The two-pot retirement system

Tax implications

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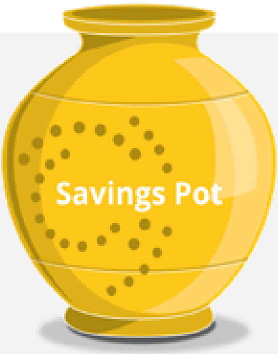

While employed

There are specific tax implications in respect of the two-pot retirement system when withdrawing any amount from your savings pot before retirement.

The amount you withdraw will form part of your taxable income for the tax year and will be taxed according to your personal tax rate, whether you withdraw a small or larger lump sum.

This applies to any savings withdrawal benefit paid from your savings pot, which means it applies to both your initial seed amount or any amount you withdraw in a following tax year.

If you decide to take a savings withdrawal benefit, your fund will apply for a tax directive. This tax directive cannot be reversed. You will therefore not be able to change your mind once you have claimed a savings withdrawal benefit.

If you withdraw your vested pot when you leave employment, it will be taxed in accordance with the **withdrawal tax tables**, same as before the two-pot system:

0% tax liability	**18%** tax liability	**27%** tax liability	**36%** tax liability
First R27 500	R27 501 – R726 000	R726 001 – R1 089 000	R1 089 001 and above

Any other tax that you owe SARS will also be deducted from any savings withdrawal benefit

At retirement

You will not be able to take a lump sum (an amount of money that is paid at one time) from your retirement pot, you will have to purchase a pension (annuity).

At retirement, the total of any lump sum taken from your savings pot and your vested pot will be subject to the **retirement tax tables**, using a special tax rate of which the first R550 000 will be tax free.

0% tax liability	**18%** tax liability	**27%** tax liability	**36%** tax liability
First R550 000	R550 001 – R770 000	R770 001 – R1 155 000	R1 155 001 and above

The R550 000 tax-free portion is a cumulative total over your working life

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