

Adjusted retirement tax tables

It was announced in the national budget, delivered on 22 February 2023, that the retirement tax tables will be adjusted upwards by 10% to compensate for inflation.

Tax is payable on all lump sums (the portion you are allowed to take in cash) paid by a retirement fund in accordance with a set of prescribed tax rates specifically for retirement lump sum benefits.

RETIREMENT LUMP SUM benefits

- ① **First R550 000**
0% of taxable income
- ② **R550 001 – R770 000**
18% of taxable income above R550 000
- ③ **R770 001 – R1 155 000**
R39 600 + 27% of taxable income above R770 000
- ④ **R1 155 001 and above**
R143 550 + 36% of taxable income above R1 155 000

The adjusted tax tables will only apply to those members who elect to start receiving their retirement benefits on or after 1 March 2023.

WITHDRAWAL LUMP SUM benefits

- ① **First R27 500**
0% of taxable income
- ② **R27 501 – R726 000**
18% of taxable income above R27 500
- ③ **R726 001 – R1 089 000**
R125 730 + 27% of taxable income above R726 000
- ④ **R1 089 001 and above**
R223 740 + 36% of taxable income above R1 089 000

The adjusted tax tables will only apply to those members who elect to receive their withdrawal benefit on or after 1 March 2023.

2023

1 March

effect from

The adjustment means that the tax-free amount you can take from your retirement fund as a lump sum has:

1 increased from **R500 000 to R550 000** at retirement

2 increased from **R25 000 to R27 500** on withdrawal (when leaving the fund due to resignation or dismissal)

○ The table is cumulative over your lifetime and the first tax-free portion of R550 000 at retirement and R27 500 at withdrawal is only available to a person once in their lifetime. This means that if you have previously taken any other lump sum retirement benefits from your retirement fund/s since October 2007, lump sum withdrawals since March 2009, or any severance benefits since March 2011, these will be included when calculating the tax payable on any lump sum payable by your fund. In other words, the more you withdraw from all retirement funds over time, the higher the tax bracket applied to the lump sum will be.

A retirement lump sum benefit accrues to a person when the person elects to receive the retirement benefit. Such election will also trigger the start of receiving a monthly pension. In other words, it is one tax event – you elect which portion to take in cash and which portion to be used to provide your monthly pension and you cannot take more in cash after your retirement has commenced. This means that the adjusted tax tables, as announced in the national budget, will not be applied to amounts already accrued to pensioners or members before 1 March 2023.