

General Notes - Second Schedule to the Income Tax Act

General Note 2

GENERAL SUBJECT: SECOND SCHEDULE TO THE INCOME TAX ACT

SPECIFIC ASPECT: TRANSFERS FROM SOUTH AFRICAN PENSION AND PROVIDENT FUNDS TO NAMIBIAN RETIREMENT FUNDS

STATUS: OPINION

BACKGROUND: The Namibian Government has indicated that certain retirement funds operating in Namibia must register in Namibia. It seems to follow that Namibian employees who are members of South African registered and approved pension or provident funds must transfer to the new Namibian registered retirement fund.

OPINION: No special provision exists in terms of which such transfers take place. For South African income tax purposes a transfer from an approved fund to a non-approved fund is not exempt from income tax and the full transfer value from a South African approved fund to a Namibian fund is included in paragraph (e) of the definition of "gross income" in section 1 of the South African Income Tax Act (the Act). It is, however, possible that the provisions of section 9(1)(g)(ii) of the Act will apply in terms of which the transfer value will not be subject to South African income tax if services were not rendered in South Africa on the basis described in that section.

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