

NEWSFLASH

TAX DEDUCTIONS (PAYE) ON YOUR PENSION

The Fund has received several queries from pensioners regarding the attached communication received from the South African Revenue Service ('SARS').

Many pensioners receive income from more than one source. For example, a pension payment from the Phumula Retirement Fund ('the Fund') and an annuity payment from an external registered insurer or income because of employment.

The purpose of this communication is to advise pensioners that SARS will advise the Fund's administrator, NMG, of your personal fixed tax rate that will then be applied to your pension and all your other income sources.

What does this mean to you?

The Fund does not have details of your other income. However, SARS will confirm your specific rate, considering **all** of your income that you declare to SARS every year.

If you only receive income from the Fund in the form of your pension, your PAYE rate will stay the same.

If you receive income from the Fund and other sources, you have a choice:

Option 1

SARS will notify the Fund's administrator of your fixed PAYE rate that will be applied to your pension.

You do not have to do anything.

You may not need to pay SARS additional tax at the end of the tax period because enough tax should have been deducted from your pension throughout the year.

Option 2

SARS will notify the Fund's administrator of your fixed PAYE rate that will be applied to your pension.

You choose to contact the Fund and request that the PAYE rate that has previously been deducted by the Fund stays the same.

You **may need to pay** SARS additional tax at the end of the tax period.

If you choose Option 1, then you do not have to contact the Fund or the Fund administrator.

If you choose Option 2, please email your full name to pensionpayroll@nmg.co.za and request that your **current PAYE rate** remains the same. Your current rate will then apply until the Fund receives a different instruction.



South African Revenue Service

Dear Taxpayer

TAX DEDUCTIONS (PAYE) ON YOUR PENSION OR ANNUITY

Where a pensioner has one source of income during a tax year, our employees' tax (PAYE) deduction system ensures the correct PAYE deductions from their pension or annuity.

However, where a pensioner is in receipt of more than one source of income, the different sources of income are combined at the end of the tax year to determine the correct amount of tax due. By adding all the sources of income, they are placed in a higher tax bracket, which creates the tax due to SARS at year-end. This is not a new principle and it applies to everyone, not only pensioners.

Although pensioners can request their retirement fund administrator to deduct a higher amount of PAYE so that any tax due at year-end is adequately covered, not many pensioners are making use of this option, which then leaves them with an unexpected tax debt at year-end.

To assist pensioners with more than one source of income, recently introduced legislation makes provision for SARS to determine a more accurate PAYE deduction amount. We do this by using the latest data available to SARS. Your retirement fund administrator will then deduct a more accurate amount of PAYE from your pensions or annuities.

It is our intention to introduce this service with effect from 1 March 2022.

In practice, this will mean the following:

1. You do not have to do anything, because SARS will provide your retirement fund administrator with the PAYE deduction percentage;
2. For pensions or annuities payable during March 2022 and for the periods thereafter, your retirement fund administrators will use this rate to deduct PAYE from your pension or annuity;
3. The rate provided by SARS will be valid for the whole tax year, unless circumstances that influence your year-end tax liability change. In such a case, your retirement fund administrator may revert to applying the normal PAYE deduction rate, with effect from the month in which he/she becomes aware of the change in circumstances;
4. The PAYE deducted from your pension may be slightly higher, but in return, you are unlikely to be faced with an unexpected tax bill at the end of the tax year;
5. You may, at any time, request your retirement fund administrator or continue with an arrangement to deduct PAYE at a rate higher than the rate provided by SARS;
6. You may also request your retirement fund administrator to use the normal PAYE deduction rate, and not the one provided by SARS. This may put you back into a position where you can expect a high tax bill at year-end.

Your retirement fund administrator is already aware of all the above.

Sincerely,

**ISSUED ON BEHALF OF THE COMMISSIONER FOR THE SOUTH AFRICAN REVENUE
SERVICE**