

ASAP

Legal and Technical Update

Retirement fund transfers

The following is a list of the transfers allowed between retirement funds, prior to retirement.

Transfer from a pension fund to:

- **Pension fund** - No tax consequence.
- **Provident fund** - This transfer will be deemed to be withdrawal from the pension fund, which will be subject to tax according to the withdrawal tables. From 1 March 2021 the transfer will be allowed tax-free.
- **Retirement annuity fund** - No tax consequence.
- **Pension preservation fund** - No tax consequence.

Transfer from a provident fund to:

- **Pension fund** - No tax consequence. (see note)
- **Provident fund** - No tax consequence.
- **Retirement annuity fund** - No tax consequence. (see note)
- **Provident preservation fund** - No tax consequence.
- **Pension preservation fund** - No tax consequence. (see note)

Transfer from a retirement annuity fund to:

- **Another retirement annuity fund** - No tax consequence.

Transfer from a provident preservation fund to:

- **Another provident preservation fund** - No tax consequence.
- **Pension preservation fund** - No tax consequence. (see note)
- **Pension fund** - No tax consequence. (see note)
- **Provident fund** – No tax consequence.
- **Retirement annuity fund** - No tax consequence. (see note)

Transfer from a pension preservation fund to:

- **Another pension preservation fund** - No tax consequence.
- **Pension fund** – No tax consequence.
- **Provident fund** - This transfer is seen as a withdrawal from the pension preservation fund and will be subject to tax based on the withdrawal tax table. From 1 March 2021 the transfer will be tax-free.
- **Retirement annuity fund** - No tax consequence.

Note:

Upon the transfer from a provident fund to a more restrictive fund (pension or retirement annuity fund), the client should be made aware of the fact that the retirement benefit will be restricted to one-third as a lump sum compared to full accessibility in the case of a provident fund or provident preservation fund.

Provident fund annuitisation has been postponed until 1 March 2021. All new contributions made into a provident fund from 1 March 2021 will be subject to the new rules, i.e. that access at retirement will be restricted to one third as a lump sum and the remaining two thirds must be applied to provide a monthly income. The fund value on 28 February 2021 will be referred to as the vested benefit which will remain fully accessible at retirement. Therefore, the annuitisation rules will only apply to new contributions made to the fund.

An update will be made available with all the details once the implementation date is near.

Disclaimer:

The views and/or opinions expressed in this article have been prepared as a primary source of information and are not a recommendation for the conclusion of a transaction. This article has been prepared for general information and not having regard to any particular person's financial planning, tax planning, investment needs and objectives. No representation is given, warranty made or responsibility taken as to the accuracy, timeliness or completeness of any information contained in this article and Momentum Metropolitan Life Limited will not be liable in contract or in delict or otherwise for any loss or damage arising as result of the reader relying on any such information (except in so far as any statutory liability cannot be excluded). No unauthorised copying permitted.