On 1 March 2016 (date still to be confirmed) new legislation come in to force that will remove the future differences between a pension and provident fund with respect to tax deductibility and the cash lump sum that can be taken at retirement.

The implications of the relevant legislative changes are:

1. **Tax deductibility of contributions**
   
   The rules governing the tax deductibility of contributions to pension-, provident- and retirement annuity funds, which is currently very different, will be harmonised across all these different types of retirement saving funds. This means that all retirement savings funds will have the same tax treatment with regard to contributions and retirement benefits.

   **What exactly will change for SSUF members?**

   - **Contribution structure**
     
     There will only be an employee/member contribution. This contribution rate will be equal to the total of your current employer and member contribution rates.

     This means that your contributions to the fund will stay on the current Rand amount and will not affect your take home pay.

   - **Tax deductibility**
     
     In terms of the amended law members will qualify to deduct contributions up to 27.5 % of the greater of their remuneration or taxable income for tax purposes.

     - The 27.5 % will be subject to a maximum of R350 000 per tax year and will also include all contributions to all pension-, provident- and retirement annuity funds which you belong to.

     - If your contributions in a specific tax year exceed R350 000, you will be able to deduct the balance (the contributions more than R350 000) in the following tax years or it will form part of your tax free portion at retirement.

2. **The lump sum that you may take in cash at retirement**

   As from 1 March 2016 members of retirement funds will only be allowed to take one-third of their benefit at retirement as a cash lump sum payment. The balance of the benefit must be used to buy a pension i.e. to provide an income to the member after retirement.
Exceptions in this regard:

- If the total accumulated benefit at retirement is less than R150 000 then the member can take the full benefit as a cash lump sum.

- Members will still be able to take the provident fund values that accumulated up to 1 March 2016 plus future investment growth on these values in cash when they retire.

  The amended law is only applicable to the provident fund values (of members younger than 55 years on 1 March 2016) that accumulate as from 1 March 2016.

Special arrangements for members 55 years and older on 1 March 2016

- Members 55 years and older on 1 March 2016 (if they remain in the same provident fund) will still be allowed to take their full retirement benefit (including contributions after 1 March 2016) as a cash lump sum at retirement.

How will this change impact on members of the SSUF

- The fund administrator will keep record of each member’s balance before 1 March 2016 and also the contributions as from 1 March 2016.

Important: The implementation date of 1 March 2016 still needs to be confirmed.