

How TAX on a withdrawal benefit during your younger years can affect the TAX you pay at retirement

Let's look at 3 scenarios to explain how the TAX works

01. Joe

Joe reaches retirement age and has **R1 800 000** saved up. He has never withdrawn money from any pension, provident or retirement annuity fund.

He takes **R600 000** as a cash lump sum. As R550 000 is tax free*, he pays 18% tax on R50 000.



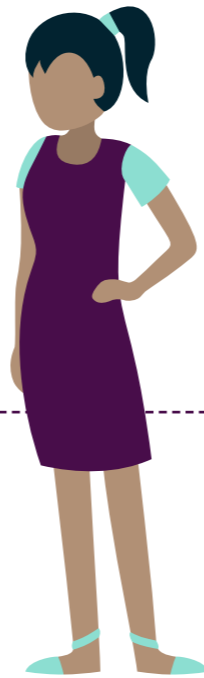
Lump sum (at retirement)	R 600 000
Tax-free amount	R 550 000
Tax payable on	R 50 000
Tax paid	R 9 000

Joe puts in his pocket R 591 000

02. Elizabeth

In 2015, at the age of 22, Elizabeth has saved **R75 000** in her retirement fund. She resigns and withdraws all her retirement savings.

Elizabeth then started a new job and starts saving money again. In 2023, at the **age of 40**, she resigns and again withdraws her retirement savings of **R80 000**.



Amount taken as lump sum	R 75 000
Tax paid	R 9 000
Money in her pocket	R 66 000

Amount taken as lump sum	R 80 000
Tax paid	R 13 950

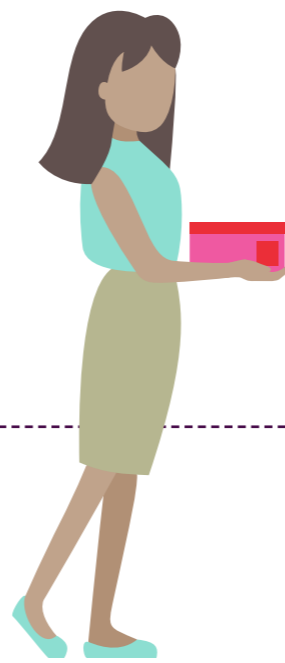
Money in her pocket R 66 050

03. Pam

Pam is 45 years old and has saved **R500 000** in her retirement fund. She resigns and withdraws all her retirement savings.

Pam started a new job and eventually reaches retirement age. She has **R1 800 000** saved up and withdraws **R600 000** as a cash lump sum.

To calculate the amount taxable, SARS adds the withdrawal amount of **R500 000*** taken before plus the R600 000 taken at retirement which equals to **R1 100 000**.



Amount taken as lump sum R 500 000

Total tax paid R 85 500

Money in her pocket R 414 500

Lump sum (at retirement) R 600 000

To calculate taxable amount R 500 000

Plus R 600 000

Calculate tax on R1 100 000

Tax paid R 128 700

Pam puts in her pocket R 471 300

*The R550 000 tax free amount at retirement is reduced by any withdrawal taken during your pre-retirement years.

The tax-free amount applies only once and any subsequent cash lump sum withdrawals, even from retirement or provident funds or even a severance benefit you may have in the future, will be taxed in full if you have already withdrawn R27 500 or more. The tax-free sum amounts applies to all withdrawal lump sums received over a member's lifetime, including divorce settlements or maintenance orders paid on your behalf after 1 March 2009.

Please note that the above calculations are based on the tax tables applicable at the time.

[CLICK HERE](#)

to view the tax tables available on the TFG Retirement Fund's intranet site

S I M E K A

member of  Sanlam group