



# Welcome

## TAX ISSUES

**MAY 2024**

Presented by the Principal  
Officer's Office





## Agenda

- > Disclaimer
- > Definitions
- > Tax and retirement fund contributions



## Agenda

- > Tax on retirement Fund investments
- > Tax on benefit payments
- > Questions



## DISCLAIMER



*The presenter is NOT a registered tax professional.*

*The presentation is to provide attendees with a high level of understanding of the tax issues related to the NTRF*



*Members with specific tax issues are encouraged to seek advice from a registered tax professional.*



## MARGINAL TAX RATE

Marginal tax rate is the rate of tax paid on the last Rand of income earned.

In other words, if you earn one Rand more than currently, how much additional tax will you pay.



## AVERAGE TAX RATE

Average tax rate is the total tax paid as a percentage of total income earned.



## INCOME TAX TABLE

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





## EXAMPLE OF TAX PAYABLE

Member earns R70 000 a month or R840 000 a year.

As per table the tax is 179 147 + 39% of taxable income above 673 000  
This is R244 277.

Allow for the rebates and the tax payable is R227 042





## EXAMPLE OF TAX PAYABLE

The average rate of tax is the R227 042 / R840 000 which is 27%

The marginal rate of tax is 39%, as for every extra rand earned the tax is 39%.

And once the monthly income rises to R71 491.75, the marginal rate of tax will increase to 40%.



## TAX ON CONTRIBUTIONS

A deduction may be claimed for any amount contributed during a year of assessment to any pension fund, provident fund or retirement annuity fund in terms of the rules of that fund, by a person that is a member of that fund, subject to certain limitations.

The total deduction allowable in respect of a year of assessment may not exceed the lesser of R350 000 or 27,5% of the higher of the person's remuneration (as defined) or taxable income.

Any employer contributions would be included in the employee's contributions to the relevant retirement fund for the purposes of calculating the tax deduction that may be claimed by the employee.



## EXAMPLE

- If an employee earns R70 000 a month (as per the example) the employer contributes 16% to the NTRF which is a further R11 200 per month
- If this was taxed as remuneration, it would be taxed at the 39% / 40% marginal tax rate.
- Plus the member contributes R5 600 per month from their R70 000
- The allowable deduction actually reduces the tax payable.



## LIMITS

- The limit of the lessor of R350 000 per annum or 27.5% of gross remuneration need to be noted, if the member also invests in retirement annuities.



## QUIZ ONE

- Which of these three statements is true:
  1. Because the employer contributes 16% to the NTRF, I am only reporting the 8% contribution that I make as an employee. The employer contribution is not deemed a taxable benefit.
  2. Because I can claim the NTRF contributions as a tax deduction, I save at my average rate of tax.
  3. The limit on claiming retirement fund contributions for tax purposes is the lessor of R350 000 or 27.5% of the higher of a persons remuneration or taxable income.



## TAX ON INVESTMENTS

- A contribution (less the cost of risk benefits and admin fees) is invested in one of the NTRF investment portfolios as per member choice.
- These portfolios include a range of assets.
- Held directly by a member they would generate a taxable benefit. For example a money market investment would generate interest which is taxable. An equity holding / shares in a company could generate a capital gain and thus Capital Gains tax. Dividends would also be taxable.



## TAX ON INVESTMENTS

- Investments held in the portfolios are not subject to tax, either in the hands of the asset manager nor tax payable by the member.
- This is a significant incentive to encourage members to invest via retirement funds.





## TAX ON BENEFIT PAYMENTS : WITHDRAWALS

- Withdrawal benefits paid to members are subject to tax if they are paid in cash to the member. Tax is as per the withdrawal benefit tax table.
- Withdrawal benefits paid by the Fund to another retirement fund are transferred with a nil tax directive.



## TAX ON WITHDRAWALS

1 – 27 500	0% of taxable income
27 501 – 726 000	18% of taxable income above 27 500
726 001 – 1 089 000	125 730 + 27% of taxable income above 726 000
1 089 001 and above	223 740 + 36% of taxable income above 1 089 000



## TAX ON WITHDRAWALS

- Note that in applying the tax table, SARS will consider all previous withdrawals from retirement Funds. The withdrawals from the savings pot are not included!
- You only get the benefit of the R27 500 tax free ONCE!
- The withdrawal may only be R200 000, but you could still be taxed at 36%!



## TAX ON SAVINGS POT WITHDRAWALS

You are allowed one withdrawal per tax year from the savings pot and this will be taxed at marginal rate.

The approach is to make the contribution and subsequent withdrawal tax neutral. You benefit from the tax deductibility of the contribution at your marginal rate of tax, so you need to pay tax at the same rate on savings pot withdrawals.



## QUIZ TWO

Which of the following is true:

1. If you withdraw R27 500 from your savings pot, it will use up the tax free allowance on withdrawal benefits.
2. For each withdrawal made excluding savings pot withdrawals, the first R27 500 is tax free.
3. On exit I can request that any withdrawal benefit payable is transferred to another retirement fund and it will involve a nil tax directive.



## TAX ON RETIREMENT BENEFITS

A retirement benefit will have a component which is available in cash and the balance must be used to purchase an annuity.

Any amount utilised to purchase an annuity (whether life or living annuity and whether in fund or outside the fund) will not be taxed. The monthly annuity will be taxed as income.

Any amount that is paid as a cash lump sum will be taxed as per the retirement tax table.



## TAX ON CASH AT RETIREMENT

1 – 550 000

0% of taxable income

550 001 – 770 000

18% of taxable income above 550 000

770 001 – 1 155 000

39 600 + 27% of taxable income above 770 000

1 155 001 and above

143 550 + 36% of taxable income above 1 155 000





## PREVIOUS BENEFITS

In applying the retirement tax table, SARS will take into account all previous amounts withdrawn from retirement funds.

This includes any withdrawal benefits and retirement benefits, and is not limited to the NTRF (it includes ALL retirement funds).



## DEATH BENEFITS

Death benefits are taxed using the retirement benefit tax table, and is based on the tax number of the deceased member and not the beneficiaries.





## QUIZ 3

Which of these benefits are true:

1. I must take 1/3<sup>rd</sup> of my retirement capital as tax.
2. There is no tax payable on the retirement capital used to purchase a monthly annuity.
3. By nominating my minor child, who has no taxable income, to receive the death benefits, I can avoid the death benefit being subject to tax.



# Questions





# Fund Contact Information

Member Website: [www.ntrf.co.za](http://www.ntrf.co.za)

## OFFICE OF THE PRINCIPAL OFFICER (Management of the Fund)

Contact the Principal Officer for all escalations of queries

Physical address	Telephone	Email
Building 2 Country Club Estate Woodlands Drive Woodmead	011 258 8825	<a href="mailto:info@gobenefits.co.za">info@gobenefits.co.za</a>

## ADMINISTRATOR (Administrative matters)

Contact the Fund Administrator for all investment and claim queries and other admin-related queries

Physical address	Telephone	Email
Fund Retirement Administrators The Marc 129 Rivonia Rd Sandown Sandton	0860 000 071	<a href="mailto:NTRF@momentum.co.za">NTRF@momentum.co.za</a>