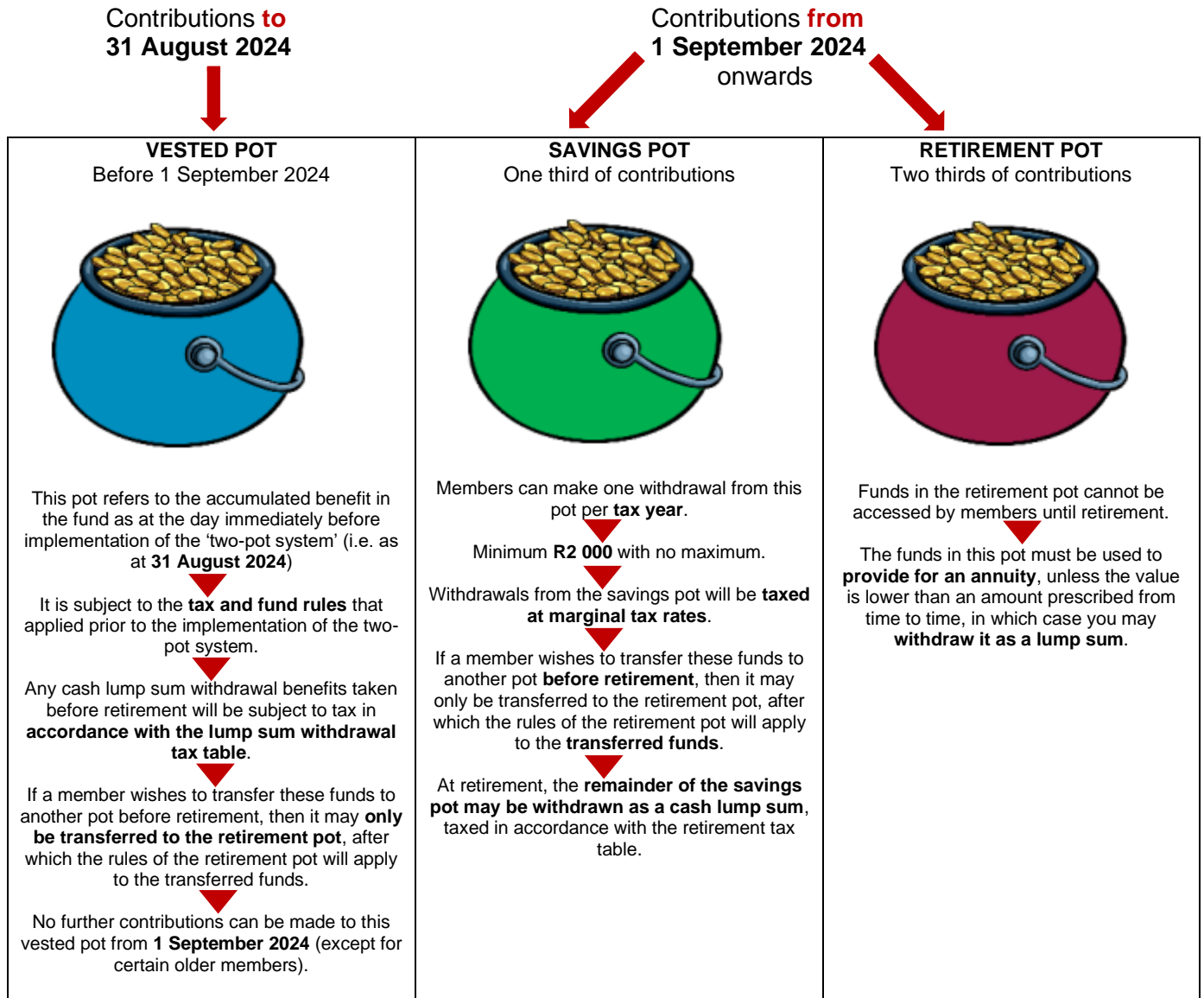




# Retirement reform - *Two-pot system*

## A big picture overview



Deductions in terms of Section 37D will be affected proportionately across all three pots. These may include maintenance orders, divorce orders etc.

“**Marginal tax rate**” refers to the member’s personal income tax bracket. “**Withdrawal tax table**” and “**Retirement tax table**” refer to fixed scales in the Income Tax Act that calculate the tax payable when money is taken before or at retirement.



**10%** of the value of the member’s share in the retirement fund immediately before 1 September 2024, subject to a maximum of **R30 000**, will be transferred to the savings pot. This will be known as the seeding capital.



*\*Current members of the provident fund who were 55 years or older on 1 March 2021 will not automatically participate in the two-pot system. If they do not choose to be subject to the two-pot system, they may continue to contribute to the vested pot. If no choice is made, members will remain outside the two-pot system.*

# Tax and Processing fees

## Mpho 's scenario

- Mpho earns a taxable income of R250 000 per year.
- His marginal tax rate is 26%.
- He has R5 000 in her savings pot on 1 September 2024.
- He decides to withdraw R3 000.
- His processing fee is R300\*.

## Marginal tax rates for tax year ending 28 February 2025

- 18% for taxable income below R237 100
- 26% for taxable income above R237 100**
- 31% for taxable income above R370 500
- 36% for taxable income above R512 800
- 39% for taxable income above R673 000
- 41% for taxable income above R857 900
- 45% for taxable income above R1 817 000

Calculating Mpho's estimated tax:  
**R3 000 x 26% = R780 tax\***

*\*SARS will instruct the amount of tax to be deducted. The amount to be deducted could include arrears taxes too.*

\*This processing fee is for illustrative purposes only.

- Processing fees are R300.00.
- Processing fees will apply to members withdrawing money from their savings pot.

## In summary these are the fees and taxes Mpho may be charged:

- Initial claim amount **R3 000**
- **Less** tax **R 780**
- **Less** processing fee **R 300**
- **Less** outstanding tax owing to SARS (IT88) **if applicable**

As you can see, it can be expensive to withdraw money from your savings pot. These withdrawals reduce the amount of cash available when you retire. You may need to have cash available at retirement for emergencies and planned expenses. Your savings pot may also be needed to increase your retirement income. You can get up to R550 000 tax free on cash you take when you retire.

Seed capital calculations and allocations to your savings pot will be done from 31 Aug to 2 Sept 2024.



**Mpho will receive after deductions R1 920**