Issue 10 - 11 March 2024

Budget Snapshots

Lump Sum Receipts

Audit / Tax / Advisory / Human Capital

Smart decisions. Lasting value.

We draw attention to our earlier Budget Snapshot describing the new two-pot retirement system.

Compensation paid in terms of the Compensation for Occupational Injuries and Diseases Act (COIDA) or Unemployment Insurance Act is tax exempt.

There has been no increase in the portion of the lump sums payable (on death or on retirement or withdrawal from Pension, Provident and Retirement Annuity Funds) that is exempt from tax as below.

Amounts payable by such funds on death or retirement are tax free up to a life time cumulative exemption of R550 000. It also applies to post retirement annuities subsequently converted into a lump sum as well as severance benefits (see below). This tax free portion does not apply in the case of early withdrawals prior to retirement. See below.

The **unchanged** table for retirement fund lump sum benefits or severance benefits is –

2025 Amounts of death or retirement benefit	**Tax payable**
Up to R550 000	- 0%
Exceeds R550 000 up to R770 000	- R0 plus 18% on excess over R550 000
Exceeds R770 000 up to R1 155 000	- R39 600 plus 27% on excess over R770 000
Exceeds R1 155 000	- R143 550 plus 36% on excess over R1 155 000
2024 Amounts of death or retirement benefit	**Tax payable**
Up to R550 000	- 0%
Exceeds R550 000 up to R770 000	- R0 plus 18% on excess over R550 000
Exceeds R770 000 up to R1 155 000	- R39 600 plus 27% on excess over R770 000
Exceeds R1 155 000	- R143 550 plus 36% on excess over R1 155 000

If an amount of R1 200 000 is received on retirement, the tax payable thereon will be R159 750. No rebates or deductions will be allowed against these receipts nor will losses be allowed to be deducted therefrom. The only deduction will be for contributions paid in the past which were not allowed as deductions from income. Other “bonus” distributions may in certain circumstances also be exempt from tax. There is also a roll over concession in respect of amounts paid into new funds of the same kind or payments to certain funds known as preservation funds.

Amounts payable on early withdrawal from such funds (mainly on resignation but can also apply on divorce) will be taxable at the rates of tax set out below (as opposed to the higher marginal rates) but after an initial tax free lifetime cumulative exemption of only R27 500 (as opposed to R550 000 available on death or retirement). Only the first R27 500 is free of tax. Certain withdrawals in terms of the two-pot retirement system will be taxed at standard normal tax rates.

The **unchanged** table is -

2025 Amounts of withdrawal benefit	**Tax payable**
Up to R27 500	- 0%
Exceeds R27 500 up to R726 000	- R0 plus 18% on excess over R27 500
Exceeds R726 000 up to R1 089 000	- R125 730 plus 27% on excess over R726 000
Exceeds R1 089 000	- R223 740 plus 36% on excess over R1 089 000
2024 Amounts of withdrawal benefit	**Tax payable**
Up to R27 500	- 0%
Exceeds R27 500 up to R726 000	- R0 plus 18% on excess over R27 500
Exceeds R726 000 up to R1 089 000	- R125 730 plus 27% on excess over R726 000
Exceeds R1 089 000	- R223 740 plus 36% on excess over R1 089 000

If an amount of R1 200 000 is received on early withdrawal, the tax payable thereon will be R263 700 (as opposed to R159 750 in the case of retirement).

The tax payable is determined by applying the above rate tables to the aggregate of the taxable portions of all lump sum death or retirement benefits accrued since October 2007 (or since March 2009 for withdrawals) during the current and previous years of assessment and all severance benefits from March 2011 and deducting tax payable according to the current tax table on the aggregate of those lump sums accrued since October 2007 (or March 2009) during previous years of assessment.

A retirement fund member may defer the drawing of retirement income until after their retirement date.

Retirement fund benefits are generally excluded from the dutiable estate for estate duty purposes when a member passes away although lump sum payments are subject to tax in the deceased's tax computation to date of death. An amount equal to the non-deductible contributions to retirement funds must however be included in the dutiable estate for estate duty purposes when a retirement fund member passes away.

Lump Sum Receipts from Employers

Lump sum payments from employers on the death of an employee (in addition to any payment under COIDA (previously WCA)) is exempt from tax up to R300 000.

Amounts paid by employers to employees on termination or within the period of 5 years prior to termination of the services of the employee, are referred to as “severance benefits” and are to be added to the lump sum death or retirement receipts and taxed at the concessional rates applicable to lump sums payable on death or retirement from funds, if –

- the employee has attained the age of 55 years, **or**
- the termination is due to ill health, **or**
- the Commissioner is satisfied that the termination is due to the employer having ceased to carry on or intending to cease carrying on the trade in which the employee was employed or due to the taxpayer having become redundant in consequence of his employer having effected a general reduction in staff or a reduction in staff of a particular class. This will also apply if an employee resigns voluntarily in terms of an offer from his employer in terms of a staff reduction scheme.

Where the employer is a company, this concession does not apply to someone who holds (or at any time held) more than 5% of the shares/members interest in the company/close corporation.

Contact

Crowe HZK
7th Floor, 5 St. Georges
St. Georges Mall
Cape Town, 8001
Main +27 21 481 7000
hzk@crowe.za.com

Crowe HZK
D8, Block D, Octo Place
Elektron Avenue, Techno Park
Stellenbosch, 7600
Main +27 21 8807940
bso@crowe.za.com

Crowe JHB
9 Autumn Street
Rivonia
Johannesburg, 2191
Main +27 11 217 8000
info@crowe.za.com

Crowe Winelands
17 Private Road
Somerset West, 7130
Main +27 21 855 2917
reception.winelands@crowe.za.com

Crowe DNA
Unit 201, 2nd Floor
Crossfire Place
15 Gardner Williams Avenue
Paardevlei, Somerset West, 7130
Main +27 87 0572613
infodna@crowe.za.com

About Crowe Global

Ranked eighth largest accounting network in the world, Crowe Global has over 200 independent accounting and advisory firms in 130 countries.

For more than 100 years, Crowe has made smart decisions for multinational clients working across borders.

Crowe's leaders work with governments, regulatory bodies and industry groups to shape the future of the profession worldwide. Their exceptional knowledge of business, local laws and customs provide lasting value to clients undertaking international projects.

Crowe provides global reach on a personal scale. Crowe firms focus on the future, the client experience and working with clients to build something valuable, substantial, and enduring. Close working relationships are at the heart of our effective service delivery.

At Crowe, our professionals all share one commitment, to deliver excellence.

www.crowe.com/za