

TAX DIRECTIVES — PROCESSING OF APPLICATIONS FOR INVOLUNTARY TRANSFER BEFORE RETIREMENT (PAR 2[1][c] OF THE SECOND SCHEDULE)

Dear Stakeholders

Paragraph 2(1)(c) of the Second Schedule to the Act regulates the amount to be included as gross income for any year of assessment in respect of any amount transferred for the benefit of a member of a retirement fund on, or after normal retirement age, (as defined in the rules of the fund), but before the member elects to retire from that retirement fund, minus any deductions allowed under paragraph 6A of the Second Schedule to the Act.

Prior to 1 March 2022, paragraph 6A of the Second Schedule to the Act allowed the full value of the amounts transferred for the following transfers as deductions, resulting in these transfers taking place on a tax neutral basis:

- Transfers from a pension fund into a pension preservation fund, provident preservation fund, or a retirement annuity fund; and
- Transfers from a provident fund into a pension preservation fund, a provident preservation fund, or a retirement annuity fund.

From 1 March 2022, Paragraph 6A of the Second Schedule to the Act also allowed for transfers into a similar fund by a member of a pension preservation or provident preservation fund (who has reached normal retirement age in terms of the fund rules but has not yet opted to retire from the applicable preservation fund). As a result, these individual transfers would also take place on a tax neutral basis.

To ensure parity among members of retirement funds who are subject to an involuntary transfer — and who have reached normal retirement age in terms of the fund rules, but have not yet opted to retire from the fund — the following changes have been made in the Act:

- Such individuals can have their retirement interest in that pension fund or provident fund transferred to another pension fund or provident fund without incurring a tax liability.

- The value of the retirement interest, including any growth, will remain ring-fenced and preserved in the receiving pension or provident fund until the member retires from that fund. This means that these members will not be entitled to the payment of a withdrawal benefit in respect of the amount transferred.

If a member has reached retirement age, but has not opted to retire and is subject to an involuntary transfer, follow these application steps:

- Go to www.sars.gov.za.
- Print Forms A and D from the SARS website.
- Manually complete all required fields and select Transfer Before Retirement (Par 2[1][c]) as a reason for the directive.
- Manually edit (scratch out) the transferee type so that the only options are either a Pension Fund or a Provident fund.

Email the completed Tax Directive application to contactus@sars.gov.za with the subject line, "Involuntary Transfer Before Retirement (Par 2[1][c]) Form A&D.

Processing time will be up to the standard 21 days.

Sincerely

THE SOUTH AFRICAN REVENUE SERVICE