How new tax rules will affect you

New tax legislation comes into effect on **1 March**. Here's how it will affect you.

1 Your disability income cover premiums

Your premiums for disability income cover will no longer be tax-deductible. However, on 1 March 2015 the premium of the disability cover will be reduced by 13% from 1,017% to 0,885% of your Total Guaranteed Package (TGP).

2 Your remuneration

The premium for disability cover will become a separate after-tax deduction, which will result in a small reduction in your take-home pay. You can, however, select a lower employer contribution rate to the Sanlam Staff Umbrella Pension and Provident Funds (SSUF) during the annual flex event at the end of April 2015.

WARNING A reduction in fund contributions will result in an increase in the tax payable by you.

3 Your benefits should you be declared disabled

If you become disabled you will receive a tax-free disability income. The structure or formula of the disability benefit will no longer be a fixed percentage, namely 75% of TGP. It will be calculated according to a sliding scale linked to the tax scales to ensure it is equal to the current net of tax benefit.

IMPORTANT Although the gross disability benefit is reduced, the net after-tax benefit will still be the same because the new benefit will not be taxable.

NOTE There won't be a reduction in the benefits of members who are already on disability. Their net income will increase as their disability income will no longer be taxable.

4 Your monthly savings to the SSUF

You will save more for retirement because the employer contribution to the SSUF will no longer be reduced by the premium for the disability income cover.

Current fund contributions

TGP: R15 000 pm / PEAR*: R12 000

Employer contributions (17,5%)	**R2 100,00**
Less premium for disability income cover	**R152,55**
Savings for retirement	**R1 947,45**

Fund contributions as from 1 March 2015

TGP: R15 000 pm / PEAR*: R12 000

Employer contributions (17,5%)	**R2 100,00**
Less premium for disability income cover	**R0,00**
Savings for retirement	**R2 100,00**

IMPORTANT If you reduce your employer contribution you will save less for retirement.

* Pensionable earnings

5 When your retirement benefits become payable

You have to retire on the retirement date stated in the contract between you and your employer. You may elect to retire early within 10 years before your normal retirement date.

You can now postpone the payment of the retirement benefits from the SSUF. On retirement you can elect to preserve your benefit in the SSUF until you want it to be paid out. The benefit will accrue for tax purposes only when it becomes payable.

The following rules apply when the payment is postponed:

- You may not make further contributions to the SSUF.
- You will not qualify for death or other risk benefits. At retirement date you have to make use of the continuation or conversion options for risk benefits.
- The benefit will be invested in the SSUF portfolios you selected. You may make investment switches.
- You have to pay a monthly administration fee that will be recovered from your accumulated fund value.

If you die during the period of postponement, the accumulated fund values become payable as a death benefit. At retirement Group Human Resources Support Services (HRSS) will communicate the detail of the procedure to postpone the payment of your retirement benefit to you.

IMPORTANT
The employer's permission is required for you to retire more than five years before your normal retirement date.