



South African Revenue Service

Dear Valued Stakeholder

IMPLEMENTATION OF TAX DIRECTIVES ENHANCEMENTS

On 22 April 2022, the South African Revenue Service (SARS) implemented the legislative changes in respect of Tax Directives.

Herewith a summary of these changes which pertain to Fund Administrators, Insurers, Tax Practitioners, Advisors and taxpayers.

- Taxpayers who are members of a pension preservation or provident preservation fund, who have reached retirement age and are 55 years and older are now allowed to transfer the retirement benefit to another preservation fund or a retirement annuity fund on a tax neutral basis on a Form A&D when using - **reason [par 2(1)(c)]** Transfer before Retirement.
- Taxpayers can now, on retirement, elect to use two thirds ($\frac{2}{3}$) or more of the total value of the retirement interest in the fund to provide a pension and / or annuity or purchase a living annuity and / or a guaranteed annuity from an Insurer. Alternatively, they can elect to keep a portion of the retirement interest in the fund which will provide a pension and / or annuity and use a portion to purchase a living annuity and / or a guaranteed annuity from an Insurer. However, it is important to note that the condition placed on a purchase of an annuity is that the value of each annuity (living and / or guaranteed and / or remaining in the fund) must be R165 000 and above, respectively.

- A new reason has been added on the IRP3a to cater for foreign companies that are not registered for Pay As You Earn (PAYE) to make severance payments to South African tax residents who have performed work within the Republic for the said company. When the employer pays the employee, the tax practitioner or SARS will select reason <Severance benefit - Paid by a non-resident Employer>
 - When the taxpayer/Tax Practitioner completes the return, a new field will be added on the ITR12 to cater for payments made by foreign entities. The taxpayer/Tax practitioner must select <Y>
 - This will open a container whereby <new source code 3925) will be generated to capture the amount of the severance benefit received and the Tax Directive number which would have been issued for this purpose.

For more information please visit the SARS website www.sars.gov.za

Sincerely,

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

28 April 2022