Executive summary
The South African Treasury has published revised law which postpones the implementation date of the changes in respect of the tax treatment of retirement fund contributions. With one exception, it is now proposed that the new rules will come into effect one year later than planned on 1 March 2016.

Background
The reform of the tax treatment of retirement benefits had the sole purpose of aligning the tax treatment of the contributions and proceeds among the different retirement funds, namely pension, provident and retirement annuity funds.

It has been announced by the South African National Treasury that the revised Taxation Laws Amended Bill of 2014 will propose the delay of the implementation of the previously published retirement reforms to 1 March 2016 to allow for further consultation at the National Economic Development and Labour Council (NEDLAC). If no agreement is reached between Government and NEDLAC on the social security aspects of the reform by the end of June 2015, the retirement reform implementation date may be further postponed to 1 March 2017.

This proposal will now delay the implementation of:
- Fringe benefit inclusion in respect of employer contributions to pension and provident funds;
- The increase in the cap on the tax deductions in respect of the retirement fund contributions to a more generous 27.5% of taxable income, and the introduction of a limit on tax-deductible retirement fund contributions of R350,000 (approximately USD31,632) per annum;
- The full corporate tax deduction of retirement fund contributions in the hands of the employers; and
- The mandatory annuitization of retirement benefits from provident funds and provident preservation funds.

Therefore, from 1 March 2015, members of a retirement fund who retire would still be able to extend their own date of retirement until they make the election to start receiving their retirement benefits.

Next steps
All employers should temporarily cease implementation of the proposed reforms until such time as agreement is reached between Government and NEDLAC and clarity is obtained as to what the final
legislation will look like. At present it is unclear whether the final legislation will be the same as the published draft.

Once the final legislation has been agreed by all parties and the implementation date is fixed, employers should actively put measures in place to be ready for the implementation of the reforms.

Further, employers should inform employees of the proposed changes to the accrual date of the retirement lump sum benefits as there may be many employees who may wish to preserve their benefits until a later date.

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