

THE NEW  
TWO-POT  
RETIREMENT  
SYSTEM



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# Understanding the **tax** **implications** of Savings Pot withdrawals



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# WAGE WISE

FINANCIAL LITERACY FOR THE WORKFORCE



**Below are three examples of clothing workers who earn different weekly wages and want to withdraw money from their Savings Pots on 1 September 2024.**

We created these examples to help you understand the possible tax impact of making a withdrawal from your Savings Pot.

We have used three job categories with wages covered by the National Bargaining Council for the Clothing Manufacturing Industry. We have also used a few different examples of workers' retirement savings. We want to show you roughly how much tax you will pay if your wages, retirement savings and withdrawal amount are close to those in the examples.

However, the exact tax amount will only be final once you receive a tax directive from the South African Revenue Service (SARS). It is important to know that you cannot change your mind about making a withdrawal once the tax directive has been issued by SARS.



EXAMPLE 1: NON-METRO 



**Sewing machinist earning a weekly wage of R1 382.00**

Annual income before a Savings Pot withdrawal is **R75 816.52\***  
(including a bonus of 1.5% of annual earnings and the employer's retirement fund contribution)

	Scenario 1	Scenario 2	Scenario 3
<b>Current provident fund savings</b>	R40 000.00	R100 000.00	R150 000.00
Transfer to Savings Pot from 1 September 2024 (10% of existing retirement savings to a maximum of R30 000)	R4 000.00	R10 000.00	R15 000.00
Withdrawal from Savings Pot	R2 000.00	R10 000.00	R15 000.00
<b>Tax to be paid**</b>	<b>R0</b>	<b>R0</b>	<b>R0</b>
Amount after tax (an administration fee and outstanding tax, penalties and interest owed to SARS may be deducted from this amount)	R2 000.00	R10 000.00	R15 000.00

\*Extra income, such as overtime pay or a higher bonus, will increase annual earnings and may result in a higher tax amount when a withdrawal is made, or additional tax at assessment.

\*\*No tax is payable because annual earnings remain under the tax-free threshold of R95 750, even with the withdrawal.



EXAMPLE 2: METRO



## Sewing machinist earning a weekly wage of R1 694.50

Annual income before a Savings Pot withdrawal is **R95 779.92\***  
(including a bonus of 2% of annual earnings and the employer's retirement fund contribution)

	Scenario 1	Scenario 2	Scenario 3
<b>Current provident fund savings</b>	R70 000.00	R200 000.00	R350 000.00
Transfer to Savings Pot from 1 September 2024 (10% of existing retirement savings to a maximum of R30 000)	R7 000.00	R20 000.00	R30 000.00
Withdrawal from Savings Pot	R2 000.00	R20 000.00	R30 000.00
<b>Tax to be paid**</b>	<b>R360.00**</b>	<b>R3 605.39**</b>	<b>R5 405.39**</b>
Amount after tax (an administration fee and outstanding tax, penalties and interest owed to SARS may be deducted from this amount)	R1 640.00	R16 394.71	R24 594.71

\*Extra income, such as overtime pay or a higher bonus, will increase annual earnings and may result in a higher tax amount when a withdrawal is made, or additional tax at assessment.

\*\* Tax becomes payable because the withdrawal pushes annual earnings over the tax-free threshold of R95 750.





EXAMPLE 3: METRO



## Machine mechanic earning a weekly wage of R3 207.50

Annual income before a Savings Pot withdrawal is **R181 300,73\***  
(including a bonus of 2% of annual earnings and the employer's retirement fund contribution)

	Scenario 1	Scenario 2	Scenario 3
<b>Current provident fund savings</b>	R100 000.00	R250 000.00	R400 000.00
Transfer to Savings Pot from 1 September 2024 (10% of existing retirement savings to a maximum of R30 000)	R10 000.00	R25 000.00	R30 000.00
Withdrawal from Savings Pot	R5 000.00	R25 000.00	R30 000.00
<b>Tax to be paid**</b>	<b>R900.00**</b>	<b>R4 500.00**</b>	<b>R5 400.00**</b>
Amount after tax (an administration fee and outstanding tax, penalties and interest owed to SARS may be deducted from this amount)	R4 100.00	R20 500.00	R24 600.00

\*Extra income, such as overtime pay or a higher bonus, will increase annual earnings and may result in a higher tax amount when a withdrawal is made, or additional tax at assessment.

\*\* Tax becomes payable because the withdrawal pushes annual earnings over the tax-free threshold of R95 750.



### IMPORTANT INFORMATION

- The transfer to the new Savings Pot of 10% of your existing retirement savings (to a maximum of R30 000) is a **once-off event** that happens automatically after **1 September 2024**.
- To withdraw this money, you must complete an **application form**, which you request from your retirement fund.
- Withdrawals must be **R2 000 or more** before deductions (tax and administration fees) and can only be made **once per tax year** (between 1 March and the end of February every year).
- You must be **registered as a taxpayer** before you can make a withdrawal. The application form will ask for your tax registration number and cannot be processed without this information.
- The administrator of your retirement fund will apply for a **tax directive** from the South African Revenue Service (SARS) on your behalf. This directive will tell the fund administrator how much tax must be deducted.
- You cannot change your mind about withdrawing once SARS issues the tax directive. If you are not sure about how much tax you may have to pay and what to do, ask your **retirement fund** for guidance before applying for a withdrawal.
- Your retirement fund and the fund administrator will be dealing with thousands of applications from 1 September 2024, and it will **take some time** before any money will reflect in your account if you decide to make a withdrawal.