

ENHANCEMENTS TO TAX DIRECTIVE SYSTEM AND UPDATED GUIDES

The South African Revenue Service has updated the tax directive documents and tax directive system to include the following legislative updates and other system changes:

Annuitisation of Provident and Provident Preservation Funds

- With effect from 1 March 2021, provident and provident preservation funds will be aligned to pension, pension preservation and retirement annuity funds. This means on retirement, the contributions to a provident fund after 1 March 2021 as well as transfer values (of any fund) to a provident fund or provident preservation fund consisting of amounts relating to a period after 1 March 2021 (not vested benefits) will also be subject to compulsory annuitisation. If two-thirds of the total retirement value in the provident fund or provident preservation fund after 1 March 2021 exceeds R165 000 (R247 500 in total) the benefit must be utilised to purchase an annuity.
- Pre-1 March 2021 contributions to a provident fund and the value of the benefit in the provident preservation fund on 1 March 2021 relating to pre-1 March 2021 transfers are regarded as vested. This means the value of the benefit in the fund on 1 March 2021 plus growth can be taken as a lump sum in cash when that member retires.
 - If the member is or was a member of a provident fund or provident preservation fund on 1 March 2021 and was **55 years or older** on 1 March 2021, all contributions and growth (that is, both pre- and post-1 March 2021) to a provident fund or transfers to a provident preservation fund (relating to vested benefits in a provident fund) and growth thereon are protected and is not subject to compulsory annuitisation.
 - If the member is or was a member of a provident fund or provident preservation fund on 1 March 2021 and was **younger than 55** years on 1 March 2021, only the pre-1 March 2021 contributions to a provident fund and / or the value of the benefit in the provident preservation fund on 1 March 2021, including growth thereon is protected.

Cessation of SA Residence

- A member of a pension preservation, provident preservation or retirement annuity fund who has not formally emigrated from SA or is not in the process of formal emigration and is not an SA resident (i.e. ceased to be a resident) for an uninterrupted period of three years or longer, may from 1 March 2021, withdraw the full benefit prior to his / her retirement from that fund, even if the member ceased to be resident prior to 1 March 2021.

Living Annuity Commutation on Termination of a Trust

- Long-term Insurers can, from 1 March 2021 submit a tax directive application where the trustees of the trust request the Insurer to commute remaining asset value of the living annuity if that trust is the owner of the living annuity and is in the process of terminating.

The tax directive system was enhanced to accommodate the above legislative changes as well as the following:

Unclaimed death benefits

- The tax directive system was enhanced to issue a tax directive if a deceased member's unclaimed death benefit was transferred to an unclaimed preservation fund and the deceased's beneficiaries or dependants claim the unclaimed benefit after the date of death of the deceased member.

Updated Reason 'Other' on IRP3(a)

- The Arbitration / CCMA Award field will be available and hard coded on the application form. The employer will not be able to use or add any 'Other' description or amount if an amount was entered next to 'Arbitration / CCMA Award'. If the Arbitration / CCMA Award field was used the directive will reflect source code 3608 and this source code that must be used on the IRP5/IT3(a) tax certificate to avoid the rejection of returns during filing season.

The updated external guides can be accessed via the SARS website www.sars.gov.za or through the links below:

[IT-AE-33-G01 - Tax Directive for Emigration and cessation of visas - External Guide](#)

[IT-AE-41-G01 - Completion Guide for IRP3\(a\) and IRP3\(s\) Form - External Guide](#)

[IT-AE-41-G02 - Guide to Complete the Tax Directive Application Forms - External Guide](#)

[IT-AE-41-G03 - Guide to Complete, Submit and Cancel a Recognition of Transfer Form \(ROT\) – External Guide](#)

[IT-AE-41-G04 - Guide to the Tax Directive functionality on eFiling - External Guide](#)

In addition, SARS has updated the following guides:

- [How to register and for eFiling and manage your user profile](#) to provide clarity on managing of Tax Types and Practitioner configuration; and

- [Bulk and additional payments on eFiling](#) to include eFiling refresh screens (Awaiting Authorisation of Payment).

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