The coronavirus pandemic did not only disrupt the world as we know it, it also took loved ones away, changed the small things that we may have taken for granted , like how we greet each other or gather in places of worship - it also changed the world's financial economy. The Covid-19 pandemic and the resulting economic crises has severely impacted the financial wellbeing of many across the globe, which is likely to be felt for the long-term.

South Africa was already in a critical situation before the pandemic - many South Africans were already facing significant constraints when it came to saving enough for retirement.

Ensuring that people on the work front have enough saved for when they reach retirement age is of priority to the South African government, as this relieves pressure from government in paying out grants. The global pandemic did not only fast track digitalisation in South Africa, it also saw government taking the necessary steps in closing the retirement savings gap amidst changing employee circumstances and new legislation.

According to media reports South Africa has a poor savings culture, with only an estimated 6% of South Africans who can afford to retire comfortably at age 65. It is statistics like this that prompts the government to legislate working South Africans to better save for their retirement and perhaps improve the saving culture of the country in the process.

Changes in Legislation

From 1 March 2021, the Taxation laws Amendment Bill (T-Day) officially came into effect. As part of the retirement reform initiatives and a push to help provident fund members secure an income at retirement, government will now be treating provident funds more like pension and retirement annuity funds. Provident fund members will now be required to use two thirds of their retirement savings to purchase an annuity and claim up to the remaining one third of their benefit as a lump-sum.

Here is what you need to know:

⇒ This legislation will only affect retiring provident fund members,

⇒ The annuitisation rules do not apply where the retirement benefit does not exceed R247,500,

⇒ All amounts contributed before 1 March 2021 will be vested with the members and available, with growth, to members.

⇒ The main objective of this change in this legislation is to protect retirement savings and help individuals plan better for their futures.

Protection of accrued rights of provident fund members as at 1 March 2021

⇒ Provident fund members who are under the age 55 on 1 March 2021, will still be permitted to take lump sum amounts on retirement as long as these accrued before T-Day. This is referred to, as "vested benefits".

⇒ Amounts that are subject to annuitisation will be termed "non-vested benefits".

⇒ Members over age 55 on T-Day will not be subject to annuitisation.