DRAFT

REVENUE LAWS AMENDMENT BILL

GENERAL EXPLANATORY NOTE:

[ ] Words in bold type in square brackets indicate omissions from existing enactments.

_____ Words underlined with a solid line indicate insertions in existing enactments.

BILL

To amend the Income Tax Act, 1962, so as to amend certain definitions; to amend certain provisions; to amend certain Schedules; to amend the Skills Development Levies Act, 1999, so as to amend a provision; to amend the Unemployment Insurance Contributions Act, 2002, so as to amend a definition; and to provide for matters connected therewith.

BE IT ENACTED by the Parliament of the Republic of South Africa, as follows:—

Amendment of section 1 of Act 58 of 1962, as amended by section 3 of Act 90 of 1962, section 1 of Act 6 of 1963, section 4 of Act 72 of 1963, section 4 of Act 90 of 1964, section 5 of Act 88 of 1965, section 5 of Act 55 of 1966, section 5 of Act 76 of 1968, section 6 of Act 89 of 1969, section 6 of Act 52 of 1970, section 4 of Act 88 of 1971, section 4 of Act 90 of 1972, section 4 of Act 65 of 1973, section 4 of Act 85 of 1974, section 4 of Act 69 of 1975, section 4 of Act 103 of 1976, section 4 of Act 113 of 1977, section 3 of Act 101 of 1978, section 3 of Act 104 of 1979, section 2 of Act 104 of 1980, section 2 of Act 96 of 1981, section 3 of Act 91 of 1982, section 2 of Act 94 of 1983, section 1 of Act 30 of 1984, section 2 of Act 121 of 1984, section 2 of Act 96 of 1985, section 2 of Act 65 of 1986, section 1 of Act 108 of 1986, section 2 of Act 85 of 1987, section 2 of Act 90 of 1988, section of Act 99 of 1988, Government Notice R780 of 1989, section 2 of Act 70 of 1989, section 2 of Act 101 of 1990, section 2 of Act 129 of 1991, section 2 of Act 141 of 1992, section 2 of Act 113 of 1993, section 2 of Act 21 of 1994, section 2 of Act 21 of 1995, section 2 of Act 36 of 1996, section 2 of Act 28 of 1997, section 19 of Act 30 of 1998, Government Notice 1503 of 1998, section 10 of Act 53 of 1999, section 13 of Act 30 of 2000, section 2 of Act 59 of 2000, section 5 of Act 5 of 2001, section 3 of Act 19 of 2001, section 17 of Act 60 of 2001, section 9 of Act 30 of 2002, section 6 of Act 74 of 2002, section 33 of Act 12 of 2003, section 12 of Act 45 of 2003, section 3 of Act 16 of 2004, section 3 of Act 32 of 2004, section 3 of Act 32 of 2005, section 19 of Act 9 of 2006, section 3 of Act 20 of 2006, section 3 of Act 8 of 2007, section 5 of Act 35 of 2007, section 2 of Act 3 of 2008, section 4 of Act 60 of 2008, section 7 of Act 17 of 2009, section 6 of Act 7 of 2010, section 7 of Act 24 of 2011, section 271 of Act 28 of 2011, read with item 23 of Schedule 1 to that Act, section 2 of Act 22 of 2012, section 4 of Act 31 of 2013, section 1 of Act 43 of 2014, section 3 of Act 25 of 2015, section 5 of Act 15 of 2016, section 2 of Act 17 of 2017, section 1 of Act 23 of 2018, section 34 of Act 34 of 2019, section 2 of Act 23 of 2020, section 4 of Act 20 of 2021, section 1 of Act 20 of 2022 and section 1 of Act 12 of 2024

1. (1) Section 1(1) of the Income Tax Act, 1962, is hereby amended—

(a) by the substitution for the definition of ‘‘legacy retirement annuity policy’’ of the following definition:

‘‘ **‘legacy retirement annuity policy’** means any policy **[held]** issued by a retirement annuity fund **[entered into]** before 1 September 2024 with a pre-universal life or universal life construct**[, subject to such conditions]** that meets the conditions determined in an official notice by the Financial Sector Conduct Authority **[may determine]**;’’;

(b) by the substitution for the definitions of ‘‘member’s interest in the retirement component’’, ‘‘member’s interest in the savings component’’ and ‘‘member’s interest in the vested component’’, respectively, of the following definitions:

‘‘ **‘member’s interest in the retirement component’** means the interest of a member of a pension fund, pension preservation fund, provident fund, provident preservation fund or retirement annuity fund in the retirement component established for that member by that fund, and includes—

(a) any amount allocated to **[the]** that retirement component as contemplated in paragraph *(a)* or *(c)* of the definition of ‘retirement component’;

(b) any amount credited to **[the]** that retirement component on or after 1 September 2024; and

(c) any fund return as defined in section 1 of the Pension Funds Act in relation to **[amounts]** an amount contemplated in **[paragraphs]** paragraph *(a)* **[and]** or *(b)***[; and**

***(d)*]**

, as determined in terms of the rules of the fund, which amount or fund return is reduced proportionally by any amount **[determined]** deducted from a member's benefit or minimum individual reserve in terms of section 37D(1)*(a)*, *(b)*, *(c)* or *(d)*(i) of the Pension Funds Act or a similar provision in the Government Employees Pension Law, 1996 (Proclamation No. 21 of 1996), the Post and Telecommunication-Related Matters Act, 1958 (Act No. 44 of 1958), or the Transnet Pension Fund Act, 1990 (Act No. 62 of 1990), **[which amount]** that is **[deemed to be]** a retirement fund lump sum withdrawal benefit **[contemplated in paragraph 2(1)*(b)* of the Second Schedule,**

as determined in terms of the rules of the fund];

'member's interest in the savings component' means the interest of a member of a pension fund, pension preservation fund, provident fund, provident preservation fund or retirement annuity fund in the savings component established for that member by that fund, and includes—

(a) any amount allocated to **[the]** that savings component as contemplated in paragraph *(a)*, *(b)*, *(c)* or *(d)* of the proviso to the definition of 'savings component';

(b) any amount credited to **[the]** that savings component on or after 1 September 2024; and

(c) any fund return as defined in section 1 of the Pension Funds Act in relation to **[amounts]** an amount contemplated in **[paragraphs]** paragraph *(a)* **[and]** or *(b)***[;],**

[*(d)*]

as determined in terms of the rules of the fund, which amount or fund return is—

(i) reduced by any amount withdrawn as contemplated in the definition of 'savings withdrawal benefit'; and

[*(e)*](ii) reduced proportionally by any amount **[determined]** deducted from a member's benefit or minimum individual reserve in terms of section 37D(1)*(a), (b), (c)* or *(d)*(i) of the Pension Funds Act or a similar provision in the Government Employees Pension Law, 1996 (Proclamation No. 21 of 1996), the Post and Telecommunication-Related Matters Act, 1958 (Act No. 44 of 1958), or the Transnet Pension Fund Act, 1990 (Act No. 62 of 1990), **[which amount]** that is **[deemed to be]** a retirement fund lump sum withdrawal benefit **[contemplated in paragraph 2(1)*(b)* of the Second Schedule,**

as determined in terms of the rules of the fund];

'member's interest in the vested component' means the interest of a member of a pension fund, pension preservation fund, provident fund, provident preservation fund or retirement annuity fund in the vested component established for that member by that fund, and includes—

(a) the value of the **[member's]** interest of that member in **[the]** that fund **[that exists]** immediately prior to 1 September 2024;

(b) any amount credited to **[the member's]** that vested component on or after 1 September 2024; and

(c) any fund return as defined in section 1 of the Pension Funds Act in relation to **[amounts]** an amount contemplated in **[paragraphs]** paragraph *(a)* **[and]** or *(b)***[;]**.

[*(d)*]

as determined in terms of the rules of the fund, which value, amount or fund return is—

(i) reduced by **[any]** the amount allocated as contemplated in paragraph *(a)* of the definition of 'savings component'; and

[*(e)*](ii) reduced proportionally by any amount **[determined]** deducted from a member's benefit or minimum individual reserve in terms of section 37D(1)*(a), (b), (c)* or *(d)*(i) of the Pension Funds Act or a similar provision in the Government Employees Pension Law, 1996 (Proclamation No. 21 of 1996), the Post and Telecommunication-Related Matters Act, 1958 (Act No. 44 of 1958), or the Transnet Pension Fund Act, 1990 (Act No. 62 of 1990), **[which amount]** that is **[deemed to be]** a retirement fund lump sum withdrawal benefit **[contemplated in paragraph 2(1)*(b)* of the Second Schedule,**

, as determined in terms of the rules of the fund];'';

(c) by the substitution in the definition of ''pension fund'' for paragraph (i) of the proviso of the following paragraph:

''(i) that the fund is a permanent fund *bona fide* established for the purpose of providing annuities for members on retirement date or for the dependants or nominees of deceased employees, or mainly for the said purpose and also for the purpose of providing benefits other than annuities for the persons aforesaid or for the purpose of providing any benefit contemplated in the definition of 'savings withdrawal benefit', paragraph 2C of the Second Schedule or section 15A or 15E of the Pension Funds Act; and'';

(d) by the substitution in the definition of ‘‘pension fund’’ in subparagraph *(dd)* of paragraph (ii) of the proviso for the words preceding paragraph (A) of the proviso to that subparagraph of the following words:

‘‘that not more than one-third of **[the portion of]** the member’s interest in the vested component may be commuted for a single payment, and that the remainder, calculated together with the total value of the member’s interest in the retirement component, must be paid in the form of an annuity (including a living annuity), a combination of annuities (including a combination of methods of paying the annuity) or a combination of types of annuities except where two-thirds of the total member’s **[total]** interest in the vested component, calculated together with the total member’s **[total]** interest in the retirement component, does not exceed R165 000, where the employee is deceased or where the **[employee]** member elects to transfer the retirement interest to a pension preservation fund, provident preservation fund or **[a]** retirement annuity fund**[;]**: Provided that in determining the value of **[the retirement]** two-thirds of the member's interest in the vested component an amount calculated as follows must not be taken into account—’’;

(e) by the substitution in the definition of ‘‘pension fund’’ for the further proviso of the following further proviso:

‘‘: Provided further that the Commissioner may approve or recognise a fund contemplated in—

(i) paragraph *(a)*, *(b)*, *(c)* or *(d)* in respect of any year of assessment, if the Commissioner is satisfied that the rules of the fund provide—

(aa) for the creation of **[the ‘savings component’, ‘retirement component’ and ‘vested component’ as defined in section 1]** a savings component, retirement component and vested component;

(bb) that **[an employee]** a member may, prior to his or her retirement date, elect to receive the payment of—

(A) an amount from the retirement component, that must be deemed to be **[paid as]** a lump sum benefit contemplated in paragraph 2(1)*(b)*(ii) of the Second Schedule, where **[a]** the member—

(AA) is a person who is not a resident for an uninterrupted period of three years or longer on or after 1 March 2021;

(BB) departed from the Republic at the expiry of a visa obtained for the purposes of—

(AAA) working as contemplated in paragraph *(i)* of the definition of 'visa' in section 1 of the Immigration Act, 2002 (Act No. 40 of 2002);

(BBB) a visit as contemplated in paragraph *(b)* of the definition of 'visa' in section 1 of the Immigration Act, 2002 (Act No. 13 of 2002), issued in terms of paragraph *(b)* of the proviso to section 11 of **[the]** that Act by the Director-General, as defined in that Act; **[or**

(CC) is a person who is or was a resident who emigrated from the Republic and that emigration is recognised by the South African Reserve Bank for purposes of exchange control in respect of application for that recognition received on or before 28 February 2021 and approved by the South African Reserve Bank or an authorised dealer in foreign exchange for the delivery of currency on or before 28 February 2022; or

(B) an amount from the vested component, deemed to be paid as a lump sum benefit contemplated in paragraph 2(1)*(b)*(ii) of the Second Schedule, where a member—

(AA) is a person who is not a resident for an uninterrupted period of three years or longer on or after 1 March 2021;

(BB) departed from the Republic at the expiry of a visa obtained for the purposes of—

(AAA) working as contemplated in paragraph *(i)* of the definition of 'visa' in section 1 of the Immigration Act, 2002 (Act No. 13 of 2002); or

(BBB) a visit as contemplated in paragraph *(b)* of the definition of 'visa' in section 1 of the Immigration Act, 2002 (Act No. 13 of 2002), issued in terms of paragraph *(b)* of the proviso to section 11 of the Act by the Director-General, as defined in that Act; or

(CC) is a person who is or was a resident who emigrated from the Republic and that emigration is recognised by the South African Reserve Bank for purposes of exchange control in respect of application for that recognition received on or before 28 February 2021 and approved by the South African Reserve Bank or an authorised dealer in foreign exchange for delivery of currency on or before 28 February 2022; or]

(ii) paragraph *(a)*, *(b)* or *(d)* in respect of any year of assessment, if the Commissioner is satisfied that the rules of the fund provide that not more than one-third of the **[employee's retirement]** member's interest in the vested component may be commuted for a single payment and that the remainder, calculated together with the **[employee's]** member's interest in the retirement component, must be paid in the form of an annuity (including a living annuity), a combination of annuities (including a combination of methods of paying the annuity) or a combination of types of annuities except where two-thirds of the **[employee's]** member's interest in the vested component calculated together with the **[employee's]** total member's interest in the retirement component, does not exceed R165 000, where the employee is

deceased or where the **[employee]** member elects to transfer the retirement interest to a pension preservation fund, provident preservation fund or retirement annuity fund: Provided that in determining the value of two-thirds of the member's interest the vested component an amount calculated as follows must not be taken into account:

(i) in the case of a person who was a member of a provident fund or a provident preservation fund and who was 55 years of age or older on 1 March 2021—

(aa) any amount contributed to a provident fund or transferred to a provident preservation fund prior to, on and after 1 March 2021 of which that person was a member on 1 March 2021;

(bb) with the addition of any other amount credited to the member's individual account or minimum individual reserve of the provident fund or provident preservation fund prior to, on or after 1 March 2021; and

(cc) where applicable, any fund return, as defined in the Pension Funds Act, in relation to the contributions or transfers contemplated in subparagraph (aa) or amounts credited as contemplated in subparagraph (bb); or

(ii) in any other case of a person who was a member of a provident fund or a provident preservation fund on 1 March 2021—

(aa) any amount contributed to a provident fund or transferred to a provident preservation fund prior to 1 March 2021;

(bb) with the addition of any other amounts credited to the member's individual account or minimum individual reserve of the provident fund or provident preservation fund as a result of the value of the member's individual account or minimum individual reserve on 1 March 2021; and

(cc) where applicable, any fund return, as defined in the Pension Funds Act, in relation to the contributions or transfers contemplated in subparagraph (aa) or amounts credited as contemplated in subparagraph (bb),

where applicable, reduced proportionally by any amount permitted to be deducted in terms of the Pension Funds Act from the member's individual account or minimum individual reserve of the provident fund or provident preservation fund prior to, on or after 1 March 2021;'';

(f) by the substitution in the definition of ''pension preservation fund'' for item *(aa)* in paragraph *(a)*(i) of the proviso of the following item:

''*(aa)* resignation, retrenchment or dismissal from employment and who elected to have any lump sum benefit that is payable as a result of the termination transferred to **[that]** this fund, including lump sums transferred from **[the]** a member's vested component, savings component and retirement component in the previous fund to the member's vested component, savings component and retirement component in this fund;'';

(g) by the substitution in the definition of ''pension preservation fund'' for item *(bb)* in paragraph *(a)*(ii) of the proviso of the following item:

''*(bb)* **[if the member]** who elected to have any amount received or accrued by way of a lump sum benefit as contemplated in paragraph 2(1)*(b)*(ii) of the Second Schedule transferred to this **[pension preservation]** fund and who **[have]** made this election while they were members of that other fund, including lump sums transferred from the member's vested component, savings component and retirement component in the previous fund to the member's vested component, savings component and retirement component in this fund;'';

(h) by the substitution in the definition of ''pension preservation fund'' for subparagraph (v) in paragraph *(a)* of the proviso of the following subparagraph:

''(v) former members of a pension fund, pension preservation fund, provident fund or provident preservation fund who **[have]** elected to have a lump sum benefit contemplated in paragraph 2(1)*(c)* of the Second Schedule transferred to this **[pension preservation]** fund and who **[have]** made **[the]** this election while they were members of that other fund, including lump sums transferred from the member's vested component, savings component and retirement component in the previous fund to the member's vested component, savings component and retirement component in this fund;'';

(i) by the substitution in the definition of ‘‘pension preservation fund’’ in paragraph *(b)* of the proviso for the words preceding subparagraph (i) of the following words:

‘‘payments or transfers to the fund in respect of a member are limited to any amount **[allocated to the vested component, savings component or retirement component or an amount]** contemplated in paragraph 2(1)*(a)*(ii), *(b)* or *(c)* of the Second Schedule, together with the member's interest in the vested component, the member's interest in the savings component and the member's interest in the retirement component, or any unclaimed benefit as defined in the Pension Funds Act that is paid or transferred to the fund by—’’;

(j) by the substitution in the definition of ‘‘pension preservation fund’’ in paragraph *(c)* of the proviso for the words preceding the proviso to that paragraph of the following words:

‘‘with the exception of amounts transferred to any other pension fund, pension preservation fund, provident fund, provident preservation fund or retirement annuity fund, not more than one amount contemplated in paragraph 2(1)*(b)*(ii) of the Second Schedule is allowed to be paid to the member from the member’s interest in the vested component during the period of membership of the fund or any other preservation fund:";

(k) by the substitution in the definition of ‘‘pension preservation fund’’ for subparagraph (ii) of paragraph *(c)* of the proviso of the following subparagraph:

‘‘(ii) a member shall, prior to his or her retirement date, be entitled to the payment of—

(aa) an amount from the retirement component that must be deemed to be a lump sum benefit contemplated in paragraph 2(1)*(b)*(ii) of the Second Schedule where **[a]** the member—

[*(a)* is a person who is or was a resident who emigrated from the Republic and that emigration is recognised by the South African Reserve Bank for purposes of exchange control in respect of applications for that recognition received on or before 28 February 2021 and approved by the South African Reserve Bank or an authorised dealer in foreign exchange for the

delivery of the currency on or before 28 February 2022; or]

[*(b)*](B) is a person who is not a resident for an uninterrupted period of three years or longer on or after 1 March 2021; or

[*(c)*](C) departed from the Republic at the expiry of a visa obtained for the purposes of—

(AA) working as contemplated in paragraph *(i)* of the definition of 'visa' in section 1 of the Immigration Act, 2002 (Act No. 13 of 50 2002); or

(BB) a visit as contemplated in paragraph *(b)* of the definition of 'visa' in section 1 of the Immigration Act, 2002 (Act No. 13 of 2002), issued in terms of paragraph *(b)* of the proviso to section 11 of that Act by the Director-General, as defined in that Act; and

(bb) an amount from the **[retirement component and]** vested component, that must be deemed to be **[paid as]** a lump sum benefit contemplated in paragraph 2(1)*(b)*(ii) of the Second Schedule, where **[a]** the member—

(A) is a person who is not a resident for an uninterrupted period of three years or longer on or after 1 March 2021; or

(B) departed from the Republic at the expiry of a visa obtained for the purposes of—

(AA) working as contemplated in paragraph *(i)* of the definition of 'visa' in section 1 of the Immigration Act, 2002 (Act No. 13 of 2002); or

(BB) a visit as contemplated in paragraph *(b)* of the definition of 'visa' in section 1 of the Immigration Act, 2002 (Act No. 13 of 2002), issued in terms of paragraph *(b)* of the proviso to section 11 of **[the]** that Act by the Director-General, as defined in that Act; **[or**

(C) is a person who is or was a resident who emigrated from the Republic and that emigration is recognised by the South African Reserve Bank for purposes of exchange

control in respect of application for that recognition received on or before 28 February 2021 and approved by the South African Reserve Bank or an authorised dealer in foreign exchange for the delivery of currency on or before 28 February 2022;] and'';

(l) by the substitution in the definition of ''pension preservation fund'' for subparagraph (iii) of paragraph *(c)* of the proviso of the following subparagraph:

''(iii) a member who has transferred a retirement interest in terms of paragraph 2(1)*(c)* of the Second Schedule to this fund shall not be entitled to payment of a withdrawal benefit from the vested component as contemplated in paragraph 2(1)*(b)*(ii) of the Second Schedule in respect of that transferred amount, except to the extent that it is an amount contemplated in subparagraph (ii) **[or a savings withdrawal benefit]**; and'';

(m) by the substitution in the definition of ''pension preservation fund'' in paragraph *(e)* of the proviso for the words preceding paragraph *(a)* of the proviso to that paragraph of the following words:

''not more than one-third of the portion of the **[retirement]** member's interest in the vested component may be commuted for a single payment, and that the remainder, calculated together with the total value of the member's interest in the retirement component, must be paid in the form of an annuity (including a living annuity), a combination of annuities (including a combination of methods of paying the annuity) or a combination of types of annuities except where two-thirds of the total member's **[total]** interest in their vested component, calculated together with the total member's **[total]** interest in their retirement component, does not exceed R165 000, where the member is deceased or where the member elects to transfer the retirement interest to a pension preservation fund, provident preservation fund or **[a]** retirement annuity fund: Provided that in determining the value of **[the retirement]** two-thirds of the member's interest in the vested component an amount calculated as follows must not be taken into account—'';

(n) by the substitution in the definition of ''pension preservation fund'' for the second further proviso of the following further proviso:

‘‘: Provided further that the Commissioner may approve a fund in respect of any year of assessment, if the Commissioner is satisfied that the rules of the fund provide for the creation of **[the ‘savings component’, ‘retirement component’ and ‘vested component’ as defined in section 1]** a savings component, retirement component and vested component;’’;

(o) by the substitution in the definition of ‘‘provident fund’’ for paragraph (i) of the proviso of the following paragraph:

‘‘(i) that the fund is a permanent fund *bona fide* established solely for the purpose of providing **[benefits]** annuities for **[employees]** members on retirement date or **[solely for the purpose of providing annuities]** for the dependants or nominees of deceased **[employees]** members, or **[deceased former employees or solely for a combination of such purposes or]** mainly for the said purpose and also for the purpose of providing benefits other than annuities for the persons aforesaid or for the purpose of providing any benefit contemplated in the definition of ‘savings withdrawal benefit’, paragraph 2C of the Second Schedule or section 15A or 15E of the Pension Funds Act; and’’;

(p) by the substitution in the definition of ‘‘provident fund’’ in subparagraph *(dd)* of paragraph (ii) of the proviso for the words preceding paragraph (A) of the proviso of the following words:

‘‘that not more than one-third of **[the portion of]** the **[retirement]** member's interest **[that exists in an employee’s interest]** in the vested component may be commuted for a single payment, and that the remainder calculated together with the **[employee’s]** member's interest in the retirement component must be paid in the form of an annuity (including a living annuity), a combination of annuities (including a combination of methods of paying the annuity) or a combination of types of annuities except where two-thirds of the **[employee’s retirement]** member's interest in the vested component, calculated together with the **[employee’s]** member's interest in the retirement component, does not exceed R165 000, where the **[employee]** member is deceased or where the **[employee]** member elects to transfer the retirement interest to a pension preservation fund, provident preservation fund or **[a]** retirement annuity fund: Provided that in determining the value of **[the retirement]** two-thirds of the member's interest in the vested

component an amount calculated as follows must not be taken into account—'';

(q) by the substitution in the definition of ''provident fund'' for the further proviso of the following further proviso:

''; Provided further that the Commissioner may approve or recognise a fund contemplated in—

(i) paragraph *(a)*, *(b)*, *(c)* or *(d)* in respect of any year of assessment, if the Commissioner is satisfied that the rules of the fund provide—

(aa) for the creation of **[the 'savings component', 'retirement component' and 'vested component' as defined in section 1]** a savings component, retirement component and vested component;

(bb) that **[an employee]** a member shall, prior to his or her retirement date, be entitled to elect to receive the payment of an amount from the retirement component, that is deemed to be **[paid as]** a lump sum benefit contemplated in paragraph 2(1)*(b)*(ii) of the Second Schedule, where a member—

(AA) is a person who is not a resident for an uninterrupted period of three years or longer on or after 1 March 2021; or

(BB) departed from the Republic at the expiry of a visa obtained for the purposes of—

(AAA) working as contemplated in paragraph *(i)* of the definition of 'visa' in section 1 of the Immigration Act, 2002 (Act No. 13 of 2002); or

(BBB) a visit as contemplated in paragraph *(b)* of the definition of 'visa' in section 1 of the Immigration Act, 2002 (Act No. 13 of 2002), issued in terms of paragraph *(b)* of the proviso to section 11 of **[the]** that Act by the Director-General, as defined in that Act; or

(ii) paragraph *(a)*, *(b)* or *(c)* in respect of any year of assessment, if the Commissioner is satisfied that the rules of the fund provide that not more than one-third of **[the employee's]** a member's interest in the vested component may be commuted for a single payment and that the

remainder, calculated together with the member's interest in the retirement component, must be paid in the form of an annuity (including a living annuity), a combination of annuities (including a combination of methods of paying the annuity) or a combination of types of annuities except where two-thirds of the **[employee's]** total member's interest in the vested component, calculated together with the **[employee's]** total member's interest in the retirement component, does not exceed R165 000, where the **[employee]** member is deceased or where the **[employee]** member elects to transfer the retirement interest to a pension preservation fund, provident preservation fund or retirement annuity fund: Provided further that the Commissioner may recognise a fund contemplated in paragraph *(a)*, *(b)* or *(c)* in respect of any year of assessment if the Commissioner is satisfied that the rules of the fund provide that in determining the value of two-thirds of the member's interest in the vested component an amount calculated as follows must not be taken into account:

(i) in the case of a person who was a member of a provident fund or a provident preservation fund and who was 55 years of age or older on 1 March 2021—

(aa) any amount contributed to a provident fund or transferred to a provident preservation fund prior to, on and after 1 March 2021 of which that person was a member on 1 March 2021;

(bb) with the addition of any other amount credited to the member's individual account or minimum individual reserve of the provident fund or provident preservation fund prior to, on or after 1 March 2021; and

(cc) where applicable, any fund return, as defined in the Pension Funds Act, in relation to the contributions or transfers contemplated in subparagraph *(aa)* or amounts credited as contemplated in subparagraph *(bb)*; or

(ii) in any other case of a person who was a member of a provident fund or a provident preservation fund on 1 March 2021—

(aa) any amount contributed to a provident fund or transferred to a provident preservation fund prior to 1 March 2021;

(bb) with the addition of any other amounts credited to the member's individual account or minimum individual reserve of the provident fund or provident preservation fund as a result of the value of the member's individual account or minimum individual reserve on 1 March 2021; and

(cc) where applicable, any fund return, as defined in the Pension Funds Act, in relation to the contributions or transfers contemplated in subparagraph *(aa)* or amounts credited as contemplated in subparagraph *(bb)*,

where applicable, reduced proportionally by any amount permitted to be deducted in terms of the Pension Funds Act from the member's individual account or minimum individual reserve of the provident fund or provident preservation fund prior to, on or after 1 March 2021;'';

(r) by the substitution in the definition of ''provident preservation fund'' for item *(aa)* of paragraph *(a)*(i) of the proviso of the following item:

''*(aa)* resignation, retrenchment or dismissal from employment and who elected to have any lump sum benefit that is payable as a result of the termination transferred to that fund, including lump sums transferred from the member's vested component, savings component and retirement component in the previous fund to the member's vested component, savings component and retirement component in this fund;'';

(s) by the substitution in the definition of ''provident preservation fund'' for item *(bb)* of paragraph *(a)*(ii) of the proviso of the following item:

''*(bb)* if the member elected to have any lump sum benefit contemplated in paragraph 2(1)*(b)*(ii) of the Second Schedule transferred to this **[pension preservation]** fund and who made this election while they were members of that other fund, including lump sums transferred from the member's vested component, savings component and retirement component in the previous fund to the member's vested component, savings component and retirement component in this fund;'';

(t) by the substitution in the definition of ''provident preservation fund'' for subparagraph (v) of paragraph *(a)* of the proviso of the following subparagraph:

‘‘(v) former members of a pension fund, pension preservation fund, provident fund or provident preservation fund who have elected to have a lump sum benefit contemplated in paragraph 2(1)*(c)* of the Second Schedule transferred to this **[provident preservation]** fund and who made the election while they were members of that other fund, including lump sums transferred from the member’s vested component, savings component and retirement component in the previous fund to the member’s vested component, savings component and retirement component in this fund; or’’;

(u) by the substitution in the definition of ‘‘provident preservation fund’’ for the words preceding subparagraph (i) of paragraph *(b)* of the proviso of the following words:

‘‘payments or transfers to the fund in respect of a member are limited to any amount **[allocated to the vested component, savings component or retirement component or an amount]** contemplated in paragraph 2(1)*(a)*(ii), *(b)* or *(c)* of the Second Schedule, together with the member's interest in the vested component, the member's interest in the savings component and the member's interest in the retirement component, or any unclaimed benefit as defined in the Pension Funds Act that is paid or transferred to the fund by—’’;

(v) by the substitution in the definition of "provident preservation fund" in paragraph *(c)* of the proviso for the words preceding the proviso to that paragraph of the following words:

‘‘with the exception of amounts transferred to any pension fund, pension preservation fund, other provident fund, provident preservation fund or retirement annuity fund, not more than one amount contemplated in paragraph 2(1)*(b)*(ii) of the Second Schedule is allowed to be paid to the member from the member’s interest in the vested component during the period of membership of the fund or any other provident preservation fund:";

(w) by the substitution in the definition of ‘‘provident preservation fund’’ for subparagraph (ii) of paragraph *(c)* of the proviso of the following subparagraph:

‘‘(ii) a member shall, prior to his or her retirement date, be entitled to the payment of—

(aa) an amount from the retirement component, that must be deemed to be a lump sum benefit contemplated in paragraph 2(1)*(b)*(ii) of the Second Schedule where a member—

[*(a)* is a person who is or was a resident who emigrated from the Republic and that emigration is recognised by the South African Reserve Bank for purposes of exchange control in respect of applications for that recognition received on or before 28 February 2021 and approved by the South African Reserve Bank or an authorised dealer in foreign exchange for the delivery of the currency on or before 28 February 2022;]

(b) is a person who is not resident for an uninterrupted period of three years or longer on or after 1 March 2021; or

(c) departed from the Republic at the expiry of a visa obtained for the purposes of—

(AA) working as contemplated in paragraph *(i)* of the definition of 'visa' in section 1 of the Immigration Act, 2002 (Act No. 13 of 2002); or

(BB) a visit as contemplated in paragraph *(b)* of the definition of 'visa' in section 1 of the Immigration Act, 2002 (Act No. 13 of 2002), issued in terms of paragraph *(b)* of the proviso to section 11 of **[the]** that Act by the Director-General, as defined in that Act;

(bb) an amount from the **[retirement component or]** vested component, that must be deemed to be **[paid as]** a lump sum benefit contemplated in paragraph 2(1)*(b)*(ii) of the Second Schedule, where **[a]** the member—

(A) is a person who is not a resident for an uninterrupted period of three years or longer on or after 1 March 2021; or

(B) departed from the Republic at the expiry of a visa obtained for the purposes of—

(AA) working as contemplated in paragraph *(i)* of the definition of 'visa' in section 1 of the Immigration Act, 2002 (Act No. 13 of 2002); or

(BB) a visit as contemplated in paragraph (b) of the definition of 'visa' in section 1 of the Immigration Act, 2002 (Act No. 13 of 2002), issued in terms of paragraph (b) of the proviso to section 11 of **[the]** that Act by the Director-General, as defined in that Act; **[or**

(C) is a person who is or was a resident who emigrated from the Republic and that emigration is recognised by the South African Reserve Bank for purposes of exchange control in respect of application for that recognition received on or before 28 February 2021 and approved by the South African Reserve Bank or an authorised dealer in foreign exchange for the delivery of currency on or before 28 February 2022;] and'';

(x) by the substitution in the definition of ''provident preservation fund'' in paragraph *(c)* of the proviso for paragraph (iii) of the proviso to that paragraph of the following paragraph:

''(iii) a member who has transferred a retirement interest in terms of paragraph 2(1)*(c)* of the Second Schedule to this fund shall not be entitled to payment of a withdrawal benefit from the vested component as contemplated in paragraph 2(1)*(b)*(ii) of the Second Schedule in respect of that transferred amount, except to the extent that it is an amount contemplated in **[subparagraph]** paragraph (ii) or a savings withdrawal benefit; **[and]**'';

(y) by the substitution in the definition of ''provident preservation fund'' in paragraph *(e)* of the proviso for the words preceding paragraph *(a)* of the proviso to that paragraph of the following words:

''not more than one-third of the **[portion of the]** member's interest in the vested component **[immediately prior to 1 March 2025]** may be commuted for a single payment, and that the remainder, calculated together with the

member's interest in the retirement component, must be paid in the form of an annuity (including a living annuity), a combination of annuities (including a combination of methods of paying the annuity) or a combination of types of annuities except where two-thirds of the member's **[total]** interest in their vested component, calculated together with the member's **[total]** interest in their retirement component, does not exceed R165 000, where the member is deceased or where the member elects to transfer the retirement interest to a pension preservation fund, **[a]** provident preservation fund or **[a]** retirement annuity fund:

Provided that in determining the value of <u>two-thirds of</u> the **[retirement]** <u>member's</u> interest <u>in the vested component</u> an amount calculated as follows must not be taken into account:'';

(z) by the substitution in the definition of ''provident preservation fund'' for the second further proviso of the following further proviso:

'': Provided further that the Commissioner may approve a fund in respect of any year of assessment, if the Commissioner is satisfied that the rules of the fund provide for the creation of **[the 'savings component', 'retirement component' and 'vested component' as defined in section 1]** <u>a savings component, retirement component and vested component</u>;'';

*(z*A*)* by the substitution in the definition of ''retirement annuity fund'' for paragraph *(a)* of the proviso of the following paragraph:

''*(a)* that the fund is a permanent fund *bona fide* established for the sole purpose of providing life annuities for the members of the fund or annuities for the dependants or nominees of deceased members or for the purpose of providing any <u>savings withdrawal</u> benefit **[contemplated in the 'savings withdrawal benefit' in section 1]**; and'';

*(z*B*)* by the substitution in the definition of ''retirement annuity fund'' in subparagraph (ii) of paragraph *(b)* of the proviso for the words preceding the proviso of the following words:

''that not more than one-third of the member's interest in the vested component may be commuted for a single payment, and that the remainder, calculated together with the total value of the member's **[share standing to the credit of]** <u>interest in</u> the retirement component, must be paid in the form of an annuity (including a living annuity), a combination of annuities

(including a combination of methods of paying the annuity) or a combination of types of annuities except where two-thirds of the **[total value of the]** member's interest in the vested component, **[plus]** calculated together with the member's interest in the retirement component, does not exceed R165 000, or where the member is deceased **[or where the member elects to transfer the vested component to a retirement annuity fund]**:'';

*(z*C*)* by the substitution in the definition of ''retirement annuity fund'' for item *(dd)* of paragraph *(b)*(x) of the proviso of the following item:

''*(dd)* the payment of—

(A) an amount from the retirement component, that must be deemed to be a lump sum benefit contemplated in paragraph 2(1)*(b)*(ii) of the Second Schedule where that member—

[(AA) is a person who is or was a resident who emigrated from the Republic and that emigration is recognised by the South African Reserve Bank for purposes of exchange control in respect of applications for that recognition received on or before 28 February 2021 and approved by the South African Reserve Bank or an authorised dealer in foreign exchange for the delivery of currency on or before 28 February 2022;]

(BB) is a person who is not a resident for an uninterrupted period of three years or longer on or after 1 March 2021; or

(CC) departed from the Republic at the expiry of a visa obtained for the purposes of—

(AAA) working as contemplated in paragraph *(i)* of the definition of 'visa' in section 1 of the Immigration Act, 2002 (Act No. 13 of 2002); or

(BBB) a visit as contemplated in paragraph (b) of the definition of 'visa' in section 1 of the Immigration Act, 2002 (Act No. 13 of 2002), issued in terms of paragraph (b) of the proviso to section 11 of **[the]** that Act by the Director-General, as defined in section 1 of that Act; or

(B) an amount from the **[retirement component and]** vested component, that must be deemed to be **[paid as]** a lump sum benefit contemplated in paragraph 2(1)*(b)*(ii) of the Second Schedule, where **[a]** the member—

(AA) is a person who is not a resident for an uninterrupted period of three years or longer on or after 1 March 2021; or

(BB) departed from the Republic at the expiry of a visa obtained for the purposes of—

(AAA) working as contemplated in paragraph *(i)* of the definition of 'visa' in section 1 of the Immigration Act, 2002 (Act No. 13 of 2002); or

(BBB) a visit as contemplated in paragraph (b) of the definition of 'visa' in section 1 of the Immigration Act, 2002 (Act No. 13 of 2002), issued in terms of paragraph (b) of the proviso to section 11 of [the] that Act by the Director- General, as defined in that Act; **[or**

(CC) is a person who is or was a resident who emigrated from the Republic and that emigration is recognised by the South African Reserve Bank for purposes of exchange control in respect of applications for that recognition received on or before 28 February 2021 and approved by the South African Reserve Bank or an authorised dealer in foreign exchange for the delivery of currency on or before 28 February 2022; or

(C) an amount from the vested component, deemed to be paid as a lump sum benefit contemplated in paragraph 2(1)*(b)*(ii) of the Second Schedule, where a member—

(AA) is a person who is not a resident for an uninterrupted period of three years or longer on or after 1 March 2021; or

(BB) departed from the Republic at the expiry of a visa obtained for the purposes of—

(AAA) working as contemplated in paragraph *(i)* of the definition of 'visa' in section 1 of the Immigration Act, 2002 (Act No. 13 of 2002); or

(BBB) a visit as contemplated in paragraph (b) of the definition of 'visa' in section 1 of the Immigration Act, 2002 (Act No. 13 of 2002), issued in terms of paragraph (b) of the proviso to section 11 of the Act by the Director-General, as defined in that Act; or

(CC) is a person who is or was a resident who emigrated from the Republic and that emigration is recognised by the South African Reserve Bank for purposes of exchange control in respect of applications for that recognition received on or before 28 February 2021 and approved by the South African Reserve Bank or an authorised dealer in foreign exchange for the delivery of currency on or before 28 February 2022;]'';

*(z*D*)* by the substitution in the definition of ''retirement annuity fund'' for the further proviso of the following further proviso:

'': Provided further that the Commissioner may approve a fund in respect of any year of assessment, if the Commissioner is satisfied that the rules of the fund provide for the creation of **[the 'savings component', 'retirement component' and 'vested component' as defined in section 1]** a savings component, retirement component and vested component;'';

*(z*E*)* by the substitution for the definition of ''retirement component'' of the following definition:

'' **'retirement component'** means a component established in terms of the rules of a pension fund, pension preservation fund, provident fund, provident preservation fund or retirement annuity fund for a person who is a member of that fund**[: Provided that]**, if the rules of the fund provide that—

(a) two-thirds of the total retirement contributions to a pension fund, provident fund or retirement annuity fund by or on behalf of that member on or after 1 September 2024 **[is]** are allocated to this component: Provided that—

(i) in determining the value of the contributions to this component an amount of charges and risk premiums deductible against such contributions must not be taken into account;

(ii) in the case of funds with a defined benefit funding structure, the total value attributed to this component on or after 1 September 2024 is to be determined with reference to two-thirds of the member's 'pensionable service' as contemplated in the rules of that fund on or after 1 September 2024; and

(iii) a fund with a defined benefit structure that is unable to allocate contributions as contemplated in paragraph (ii) may allocate contributions utilising a reasonable method of allocation as approved by the Financial Sector Conduct Authority;

[*(b)* payments or transfers from a similar component to a pension preservation fund or provident preservation fund by or on behalf that member on or after 1 September 2024 is allocated to this component;]

(c) any amounts transferred from a **[similar]** retirement component of any other pension fund, pension preservation fund, provident fund, provident preservation fund or retirement annuity fund on or after 1 September 2024 **[is]** are allocated to this component; and

(d) the total value of the member's interest in the retirement component must be paid in the form of an annuity (including a living annuity), a combination of annuities (including a combination of methods of paying the annuity) or a combination of types of annuities except where the member's interest in the retirement component calculated together with two-thirds of the member's interest in the vested component does not exceed R165 000, where the **[employee]** member is deceased or where the **[employee]** member elects to transfer the retirement interest to a pension fund, pension preservation fund, provident fund, provident preservation fund or **[a]** retirement annuity fund:

Provided that this **[provision]** definition shall not apply to **[a 'legacy retirement annuity policy' as defined in section 1 (that has been exempted from this provision, subject to the conditions that may be required by the Financial Sector Conduct Authority),]**—

(i) a ‘beneficiary fund’, 'pensioner' or ‘unclaimed benefit fund’ **[and ‘pensioner’]** as defined in section 1 of the Pension Funds Act**[, and]**;

(ii) a legacy retirement annuity policy; or

(iii) any person who is or was a member of a provident fund or provident preservation fund and who **[is or]** was 55 years of age or older on 1 March 2021 and is still a member of the same provident fund or provident preservation fund, unless such person has elected to contribute to **[the ‘retirement component’]** this component within 12 months of 1 September 2024**[:**

Provided further that in determining the value of the member’s interest in the retirement component calculated together with two-thirds of the member’s interest in the vested component an amount calculated as follows must not be taken into account:

(i) In the case of a person who is or was a member of a provident fund or provident preservation fund and who was 55 years of age or older on 1 March 2021 who has elected to contribute to the retirement component,

(aa) **two-thirds of the members contribution to the vested component in a provident fund or transfers to the vested component in a provident preservation fund on or after 1 September 2024;**

(bb) **with the addition of any other amount credited to the member’s individual account or minimum individual reserve of the vested component in the provident fund or provident preservation fund on or after 1 September 2024; and**

(cc) **any fund return, as defined in the Pension Funds Act, in relation to the contribution or transfers contemplated in item *(aa)* or amounts credited contemplated in item *(bb)*]**;’’;

*(z*F*)* by the substitution for the definition of ‘‘savings component’’ of the following definition:

‘‘ **‘savings component’** means a component established in terms of the rules of a pension fund, pension preservation fund, provident fund, provident

preservation fund or retirement annuity fund for a person who is a member of that fund: Provided that the rules of the fund provide that—

(a) a one-off amount of 10 per cent of the total value of each contract in the **[vested component]** fund as at 31 August 2024**[, as contemplated in paragraph (a) of the definition of 'vested component']**, limited to R30 000, is allocated to this component on or after 1 September 2024: Provided **[further]** that—

(i) the amount may be determined on or after 1 September 2024, and the allocation must be backdated to that date; and

(ii) in the case of any person who is or was a member of a provident fund or provident preservation fund and who is or was 54 years of age or younger on 1 March 2021, the one-off amount is to be calculated proportionally **[from]** between that member's **[retirement interest]** fund value in that provident fund or provident preservation fund on 28 February 2021 **[and]**, including the increase in the value up to and including 31 August 2024 from that fund, and the value of contributions received on or after 1 March 2021, including any fund return on those contributions;

(b) one-third of the total retirement contributions to a pension fund, provident fund or retirement annuity fund by or on behalf of that member on or after 1 September 2024 is allocated to this component: Provided that—

(i) in determining the value of the contributions to this component an amount of charges and risk premiums deductible against such contributions must not be taken into account;

(ii) in the case of funds with a defined benefit funding structure, the total value attributed to this component on or after 1 September 2024 is to be determined with reference to one-third of the member's 'pensionable service' as contemplated in the rules of that fund on or after 1 September 2024; and

(iii) a fund with a defined benefit structure that is unable to allocate contributions as contemplated in subparagraph (ii) may allocate contributions utilising a reasonable method of allocation **[as]** approved by the Financial Sector Conduct Authority;

(c) payments or transfers from a **[similar]** savings component to a pension preservation fund or provident preservation fund by or on behalf of that member on or after 1 September 2024 is allocated to this component;

(d) any amounts transferred from a **[similar]** savings component of any other pension fund, pension preservation fund, provident fund, provident preservation fund or retirement annuity fund on or after 1 September 2024 are allocated to this component if the member's **[total]** interest in that fund is transferred in terms of the rules of the fund;

(e) the member may elect to allocate the value of the member's interest in this component into the member's retirement component in that fund;

(f) the member's interest in this component or portion thereof may be paid in the form of a savings withdrawal benefit; **[and]**

(g) **[on the death of the member or former member, or]** on retirement of the member**[, the member's interest in this component may on election of the member or nominee be]**—

(i) **[on the death of the member paid to a nominee or dependant of the deceased member or former member; or]** the member's interest in this component may on election of the member be paid to the retired member and is deemed to be a lump sum benefit contemplated in paragraph 2(1)*(a)* of the Second Schedule; and

(ii) **[on retirement, to the retired member and is deemed to be a lump sum benefit contemplated in paragraph 2(1)*(a)* of the Second Schedule and in the absence of a nominee or dependant, to the deceased's estate as a lump sum benefit contemplated in paragraph 2(1)*(a)* of the Second Schedule]** any portion of the member's interest in this component not paid as contemplated in subparagraph (i) must be added to the amount available to be paid in the form of an annuity, a combination of annuities or a combination of types of annuities and is part of the member's interest in the retirement component as contemplated in paragraph *(d)* of the definition of 'retirement component':

Provided further that this definition shall not apply to **[a 'legacy retirement annuity policy' as defined in section 1, that has been approved for exemption by the Financial Sector Conduct Authority,]**—

(i) a 'beneficiary fund', 'pensioner' or 'unclaimed benefit fund' **[and 'pensioner']** as defined in section 1 of the Pension Funds Act**[, and]**;

(ii) a legacy retirement annuity policy; or

(iii) any person who is or was a member of a provident fund or provident preservation fund and who **[is or]** was 55 years of age or older on 1 March 2021 and is still a member of the same provident fund or provident preservation fund, unless such person has elected to contribute to **[the 'savings component']** this component within 12 months of 1 September 2024, in which case a one-off amount of 10 per cent of the value of the member's vested component as at 31 August 2024, limited to R30 000, must be allocated to this component on the last day of the month in which the election was made;";

(zG) by the substitution for the definition of ''vested component'' of the following definition:

'' **'vested component'** means a component established in terms of the rules of a pension fund, pension preservation fund, provident fund, provident preservation fund or retirement annuity fund for a person who is a member of that fund: Provided that the rules of the fund provide that—

(a) the member's interest in this component, after taking into account the allocation of the amount contemplated in paragraph (a) of the definition of 'savings component', is subject to and must be paid in accordance with the rules of the fund that exist immediately prior to 1 September 2024;

(b) no contributions may be made to this component on or after 1 September 2024, except in the case of a person who was a member of a provident fund and is still a member of the same provident fund and who was 55 years of age or older on 1 March 2021: Provided that where the above-mentioned member has elected to make contributions to **[this]** the savings component and the retirement component on or after 1 September 2024, that member may not be allowed to make

contributions to **[the savings component or the retirement]** this component from the month following the effective date of election;

(c) the member may, in accordance with the rules of the fund that exist immediately prior to 1 September 2024, elect to transfer the value of this component into the member's vested component of another pension fund, pension preservation fund, provident fund, provident preservation fund or retirement annuity fund on termination of membership of the fund;

(d) the member may elect to transfer the value of this component into the member's retirement component of another pension fund, pension preservation fund, provident fund, provident preservation fund or retirement annuity fund on termination of membership of the fund; and

(e) the member may elect to transfer the value of this component into the member's retirement component of the same pension fund, pension preservation fund, provident fund, provident preservation fund or retirement annuity fund of which he or she is a member;''.

(2) Subsection (1) comes into operation on 1 September 2024.

Amendment of paragraph 2 of Second Schedule to Act 58 of 1962, as substituted by section 57 of Act 17 of 2009 and amended by section 80 of Act 7 of 2010, section 92 of Act 22 of 2012, section 62 of Act 17 of 2017, section 48 of Act 34 of 2019 and section 3 of Act 12 of 2024

2. (1) Paragraph 2(1) of the Second Schedule to the Income Tax Act, 1962, is hereby amended by the substitution for item *(d)* of the following item:

''*(d)* any amount **[transferred for the benefit of that person within the same fund as contemplated in paragraph 6B*(a)*[, 6B*(b)* or 6B*(f)*]**—

(i) **[and any amount]** transferred on termination of membership in **[that]** a fund **[or as contemplated in paragraph 2(1)*(b)*(iA)]** to another fund for the benefit of that person as contemplated in paragraph 6B**[*(c)*, 6B*(d)*, or 6B*(e)*]** *(a)*, *(b)* or *(c)*; and

(ii) contemplated in item *(b)*(iA), transferred for the benefit of that person to another fund as contemplated in paragraph 6B*(a)*, *(b)* or *(c)*,

less any deductions permitted under the provisions of paragraph 6B.''.

(2) Subsection (1) comes into operation on 1 September 2024.

Amendment of paragraph 6B of Second Schedule to Act 58 of 1962, as inserted by section 4 of Act 12 of 2024

3. (1) The Second Schedule to the Income Tax Act, 1962, is hereby amended by the substitution for paragraph 6B of the following paragraph:

"6B. The deduction to be allowed from an amount contemplated in paragraph 2(1)*(d)* is equal to so much of that amount as is transferred for the benefit of a person from the—

[*(a)* **savings component into the member's retirement component in that same fund;**

(b) **vested component into the member's retirement component in that same fund;]**

[*(c)*]*(a)* savings component in **[that]** a fund into the **[member's]** savings component of a member or former spouse of that **[member's savings component]** member or **[member's]** the retirement component of a member or former spouse of that **[member's retirement component]** member in another pension fund, pension preservation fund, provident fund, provident preservation fund or retirement annuity fund;

[*(d)*]*(b)* vested component in that fund into the **[member's]** vested component of that member or former spouse of that member **[member's vested component]** or **[member's]** the retirement component of that member or former spouse of that **[member's retirement component]** member in another pension fund, pension preservation fund, provident fund, provident preservation fund or retirement annuity fund; and

[*(e)*]*(c)* retirement component into the **[member's]** retirement component of that member or former spouse of that **[member's retirement component of]** member in another pension fund, pension preservation fund, provident fund, provident preservation fund or retirement annuity fund**[; and**

(f) **vested component into the member's savings component in that same fund for purposes of the allocation as contemplated in paragraph *(a)* of the 'savings component' definition]**:

Provided that **[any transfers contemplated under item *(c)*, *(d)* or *(e)* are]** subparagraph *(a)*, *(b)* or *(c)* only **[permissible]** applies to an amount transferred on termination of membership in the transferor fund or **[as]** an amount contemplated in paragraph 2(1)*(b)*(iA)**[: Provided further that any transfers contemplated under item (c), (d) or (e) are only permissible] ,** and only if all the remaining components are transferred **[into]** to the same transferee fund or if all the components are transferred on an individual contract policy basis to the same transferee fund.''.

(2) Subsection (1) comes into operation on 1 September 2024.

Amendment of paragraph 2 of Fourth Schedule to Act 58 of 1962, as inserted by section 19 of Act 6 of 1963 and amended by section 23 of Act 72 of 1963, section 29 of Act 55 of 1966, section 38 of Act 88 of 1971, section 48 of Act 85 of 1974, section 28 of Act 113 of 1977, section 40 of Act 90 of 1988, section 21 of Act 70 of 1989, section 45 of Act 101 of 1990, section 45 of Act 129 of 1991, section 38 of Act 21 of 1995, section 45 of Act 28 of 1997, section 53 of Act 30 of 2000, section 54 of Act 59 of 2000, section 20 of Act 19 of 2001, section 21 of Act 16 of 2004, section 50 of Act 31 of 2005, section 40 of Act 20 of 2006, section 55 of Act 8 of 2007, section 65 of Act 35 of 2007, section 18 of Act 18 of 2009, section 94 of Act 24 of 2011, section 19 of Act 21 of 2012, section 13 of Act 26 of 2013, section 8 of Act 39 of 2013, section 6 of Act 16 of 2016, section 51 of Act 34 of 2019 and section 6 of Act 12 of 2024

4. (1) Paragraph 2 of the Fourth Schedule to the Income Tax Act, 1962, is hereby amended by the substitution for subparagraph (2C) of the following subparagraph:

''(2C) A pension fund, pension preservation fund, provident fund, provident preservation fund or retirement annuity fund that pays a 'savings withdrawal benefit' as defined in section 1 shall, when deducting or withholding employees' tax in respect of that savings withdrawal benefit, apply the **[fixed tax]** rate of tax that the Commissioner directs must be used in determining the amount of employees' tax to be withheld.''.

(2) Subsection (1) comes into operation on 1 September 2024.

Amendment of paragraph 9 of Fourth Schedule to Act 58 of 1962, as amended by section 39 of Act 88 of 1971, section 32 of Act 103 of 1976, section 29 of Act 104 of 1980, section 46 of Act 101 of 1990, section 46 of Act 28 of 1997, section 55 of Act 59 of 2000, section 21 of Act 19 of 2001, section 41 of Act 20 of 2006, section 56 of Act 8 of 2007, sections 66 of Act 35 of 2007, section 68 of Act 60 of 2008, section 20 of Act 18 of 2009, section 95 of Act 24 of 2011, section 8 of Act 23 of 2015, section 7 of Act 16 of 2016 and section 7 of Act 12 of 2024

5. (1) Paragraph 9 of the Fourth Schedule to the Income Tax Act, 1962, is hereby amended by the substitution in subparagraph (3) for item *(a)* of the following item:

''*(a)* The amount to be deducted or withheld in respect of employees' tax from any lump sum to which paragraph *(d)***[,]** or *(e)* of the definition of 'gross income' in section 1 applies, or any amount to which paragraph *(e*D*)* of **[the]** that definition **[of 'gross income' in section 1]** or section 7A applies, or any transfers as contemplated in paragraph 2(1)*(d)* of the Second Schedule, shall be ascertained by the employer from the Commissioner before paying out such lump sum **[or before such transfers are effected]**, and the Commissioner's determination of the amount to be so deducted or withheld shall be final.''.

(2) Subsection (1) comes into operation on 1 September 2024.

Amendment of section 3 of Act 9 of 1999, as substituted by section 88 of Act 15 of 2016 and section 88 of Act 17 of 2017

6. (1) Section 3 of the Skills Development Levies Act, 1999, is hereby amended by the substitution in subsection (4) for paragraph (c) of the following paragraph:

"*(c)* contemplated in paragraph *(a)*, *(d)*, *(e)* **[or]**, *(e*A*)* or *(e*D*)* of the definition of 'gross income' in section 1 of the Income Tax Act;".

(2) Subsection (1) comes into operation on 1 September 2024.

Amendment of section 1 of Act 4 of 2002, as amended by section 207 of Act 45 of 2003, section 47 of Act 18 of 2009 and section 271 of Act 28 of 2011, read with paragraph 157 of Schedule 1 to that Act

7. (1) Section 1 of the Unemployment Insurance Contributions Act, 2002, is hereby amended by the substitution in subsection (1) in the definition of "remuneration" for paragraph *(b)* of the following paragraph:

"(*b*) which constitutes an amount contemplated in **[paragraphs]** paragraph *(a)*, *(c*A*)*, *(d)*, *(e)* **[or]**, *(e*A*)* or *(e*D*)* of the definition of 'gross income' in section 1 of the Income Tax Act; or".

(2) Subsection (1) comes into operation on 1 September 2024.

Short title

8. This Act is called the Revenue Laws Second Amendment Act, 2024.



DRAFT EXPLANATORY MEMORANDUM

ON THE

REVENUE LAWS AMENDMENT BILL, 2024

1 August 2024

[W.P. – '24]

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1 INCOME TAX: INDIVIDUALS, SAVINGS AND EMPLOYMENT

1.1 TWO-POTS RETIREMENT SYSTEM

CLARIFICATION OF DIFFERENT ASPECTS INVOLVING TWO-POTS RETIREMENT SYSTEM

[Applicable provisions: Definitions of "legacy retirement annuity policy", "member's interest in the retirement component", "member's interest in the savings component", "member's interest in the vested component", pension fund, pension preservation fund, provident fund, provident preservation fund, retirement annuity fund, retirement component, retirement interest, savings component and vested component, paragraph 2 and paragraph 6B of the Second Schedule, paragraphs 2 and 9 of the Fourth Schedule to the Income Tax Act, No. 58 of 1962 ("the Act")]

I. Background

In 2023, Government proposed a further reform to the retirement saving regime to introduce the so-called "two-pots" retirement system from 1 September 2024. In terms of this reform, retirement savings will be split into a "vested component", "savings component" and "retirement component". In summary it is envisaged that:

i. The "vested component" will be made up of retirement savings on 31 August 2024. It was proposed that the regime makes provision for the creation of once-off seed capital, calculated as ten per cent of the "vested component" or R30 000, whichever is the lowest, to be allocated from the retirement savings to the new "savings component".

ii. From 1 September 2024:

   a. retirement contributions will be split into two, with one-third of the contributions going to the "savings component" and two-thirds going to the "retirement component";

   b. members will be able to withdraw funds allocated to the "savings component" once every tax year should they need to, for example, in the case of financial distress or emergency. The minimum withdrawal amount is R2 000 and will be taxed at marginal income tax rates.

   c. The two-thirds which will be allocated to the "retirement component" will be required to be preserved until retirement (i.e. withdrawals from this component will be triggered by the member reaching normal retirement age per the fund rules).

The 2023 amendments to the retirement saving regime proposed the introduction of tax-free transfers between components as well as the introduction of paragraph 6B of the Second Schedule to the Act, dealing with these transfers wherein, members are allowed to make intra-fund transfers at any time and these transfers will be treated as tax-free transfers and be subject to the fund obtaining a tax directive.

The 2023 amendments allow for section 37D deductions, as outlined in the Pension Funds Act of 1956, against the savings, vested, and retirement components. However, it is worth noting that while section 37D deductions are typically taxed under paragraph 2(1)(*b*) of the Second Schedule to the Act, except for maintenance awards ordered by a court under the Maintenance Act of 1998 which are taxed under section 7(11) of the Act.

In general, when formal emigration through the South African Reserve Bank (SARB) was phased out effective 1 March 2021, it was replaced with the process of ceasing to be a tax resident of South Africa. This meant a change in the trigger event for these types of withdrawals from pension preservation funds, provident preservation funds and retirement annuity funds. Where the trigger event for early withdrawal from these funds used to be changing your status from resident to non-resident from an exchange control perspective, it is now triggered by changing your status to non-resident from a tax perspective. This is because the rule states that to access a withdrawal benefit before retirement from a pension preservation fund, provident preservation fund or retirement annuity fund, a taxpayer may no longer follow the formal emigration process with the Reserve Bank, but a taxpayer must have been a non-resident for South African tax purposes for an uninterrupted period of at least three years.

However, the 2023 amendments went further and incorrectly required members of pension funds to be subjected to this rule in the vested component.

II. Reasons for change

The reasons for change stems from:

a. Despite the changes made in 2023 to enhance the two-pot regime, it has become apparent that further adjustments are necessary to clarify the existing language. For instance, there is a need to explicitly exclude maintenance awards, which are taxed under section 7(11) of the Act, from the three components mentioned above.

b. In order to simplify the directives system for both administrators and SARS, and to cater for speedy implementation of this reform, the requirement to obtain a directive when transferring the seeding amount from the “vested component” to the “savings component” is not necessary as tax is only imposed on withdrawal from the “savings component”.

c. As mentioned above, the cease to be resident requirements should remain applicable to preservation funds and retirement annuity funds and to the retirement components of pension and provident funds. The savings component is excluded because it can be accessed at any time prior to retirement.

d. Consequential amendments are needed to cater for an exclusion of the “savings withdrawal benefit” from a liability for the Skills Development Levy payable and Unemployment Insurance Contributions payable by members.

III. Proposal

A. Technical considerations with respect to section 37D deductions as outlined in the Pension Funds Act:

It is proposed that:

- various drafting changes be implemented to enhance clarity and precision in the wording to ensure that amounts that are allowed to be deducted from a benefit, in accordance with section 37D (1)(*a*), (*b*), (*c*) or (*d*)(i) of the Pension Funds Act, are proportionally deducted from each component. The sum of these amounts deducted from each component is deemed to be a lump sum benefit contemplated in paragraph 2(1)(*b*) of the Second Schedule to the Act. Therefore, this proposal will apply to all three components that is, ‘member’s interest in the retirement component’, ‘member’s interest in the savings

component' and 'member's interest in the vested component'. Please see consequential amendment in the 2024 Draft Taxation Laws Amendment Bill relating to the alignment of the Income Tax Act with amendments made by Pension Funds Amendment Act, 2024 (Act 31 of 2024) as section 37D(1)(d)(iB) of the Pension Funds Amendment Act refers to interim maintenance orders granted by the court in terms of rule 43 of the High Court rules or rule 58 of the Magistrates' Court rules made under section 6 of the Rules Board for Courts of Law Act, 1985 (Act No.1 of 1985

B. Changes concerning emigration and ceasing to be a resident of South Africa:

It is proposed that the policy intent be clarified such that to ensure that the cease to be resident requirements apply to all retirement funds except for the vested components of the pension and provident funds and to all savings components.

As it is longer than 3 and a half years since the cut-off date for the transitional rule for the Reserve Bank emigration process, it is proposed that all transitional rules be removed from the definitions of retirement funds.

C. Intra-fund transfers and directives

It is proposed that in order to simplify the directives system for both administrators and SARS for speedy implementation, the requirement to obtain a tax directive when transferring the seeding amount from the 'vested component' to the 'savings component' be done away with. A directive is not strictly necessary at this point, as tax is only imposed on withdrawal from the savings component.

In addition, it is proposed that reallocations of amounts between the three components within the same fund is not treated as transfers for income tax purposes and that the requirement to obtain a directive for reallocations between the three components within the same fund be withdrawn.

D. Skills Development Levy and Unemployment Insurance Contributions

It is proposed that consequential amendments be made to these Acts.

IV. Effective date

The proposed amendments will come into effect on 1 September 2024.

2 CLAUSE BY CLAUSE

CLAUSE 1

Income Tax Act: Amendments to section 1(1)

Sub-clause (a): The amendment seeks give clarity that the conditions are contained in an official notice by the Financial Sector Conduct Authority and confirms that the exemption is applicable on a policy level and not fund level.

Sub-clause (b): see notes on **CLARIFICATION OF DIFFERENT ASPECTS INVOLVING TWO-POTS RETIREMENT SYSTEM**

Sub-clause (c): The amendment seeks to replace the reference to employee with member to cater for paid-up members who are not employees.

In addition, in the Published Bill on 21 February 2024, the words: "in the definition of ''savings withdrawal benefit'' was deleted as it was read to already be included in the purpose of the fund. However, the reference to savings withdrawal benefit should not be deleted because the main purpose of a pension fund is to provide annuities to employees on retirement. Any deviation from the main purpose represents extraordinary payments to retirement fund members, and must be catered for in the definition, much like the reference to paragraph 2C of the Second Schedule (past surplus payments as per section 15B of the Pension Funds Act and bulking payments) or section 15A or 15E of the Pension Funds Act (future surplus payments). Therefore, a similar reference to the payment of the savings withdrawal benefit must be catered for in the definition of a pension fund to extend the purpose of a pension fund, and therefore to provide for the payment of this extraordinary amount.

Sub-clause (d): The amendment seeks to ensure that given that the term "retirement interest" is a defined term that refers to all the components and this was not the intent of the provision. Therefore, this provision should rather refer to defined terms "members' interest in the vested component" and "member's interest in the retirement component" as it defines the breakdown within each component. The reference to "retirement interest" in respect of transfers done in terms of paragraph 2(1)(*c*) of the Second Schedule remains unchanged because, in respect of those transfers, all components in the fund must be transferred to the other fund.

Sub-clause (e): The amendment seeks to replace the reference to employee with member to cater for paid-up members who are no longer employed by a participating employer and see notes on **CLARIFICATION OF DIFFERENT ASPECTS INVOLVING TWO-POTS RETIREMENT SYSTEM.**

Sub-clause (f): The amendment is a technical correction which seeks to inset the word "this" and "a" to ensure grammatical correctness.

Sub-clause (g): The amendment seeks to align the wording with that of paragraph 2(1)(*c*) of the Second Schedule.

Sub-clause (h): The amendment is a technical correction which seeks to delete the word 'have' and to inset the word "this" to ensure grammatical correctness.

Sub-clause (i): The amendment seeks to clarify that all three components of a contract must be transferred together to the pension preservation fund.

Sub-clause (j): The amendment seeks to clarify that with effect from the implementation date, members of preservation funds will still be allowed to take their one withdrawal from the "new" vested component per transfer received or per contract if they have not already done so, or per vested component transferred in. This amendment was unintentionally overlooked in the Published Bill on 21 February 2024.

Sub-clause (k): The amendment seeks to align paragraph (aa) with the provisions relating to pension preservation funds in relation to amounts payable as a result of the member ceasing to be a resident in that an amount from the retirement component and vested component is deemed to be paid as a lump sum benefit contemplated in paragraph 2(1)(*b*)(ii) and the amendment deleted sub-item (a) because previous emigration withdrawal provisions would only apply to the vested component and never to the retirement component. In addition, the amendment also seeks to clarify that paragraph (*bb*) applies to a payment from the vested component in circumstances where the member has already received his/her once-off withdrawal and see notes further on **CLARIFICATION OF DIFFERENT ASPECTS INVOLVING TWO-POTS RETIREMENT SYSTEM.**

Sub-clause (l): The amendment seeks to clarify that a member who has transferred a retirement interest in terms of paragraph 2(1)(*c*) of the Second Schedule to this fund shall not be entitled to access the amount transferred as a withdrawal benefit from the vested component. In addition, the amendment seeks to delete the reference to 'savings withdrawal benefit' because this paragraph now only deals with withdrawal benefits from the vested component and the reference to a savings withdrawal benefit is not correct.

Sub-clause (m): The amendment seeks to replace the reference to employee with member and to amend the introductory wording to the proviso as it was omitted in the previous substitution, making the reference to members who were members of a provident fund or provident preservation fund and was younger or older than 55 on 1 March 2021 non-sensical. Therefore, the inclusion of the wording in the proviso ensures that these vested benefits for these members remain excluded from the calculation that determines what portion of the benefit, if any, will be subject to compulsory annuitisation on retirement.

Sub-clause (n): The amendment seeks to correct that the further proviso is being substituted instead of being 'added' and to be consistent with clauses 1(1)(*q*), 1(1)(*z*) and 1(1)(zD) by removing the inverted commas in the definitions of savings component, retirement component and vested component.

Sub-clause (o): The amendment seeks to substitute the amendment made in the Revenue Laws Amendment Act by replacing the word 'benefits' with 'annuities' because the main purpose was aligned with that of a pension fund with the introduction of compulsory annuitization, with effect from 1 March 2021. In addition, on death of the member the beneficiaries are entitled to take the full amount in cash or partly and as an annuity. Therefore, it should be 'benefits' and not 'annuities' for dependants. Lastly, the amendment seeks to correct the wording as it now reads as providing annuities for deceased employees twice, which is unnecessary.

Sub-clause (p): The amendment seeks to replace the reference to employee with member to cater for paid-up members who are not employees. Also, the amendment seeks to clarify that the inclusion of all three components by referring to the defined term "retirement interest" was not the intent in this provision. Therefore, this provision should rather refer to defined terms "members' interest in the vested component" and "member's interest in the retirement component" as it defines the breakdown within each component. The reference to "retirement interest" in respect of transfers done in terms of paragraph 2(1)(*c*) of the Second Schedule remains unchanged

because, in respect of those transfers, all components in the provident fund must be transferred to the other fund.

Sub-clause (q): The amendment seeks to remove the inverted commas in the definitions of savings component, retirement component and vested component. Sub-clause (ii) relates to public sector funds and clarifies that the compulsory annuitisation requirement is applicable to these funds and confirms that the value of the vested benefit, relating to members who were members of a provident fund or provident preservation fund on 1 March 2021, will remain excluded from the calculation that determines what portion of the benefits if any, will be subject to compulsory annuitisaton on retirement. Also see notes on **CLARIFICATION OF DIFFERENT ASPECTS INVOLVING TWO-POTS RETIREMENT SYSTEM.**

Sub-clause (r): The amendment seeks to correct the omission of a reference to the vested component in the provident preservation fund.

Sub-clause (s): The amendment seeks to correct the reference given that the substitution is made to the definition of “provident preservation fund”. In addition, the amendment seeks to correct the omission of a reference to the vested component in the provident preservation fund.

Sub-clause (t): The amendment seeks to correct the omission of a reference to the vested component in the provident preservation fund.

Sub-clause (u): The amendment seeks to clarify that all three components of a contract must be transferred together to the provident preservation fund.

Sub-clause (v): The amendment seeks to clarify that with effect from the implementation date, members of provident preservation funds will still be allowed to take their one withdrawal from the “new” vested components per transfer received or per contract, if they have not already done so, or per vested component transferred in. This amendment was unintentionally overlooked in the Published Bill on 21 February 2024.

Sub-clause (w): The amendment seeks to align paragraph (aa) with the provisions relating to provident preservation funds in relation to amounts payable as a result of the member ceasing to be a resident in that an amount from the retirement component and the vested component is deemed to be paid as a lumpsum benefit contemplated in paragraph 2(1)(*b*)(ii). The amendment deleted sub-item (a) because previous emigration withdrawal provisions would only apply to the vested component and never to the retirement component. The amendment also seeks to clarify that paragraph (bb) only applies to a payment from the vested component in circumstances where the member has already received his/her once-off withdrawal. For notes thereon and the deletion of the emigration withdrawal provision see **CLARIFICATION OF DIFFERENT ASPECTS INVOLVING TWO-POTS RETIREMENT SYSTEM.**

Sub-clause (x): The amendment seeks to a clarify that a member who has transferred a retirement interest in terms of paragraph 2(1)(*c*) of the Second Schedule to this fund shall not be entitled to payment of a withdrawal benefit from the vested component.

Sub-clause (y): The amendment seeks to delete the reference to the vested component as it does not exist before 1 March 2025, thus, the wording cannot refer to the vested component prior to that date. In addition, the amendment now refers to the value of the member's interest in the vested component and to ensure that the portion of the vested component that relates to the value of the vested benefits for members who were members of a provident fund or provident

preservation fund on 1 March 2021 remans excluded from the compulsory annuitisation on retirement.

Sub-clause (z): The amendment seeks to correct that the further proviso is being substituted instead of being ‘added’ and to be consistent with clauses 1(1)(*q*), 1(1)(*z*) and 1(1)(zD) by removing the inverted commas in the definitions of savings component, retirement component and vested component.

Sub-clause (zA): The amendment seeks to replace the words ‘contemplated in the savings withdrawal benefit in section 1’ with ‘savings withdrawal benefit’ to clarify that the main purpose of a retirement annuity fund of providing annuities is extended to cater for the payment of savings withdrawal benefits.

Sub-clause (zB): The amendment seeks to replace the reference to employee with member to cater for paid-up members who are not employees.

Sub-clause (zC): The amendment seeks to align paragraph (A) with the provisions relating to retirement annuity fund in relation to retirement component such that an amount from the retirement component is deemed to be paid as a lumpsum benefit contemplated in paragraph 2(1)(*b*)(ii). In addition, the amendment deleted sub-item (AA) because previous emigration withdrawal provisions would only apply to vested component and never to retirement component. The amendment also seeks to clarify that paragraph (B) only applies to a payment from the vested component in circumstances where the member has already received his/her once-off withdrawal. Lastly, the amendment seeks to remove paragraph (C) which contained duplicate provisions. Refer to **CLARIFICATION OF DIFFERENT ASPECTS INVOLVING TWO-POTS RETIREMENT SYSTEM** for in respect of the deletion of the emigration withdrawal provision.

Sub-clause (zD): The amendment seeks to correct that the further proviso is being substituted instead of being ‘added’ and to be consistent with clauses 1(1)(*q*), 1(1)(*z*) and 1(1)(zD) by removing the inverted commas in the definitions of savings component, retirement component and vested component.

Sub-clause (zE): The amendment seeks to ensure that there is consistent use of terms in the definition of the ‘‘legacy retirement annuity policy’’, “savings component” and “retirement component”. The amendment also seeks to clarify that a member of a provident fund who was over the age of 55 years on 1 March 2021 and remained a member of that fund will continue to contribute to the vested component unless the member elected to contribute to the retirement component within 12 months of 1 September 2024.

Sub-clause (zF): The amendment seeks (i) to clarify in paragraph (a) how the calculation of the seeding amount is done and states that it is limited to a monetary amount and that this monetary amount applies per fund or per contract in the case of preservation funds or retirement annuity funds. It should be noted that the value of the seeding, as determined on 31 August 2024, in respect of members who were 55 years or older and members of a provident fund on 1 March 2021 and remained members of that fund, but is then transferred to another fund, must be allocated by the receiving fund to the savings component.

In addition, the amendment seeks to (ii) remove the reference to vested component as the vested component does not exist prior to 1 September 2024, (iii) to amend subparagraph (a)(ii) to include the value of contributions received and fund returns on those contributions after 1 March 2021, (iv) replace the words ‘similar component’ to ‘savings component’; (v) to delete the words ‘former members’ as they are obsolete and (vi) to amend the reference to both death and retirement as

both are retirement fund lump sum benefits for income tax purposes. Lastly, (vii) the amendment seeks to clarify that on death or retirement of the member, the member's interest in the savings component may on election be paid as a retirement fund lump sum benefit in cash and clarifying that any portion of the savings component that is not taken as lumpsum will be added to the retirement component for the purpose of providing or purchasing an annuity. Any portion of the savings component taken as a lump sum in cash on retirement will be excluded from the calculation to determine what portion of the benefit, if any, will be subject to compulsory annuitisation but will be subject to the aggregation principle in that previous lump sums will be taken into account when determining the tax amount payable on the current lump sum benefit payable. Lastly, (viii) the amendment seeks to clarify when seeding must take place for members who were over the age of 55 on 1 March 2021 and remains a member of the fund. As previously stated, the value of the seeding, as determined on 31 August 2024, in respect of members who were 55 years or older and members of a provident fund on 1 March 2021 and remained members of that fund, but is then transferred to another fund, must be allocated by the receiving fund to the savings component.

Sub-clause (zG): The amendment seeks to clarify that members who were 55 years or older and members of a provident fund on 1 March 2021 and remained members of that fund will contribute to the vested component unless they make an election to be part of the two-pots retirement system. If these members transfer within the 12 month-period but have not made an election, any contributions made by these members up to the date of transfer will be allocated to the vested component. Any contributions made to the new fund will be allocated to the member's savings component and retirement component.

CLAUSE 2

Income Tax Act: Amendment to paragraph 2 of the Second Schedule to the Act

See notes on **CLARIFICATION OF DIFFERENT ASPECTS INVOLVING TWO-POTS RETIREMENT SYSTEM.**

CLAUSE 3

Income Tax Act: Amendment to paragraph 6B of the Second Schedule to the Act

See notes on **CLARIFICATION OF DIFFERENT ASPECTS INVOLVING TWO-POTS RETIREMENT SYSTEM.**

CLAUSE 4

Income Tax Act: Amendment to paragraph 2 of the Fourth Schedule to the Act

The amendment seeks to allow for a rate of tax to be provided by SARS for administrators to withhold tax on savings withdrawal benefits.

CLAUSE 5

Income Tax Act: Income Tax Act: Amendment to paragraph 9 of the Fourth Schedule to the Act

The amendment seeks to correct grammatical changes subsequent to the amendment that requires an employer to ascertain the amount of employees' tax to be withheld from savings withdrawal benefit by reference to paragraph (eD) of the definition of gross income.

CLAUSE 6

Skills Development Levies Act: Amendment to section 3 of the Act Skills Development Levies Act

See notes on **CLARIFICATION OF DIFFERENT ASPECTS INVOLVING TWO-POTS RETIREMENT SYSTEM.**

CLAUSE 7

Unemployment Insurance Contributions Act: Amendment to section 1 of the Act Unemployment Insurance Contributions Act

See notes on **CLARIFICATION OF DIFFERENT ASPECTS INVOLVING TWO-POTS RETIREMENT SYSTEM.**

CLAUSE 8

Short title