EXTERNAL GUIDE

GUIDE TO COMPLETE TAX DIRECTIVE APPLICATION FORMS

REVISION HISTORY TABLE

Date	Version	Description
16-10-2020	11	The email address for manual tax directives has been changed to the new email address.

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1   PURPOSE

- This guide in its design, development, implementation and review phases is guided and underpinned by the SARS Strategic Plan 2020/21 - 2024/25 and the applicable legislation. Should any aspect of this guide be in conflict with the applicable legislation the legislation will take precedence.

- The purpose of this guide is to assist Fund Administrators / Long-term Insurers and / or employers on how to complete all of the various tax directive application forms in order to obtain a tax directive (IRP3) before a lump sum benefit can be paid to a member. The tax directive application forms that will be addressed in this guide are:

  - Form A&D;
  - Form B;
  - Form C; and
  - Form E.

2   GENERAL INFORMATION

2.1   WHO MUST COMPLETE AND SUBMIT A TAX DIRECTIVE APPLICATION FORM?

- Employers (including an Administrator of a pension fund, pension preservation fund, provident fund, provident preservation fund, retirement annuity fund defined in section 1(1) and Long-term Insurers) are required in terms of paragraph 9(3) of the Fourth Schedule to the Income Tax Act No.58 of 1962, as amended ('the Act') to apply for a tax directive in respect of any lump sum benefit payable.

- A Fund Administrator or a Long-term Insurer must submit a tax directive application form irrespective of the amount payable.

- A tax directive application form must be submitted where the member has requested that the double taxation agreement between SA and the country where the member resides must be taken into account.

  - The RST01 application form is only applicable to annuities and / or pension's payable monthly / quarterly / yearly / etc. It is not applicable to lump sum tax directives.

- A member of a fund / the member's tax representative / a tax practitioner / financial advisor **cannot** complete and submit any tax directive application form that is stated in this guide.

2.1.1   Tax directive simulator

- From the 20th of April 2018 the Fund Administrator / Long-term Insurer can first request a simulation of the tax directive result before submitting the actual tax directive in order to determine the tax liability on the lump sum benefit. This will assist the member to make an informed decision before an election is made in respect of the benefit.

  - Simulations (quoting system) and actual tax directive application forms will be processed frequently throughout the day. The Fund must ensure that separate files are used for the processing of the simulations and tax directives.
  - The Fund must ensure that the actual tax directive is used when the PAYE is paid over to SARS and the correct tax directive number must be reflected on the IRP5/IT3(a) tax certificate.

2.2 HOW TO OBTAIN A TAX DIRECTIVE APPLICATION FORM?

- The **updated** tax directive application forms can be obtained through any of the following channels:

  - ▫ The **SARS website** www.sars.gov.za.
    - ○ The latest version of the manual (hard copy) tax directive application forms are available online.
      - ▪ Manual tax directive application forms must **only** be submitted in extreme circumstance if an electronic tax directive application was submitted through the Interface agency or eFiling and was rejected for example the taxpayer has two active income tax numbers and there is proof that the problem could not be resolved, or the income tax number is inactive, etc.
  - ▫ **eFiling**:
    - ○ If your organisation is not registered as an eFiler, please log on to www.sarsefiling.co.za to register and refer to the guide: '*How to Register, Manage Users and Change User Password on eFiling'*.
    - ○ A tax directive can only be obtained from an organisation's profile **not** from a tax practitioner's profile.
  - ▫ **Electronically** (via an Interface or eFiling)
    - ○ Fund Administrators or Long-term Insurers can be registered as an Interface agent or use established Interface agents to capture the tax directive application forms online.
      - ▪ The interface specification IBIR-006 and the INF001 form to register to get access to SARS Interface are available on the SARS website.

NOTE: The updated forms on the SARS website must be used for all manual (hard copy) tax directive applications to avoid the rejection of the tax directive applications due to missing information and the consequential delay in issuing the tax directives.

2.3 HOW TO SUBMIT A TAX DIRECTIVE APPLICATION FORM?

- A completed tax directive application form can be submitted through any of the following channels:

  NOTE: It is recommended that the Fund Administrator or Long-term Insurer makes use of either **eFiling** or the **electronic** submission of tax directive application form through the Interface agencies to obtain a tax directive.

  - ▫ **Electronically**: Through an Interface agent.
  - ▫ **eFiling**: Administrators / Long-term Insurers registered on eFiling can complete the forms online and obtain the finalised tax directive online.
  - • **Email:** The Fund / Long-term Insurer can only email the hardcopy of the tax directive application forms to contactus@sars,gov.za if the Fund / Long-term Insurer could not obtain a tax directive through eFiling or an Interface Agency. Additional information is available on SARS website under 'Contact Us'.

  NOTE: The Fund Administrator / Long-term Insurer has to contact SARS Contact Centre to determine if the tax directive was processed before collecting the tax directive at the nearest SARS branch office. The Fund Administrator / Long-term Insurer will be requested to produce authentication documentation at the Branch.

- From 9th December 2019 the Fund Administrators / Insures can submit tax directive applications that requires supporting documents through eFiling only.

  - ▫ Tax directive applications for **non-residents** or the *'Emigration Withdrawal'* or *'Visa Expiry'* tax directive application forms that requires supporting documents can be

submitted through eFiling if the Fund Administrator / Long-term Insurer is registered as an eFiler.

  o For more detail on the required documents that must be uploaded refer to paragraph *3.1.4. 'Is the taxpayer a non-resident?'* below. The '*Reason for directive'* will indicate the required supporting document to be uploaded / attached to the tax directive application form.

- On submission of the tax directive application form for non-residents the system will prompt the Fund Administrator / Long-term Insurer to upload the certificate of residence and the other required supporting documents. Ensure that **ONLY** the required documents are uploaded to avoid the rejection of the tax directive application form.

- Once the tax directive application form with the correct supporting documents are submitted a case will be created on the SARS system for a SARS user to verify within 21 working days that the correct supporting documents were uploaded and that the tax directive application form was completed in full.

  □ If the incorrect supporting documents were uploaded or the tax directive application form was not completed in full the SARS user will reject the tax directive application.
    o The SARS user will not be able to determine if the correct income tax number was used or if the demographic information on the tax directive application form is correct. This validation will be done on the SARS income tax (IT) system once the SARS user approves the tax directive application where the correct supporting documents were submitted.
  □ The rejection reasons will be available on eFiling where the SARS user has rejected the tax directive application form when the Fund Administrator or Long-term Insurer enquires on the progress of the tax directive application submitted.
    o The Fund Administrator or Long-term Insurer will only have access to the tax directive applications submitted through eFiling. The Fund Administrator or Long-term Insurer will not be able to access or obtain a tax directive if the Fund / Long-term Insurer has emailed the tax directive application form to SARS or has used an Interface agency to submit the tax directive application form.
  □ The Fund Administrator / Long-term Insurer has to resubmit the tax directive application form and ensure **ONLY** the required supporting documents, as indicated under each '*Reason for a directive'*, are uploaded / attached.
  □ If the tax directive application form was completed in full and the correct supporting documents were uploaded the SARS user will approve the tax directive application form and the tax directive application form will be processed on SARS IT system as if the tax directive application was submitted electronically through an Interface agency
  □ If all the validations (correct ID number, tax reference number, full names and Surname, etc.) are met a tax directive will be issued that can be viewed and down loaded when the Fund Administrator or Long-term Insurer who has submitted the tax directive enquires on eFiling.
    o If the validations of the SARS IT system are not met the tax directive application will be declined and a list of errors can be viewed on eFiling that will enable the Fund administrator or Long-term Insurer to correct the information and resubmit the tax directive application form with the correct supporting documents.

- Where the tax directive application form cannot be processed through the eFiling process the Fund Administrator or Long-term Insurer has to email the tax directive application form and required supporting documents to SARS to capture the tax directive application online on the IT system.

3 COMPLETING THE TAX DIRECTIVE APPLICATION FORM

The format of this completion guide is based on the manual tax directive application forms (hard copies) and the tax directive application forms on eFiling. The information in this guide is **also** applicable to the completion of the electronic tax directive application forms.

3.1 TAXPAYER DETAILS

- This part of the form is generic to all the tax directive application forms (Form A&D, Form B, Form C and Form E).

- Under the '*Taxpayer Details'* container provide the personal details of the member who will receive the lump sum benefit payment.

  □ If the tax directive application form is submitted and the directive reason '*Divorce – transfer*' or '*Divorce non-member spouse*' is selected on the tax directive application form and the date of accrual is after 1 March 2009, the personal details of the spouse who will receive the lump sum benefit must be completed under this container.
  □ The information in this container must be used to issue an IRP5/IT3(a) tax certificate for the lump sum benefit amount paid.

3.1.1 Taxpayer Reference number

- This number is also referred to as income tax reference number and is allocated by SARS to the taxpayer when registering for income tax purposes. This number is mandatory on the IRP5/IT3(a) tax certificate.

  □ In the case of a divorce order after 1 March 2009 the income tax reference number of the spouse who will receive the benefit must be provided on the tax directive application form.
  □ The income tax number can only start with and 0, 1, 2 or 3 and must have 10 digits.
    o The taxpayer can provide the Fund Administrator / Long-term Insurer with the top part of the ITA34 '*Notice of Assessment'*. The reference number is the number to be entered in the '*Taxpayer reference number'* field.

- SARS has implemented a new function on eFiling that allows the Fund Administrator or Long-term Insurer to request the income tax reference number. The guide '*How to request your clients Tax Reference Number via eFiling - External Guide'* on SARS's website will also assist the Fund Administrator or Long-term Insurer to obtain a member's income tax reference number where the member cannot provide the Fund Administrator or Long-term Insurer with an income tax reference number.

- The error message *'Invalid reference number for applicant'* or '**Contact SARS - Tax No on application differs from Client DB**' (data base) will be displayed if:

  □ The member has more than one active income tax reference number according to the SARS's data base; or
  □ The Fund Administrator / Long-term Insurer submits the tax directive application without the income tax reference number, indicating that *'the reason taxpayer / member is not registered'* is unknown or any other reason, the SARS system will decline the tax directive application. The taxpayer must provide the Fund Administrator / Employer / Long-term Insurer with the correct income tax reference number.

NOTE: If a member has more than one active income tax reference number the Fund Administrator / Long-term Insurer must submit a manual tax directive application and SARS will allocate the correct number to be used.

- **Year of assessment ended on (Tax Year):**

  □ This is a mandatory field that must be completed.
  □ This is the period commencing on 1 March of a particular year to the end of February of the following year.
  □ The date of accrual will determine the *'Year of assessment ended on'* or the 'Tax year'.
  □ The date of accrual must fall within the year.
    ○ For example if the date of accrual is 25 April 2016 the '*Tax year'* or '*Year of assessment ended on'* will be 2017-02-28. The tax year on the tax directive will be **2017** and the 'Year of assessment' on the IRP5/IT3(a) tax certificate must be **2017**.
    ○ If the date of accrual is 21 February 2019 on the tax directive application form and the tax directive application form was submitted on the 14th of March' *Tax year*' or '*Year of assessment ended on*' will be 2019-02-28 (2019) and the '**Transaction year**' on the IRP5/IT3(a) tax certificate will be 2020 due to the fact that the PAYE indicated on the tax directive was and can only be paid over to SARS after the directive was received on 14 March 2019. The **'Year of Assessment'** on the IRP5/IT3(a) certificate must be **2019** as the date of accrual 21 February 2019 falls within the 2019 year of assessment and the '*Transaction Year*' must be **2020**.
  □ The Fund Administrator / Long-term Insurer has to provide the member with a manual IRP5/IT3(a) tax certificate within 14 days after the payment of the lump sum, to enable the taxpayer to submit the 2019 return. The certificate **will not** be prepopulated on the taxpayers return due to the fact that the certificate will only be submitted to SARS when the Fund Administrator / Long-term Insurer submits the bi-annual reconciliation in October for the 2020 '*Transaction Year'*. Therefore, the taxpayer has to manually add the certificate on the tax return to avoid the rejection of the return and to enable SARS to allow the PAYE on the certificate as a PAYE deduction.

3.1.2 Taxpayer's Personal Detail

- **Surname:**

  □ This is a mandatory field that must be completed.

- **Name(s):**

  □ This is a mandatory field that must be completed.
  □ Enter the member's name(s). Use the name(s) as specified on the ID document, ID card or passport document.
  □ Do not use nicknames to avoid the tax directive from being rejected.
  □ The names must correspond with the information on the SARS register for taxpayers.

- The Initials are mandatory for electronically submitted tax directive application forms and must correspond with the name(s).
- A name must consist of at least two characters.

- **Date of birth:** This is a mandatory field that must be completed.

  - The date of birth must correspond with the first six digits of the ID number if the ID number is provided.

- **Identity number:** This is a mandatory field that must be completed.

  - The identity number must correspond with the latest issued identity document or identity card by the South African Department of Home Affairs.
  - If the taxpayer has not updated his / her identity number with SARS to match the identity number in the current ID document or ID card, SARS's tax directive system will reject the tax directive application. Specific instances of other reasons for rejection are that:
    o One of the reasons for the rejection *'Income tax reference number invalid for applicant'* or '*TP Contact SARS - ID No on application differs from ID on SARS*' can be due to the ID number on the tax directive application form not matching the ID number on SARS' records; or
    o The wrong ID / passport number was entered on the tax directive application form.
    o All 13 digits must correspond with the ID number on SARS' records to be valid.
    o The Fund Administrator / Long-term Insurer must ensure the correct income tax reference number and ID number was used; or
    o **The member** must ensure that the last 3 digits of his / her ID number on SARS's records correspond with the number in the ID document or ID card. Since the implementation of the barcoded ID documents and taxpayers not updating their registered details with SARS, tax directive applications are rejected / declined.
      - The onus is on the taxpayer to ensure that the ID number in the barcoded ID document or ID card corresponds with the ID number on SARS's records. If the old ID number (pre 1994) was not updated, the taxpayer must visit the nearest SARS Branch before the fund submits the tax directive application with his / her ID document or ID card to update the ID number in order to avoid the tax directive being declined.

- **Other Identification:** This field is mandatory if the ID number is not provided. The other ID number must only be completed if the taxpayer does not have a South African ID number.

  - If the taxpayer is registered for income tax purposes the other identification number on the tax directive application form must match the other identification number that the taxpayer has used to register for income tax purposes.
    o If the passport number has changed and the current passport number differs from the passport number on SARS's records, the onus is on the taxpayer who must visit the nearest SARS branch to update the passport number.
    o If the taxpayer is an Asylum Seeker the Asylum Seeker Permit Number must be entered in the '*Other ID'* field.

- **Specify other identification:** If the '*Other Identification'* is used instead of the identity number then specify what type of '*Other Identification'* number was used, e.g. passport number or work permit number.

- **If the taxpayer / member is not registered for income tax, select one of the following reasons:**

  - Unemployed;
  - Other.
    o If the reason 'other' is selected a reason for this must be supplied.

NOTE: If the Fund Administrator / Long-term Insurer submits the tax directive application without

the income tax number and indicates that *'the reason taxpayer / member is not registered'* is '*unknown'* or any other reason where a member has registered for income tax purposes and an Income Tax reference number was issued, SARS's tax directive system will decline the tax directive application. The taxpayer must provide the Fund Administrator / Employer / Long-term Insurer with the correct income tax reference number if registered for income tax purposes.

3.1.3 Annual Income

- This field is only mandatory **if:**

  - The reason on the tax directive application is *'Par (eA) Transfer / Payment'*. Only applicable to public sector funds. Refer to paragraph 3.4.5 *'Par (eA) Transfer / Payment*' for more information.
  - The tax directive application is for unapproved funds;
  - Form B and Form E where the date of accrual is prior to 1 March 2009; or
  - Form A&D and Form C, where the date of accrual is prior to 1 October 2007.

- The annual income must reflect all income received by or which accrued to the taxpayer during the year of assessment, e.g. salary, remuneration, earnings, emolument, wages, bonuses, fees, gratuities, commission, pension, overtime payments, royalties, stipend, allowances and benefits, interest, annuities, share of profits, rental income, compensation, honorarium, etc.

- If the annual income amount is not correctly completed the tax calculation will be incorrect and this will cause hardship to the taxpayer when the final assessment is processed.

- The annual income must exclude the lump sum amount on the tax directive application form.

- **Employee number:**

  - This field is not mandatory.

3.1.4 Is the taxpayer a non-resident? (Mannual forms and application forms on eFiling)

- This field is only mandatory if the tax directive application is for a non-resident who is a contributing member of a SA retirement fund, and:

  - The non-resident rendered services inside and / or outside SA while being a contributing member of the SA fund; or
  - The tax directive application is for '*Emigration Withdrawal' / 'Visa Expiry*'.
    - To access the tax directive application form on eFiling the Fund Administrator / Long-term Insurer must be registered as an organisation within the non-resident's eFiling profile. (Refer to the guide: '*How to Register, Manage Users and Change User Password on eFiling'*.)
  - Select '*Yes*' or '*No'*.
  - The Fund Administrator / Long-term Insurer must indicate "*Yes*" if the taxpayer is not a resident in terms of the definition of 'resident' in section 1(1) of the Income Tax Act.
    - A certificate of residence (not older than 12 months) must be attached to the tax directive application form emailed to SARS or if the eFiling tax directive application is completed the certificate must be uploaded:
      - A certificate of residence is issued by the Tax Authority where the taxpayer resides and where there is a Double Taxation Agreement (DTA) in place between South Africa and the country of residence (an assessment **does not** confirm that the taxpayer is a tax resident);
      - Only in instances where there is **no** DTA in place can a citizenship document or an immigration certificate from the country of residence be attached as proof of non-residence.
      - Where a DTA is in place and the certificate of residence is not issued by the Tax Authority where the taxpayer resides and / or the certificate of

residence is not attached to the tax directive application the tax directive application will be rejected.

○ The detailed history of employment **must** be attached to the tax directive application if the tax directive application is from an occupational fund or a preservation fund or the non-resident wants to transfer from a local fund to a fund registered in a foreign jurisdiction. Refer to bullet 6 under *3.5.1 – Transfer'*

▪ Where section 9(2)(*i*) is applicable the questions in the container '*Non Resident Service Rendered Inside Republic [Section 9(2)(i)]'* must be completed; or

▫ Where the DTA must be taken into account a letter must be included indicating that the DTA must be taken into account.

NOTE: The '*Non Resident Service Rendered Inside / outside Republic [Section 9(2)(i)]'* container must always be completed and the history of employment must be attached to the tax directive application form where the tax directive application is submitted by an occupational fund or a preservation fund.

3.1.5 Is the certificate of residence (citizenship certificate only where DTA is not applicable) attached?

• This is only mandatory if the member is a non-resident.

▫ Select 'Yes' or 'No'.
▫ When the tax directive application form on eFiling was completed in full and the user clicks on the <Submit> button the system will prompt the user to upload the certificate of residence and the other relevant supporting documents if required.

• The certificate of residence must be in English. If the certificate of residence is in a foreign language, it must be accompanied by a translated English version.

NOTE: **Only** a certificate of residence issued by the **Tax Authority** of the country, in which the member resides in accordance with the Double Taxation Agreement (DTA) between SA and the country of residence, will be accepted. If there is no DTA in place the member must either obtain a certificate of residence from the relevant Tax Authority, a citizenship document or an Immigration certificate from the country of residence or as proof of residence in country where the member resides.

• If the certificate of residence is not attached where there is a DTA in place, the tax directive application will be declined.

• Only where there is **no** DTA in place can a citizenship document or an Immigration certificate from the country of residence, be attached as proof of residence in country where the member resides.

3.1.6 Taxpayer's addresses

• **Taxpayer's Residential address and Postal code;**

▫ These fields are mandatory.
▫ Do not use symbols or other characters in the address field. Only use numbers and alphabetical letters.

• **Taxpayer's Postal address and Postal code;**

▫ These fields are mandatory and can be the same as the residential address.
▫ The tax directive (IRP3) will not be issued to the taxpayer but only to the Fund Administrator or Long-term Insurer who requested the tax directive.
▫ Do not use symbols or other characters (no special characters) in the address field. Only use numbers and alphabets.

3.2   PARTICULARS OF THE FUND

- Most of the information required in this part of the form is generic to all the tax directive application forms.

  - Where certain information is not required on the specific tax directive application form it will be indicated as such.

Particulars of Fund

Registered Name of Fund																																			

Contact Person

E-mail address

Tel no.   Membership number   Fund Approval no. (Applicable to Public Sector Funds) `1 8 2 0 4`

PAYE Reference no. `7`   FSCA Registration no. `1 2 / 8 / 0 0` `/`

Particulars of Fund (continued)

Participating Employer Name

Type of fund: Pension   Provident   Pension Preservation   Provident Preservation

Postal Address

Postal Code

Indicate whether this fund is: A public sector fund   An approved fund   Other   Specify other

- **Registered Name of fund:**

  - Enter fund name as registered with the Financial Sector Conduct Authority (FSCA) [Previously the Financial Services Board (FSB)].
    - If the name is not registered with an abbreviation do not use an abbreviation in the name field. The name must be entered as displayed on the FSCA website.
  - On the Form E, where a Long-term Insurer submits the tax directive application form, the Long-term Insurer's name must be provided in the '*Registered Name of Fund / Insurer'* field.

- **Contact person:**

  - Provide the name of the person to be contacted if more information regarding the tax directive application is required. Please avoid providing call centre details.

- **E-mail address;**

  - This is the email address of the Fund Administrator. On the Form E the Long-term Insurer's email address must be provided.
  - It is a mandatory field and must contain an "@" sign and a domain.

- **Telephone number:**

  - Enter the telephone number of the person who must be contacted should more information be required.
  - Only capture numeric characters.

- **Fund PAYE number:**

  - Mandatory field to be completed.
  - This number starts with a 7 and consists of 10 numbers.
  - This is the reference number that the Fund uses to pay over the PAYE, indicated on the tax directive to be deducted from the lump sum, to SARS.
  - This number must not be used to pay over the amount indicated on an IT88L (stop-order) to SARS. For more information regarding the IT88L refer to paragraph 5.1. IT88L (Notice attached to the tax directive). The amount on the IT88L refers to outstanding taxes on the taxpayer's record(s).

- **Fund approval number:**

  ▫ This number must be **blank** if the Fund is **an approved fund**.
  ▫ Only **public sector funds** that are not registered with the FSCA must use the Fund approval number.

    ○ Where the Public Sector Fund completes the approval number, the FSCA registration number field must be blank.
  ▫ The fund approval number format is 18204 (followed by 6 digits) e.g. 18204000909.
  ▫ If the public sector fund is registered with the FSCA, the FSCA registration number (previously FSB) must be used.

NOTE: The Commissioner of SARS has delegated the function to approve the rules of funds to the FSCA from 1 April 2012. New Funds approved from this date will not have a SARS approval number and therefore approved funds can **only** enter the FSCA registration number on the tax directive application form and the 'Fund approval number' field must be left blank.

- **FSCA registration number:**

  ▫ Mandatory for approved funds.

    ○ To avoid the delay in the issuing of the tax directive ensure that the correct FSCA number is used and that the number is in the correct format.
    ○ This is the registration number, as allocated by the FSCA (and must be provided in the correct format 12/8/0000000/999999, where 0000000 is the registered umbrella fund number and 999999 represents the participating employer number. In cases where the number is less than 7 digits, populate the rest of the field with '0' before the number, e.g. where the FSCA registration number is 12/8/123 capture the registration number as 12/8/0000123/.
  ▫ If the Fund is a free standing fund (not a type-A umbrella fund or a retirement annuity fund) the last 6 digits must be zeroes and the participating employer name must be blank. The number must be entered with the '/'.
  ▫ The last 6 digits of a retirement annuity fund will always be 6 zeroes e.g.12/8/0000222/000000.
  ▫ An error message 'Invalid format of FSCA registration number' and or 'Participating employer name must be provided' will be displayed where:

    ○ The FSCA number is not in the correct format;
    ○ Where the last 6 digits are greater than '0' and **no** 'Participating employer name' was entered;
    ○ Where the last 6 digits are zeroes and the 'Participating employer name' was entered.

- **Participating employer name (only on Form A&D and Form B):**

  ▫ The name of the employer who participates in a registered type-A umbrella fund. The participating employer name must correspond with the name as registered by the FSCA.
  ▫ If any of the last six digits of the FSCA registration number is greater than zero e.g. 12/8/0012345/000006) the name must be provided.

- **Membership number (on Form A&D and Form B) / Policy number (on Form C and Form E):**

  ▫ Mandatory field to be completed.
  ▫ The number which the Fund / Long-term Insurer has allocated to the member of the Fund.
  ▫ Where an additional amount is payable an 'A' can be added to the membership number to avoid the tax directive application being declined as a duplicate tax directive application.

- **Type of fund:**

  - □ Mandatory field to be completed.
  - □ On the Form A&D and Form B the Fund Administrator can select one of the following types:
    - ○ Pension;
    - ○ Provident fund;
    - ○ Pension preservation fund; or
    - ○ Provident preservation fund.
  - □ On Form C only 'Retirement Annuity' fund can be selected.

- **Postal address and Postal code:**

  - □ Mandatory field to be completed.
  - □ This is the address to be used to inform the Fund of the status of the tax directive application.
  - □ When the tax directive application was successfully captured and processed a tax directive (IRP3) will be sent to the Fund Administrator that requested it as follows:
    - ○ Tax directive application that was submitted electronically, the tax directive information will be sent electronically. The interface agent will generate a tax directive as prescribed by SARS.
    - ○ If the fund that submitted the tax directive application electronically has indicated that they require a 'paper response', a printed version will be sent through the post.
    - ○ Where the hard copy of the tax directive application is manually submitted and captured by a SARS user on SARS's tax directive system, a tax directive will be emailed to the applicant.
    - ○ If the Fund administrator / Long-term Insurer has used eFiling to submit the tax directive application form the tax directive will be available on eFiling.

- **Indicate whether the Fund is:**

  - □ Mandatory field to be completed.
  - □ On the **Form A&D** and **Form B** the Fund Administrator can select one of the following types:
    - ○ **A public sector fund** – established by law, also known as paragraph (*a*) funds (paragraphs (*a*) and (*b*) of the definition of "pension fund" or "provident fund" operating as a paragraph (*a*) or (*b*) "pension fund") in section 1(1) of the Act;
    - ○ **An approved fund** – also known as private sector funds. The rules of the Fund are approved by the Commissioner of SARS in compliance with the requirements of the definition of "provident fund", paragraph (c) of the definition of "pension fund", the definition of "provident preservation fund" and the definition of "pension preservation fund"; or the definition of "retirement annuity fund" in section1(1) of the Act.

NOTE: The Commissioner of SARS has delegated the function to approve the rules of a fund to the FSCA from 1 April 2012.

  - ○ **Other**. If 'other' is selected the Fund Administrator must specify why the reason 'other' is selected, e.g. the Fund is not yet approved.
    - ▪ No deduction in terms of the Second Schedule will be allowed and the benefit will be taxed as normal income.
  - □ On the **Form C** the Fund Administrator can only select:
    - ○ **An approved fund**; or
    - ○ **Other**. Must provide a reason why 'other' is selected, e.g. the fund is not yet approved.
  - □ On the **Form E** the Fund Administrator / Long-term Insurer can select one of the following types of funds:
    - ○ **An approved fund** – the rules of the Fund are approved by the Commissioner of SARS in compliance with the requirements of the definition of "provident fund", paragraph (c) of the definition of "pension fund", the definition of

"provident preservation fund" and the definition of "pension preservation fund"; or the definition of "retirement annuity fund" in section 1(1) of the Act.

- ○ **A public sector fund** – established by law, also known as paragraph (*a*) funds (paragraphs (*a*) and (*b*) of the definition of "pension fund" or "provident fund" operating as a paragraph (*a*) or (*b*) "pension fund") in section 1(1) of the Act;

- ○ **Insurer** – The Long-term Insurer must be a registered Long-term Insurer with the FSCA. The FSCA Long-term Insurer registered number starting with 10/10/1/xxxx (if only one digit is on the letter from the FSCA, zeros must be entered before the digit, e.g. 10/10/1/0004).

- ○ **Other** – If the Fund Administrator / Long-term Insurer has selected '*Other*', they must provide reasons for selecting '*Other*', e.g. the Fund Administrator / Long-term Insurer is not yet approved or registered as a Long-term Insurer at the FSCA.
  - ▪ No deduction in terms of the Second Schedule will be allowed and the benefit will be taxed as normal income.

3.3 PARTICULARS OF THE GROSS LUMP SUM DUE

- The information in this part of the tax directive application form is not generic, although certain fields are generic, but will be dealt with under each tax directive application form type.

- In this part of the tax directive application form, the Fund Administrator has to indicate the reasons for submitting the tax directive application form. The reason indicates why the lump sum is payable or how the Fund must deal with the member's lump sum benefit.

- The *'Reason for directive'* selected on a tax directive application will determine the deduction to be allowed in terms of the Second Schedule to the Act as well as the applicable rate of tax that must be applied to the taxable portion of the lump sum.

3.4 Form A&D

- The form must only be used for retirement exit events or for death before retirement.

- The pension, pension preservation, provident, and provident preservation fund administrators or trustees must use the Form A&D if the reason for the tax directive is due to:

Particulars of Gross Lump Sum Due				
Reason for directive:	Retirement	Retirement due to ill-health	Death before Retirement	Provident Fund Deemed Retirement	Transfer on Retirement [Par 2(1)(c)]

3.4.1 Retirement

- The reason "Retirement" must be used where the member has reached the retirement age according to the rules of the Fund. Furthermore the member has either elected to take **a portion in cash** or purchase an annuity or annuities from a Long-term Insurer or receive a pension from the Fund or a Long-term Insurer with the remaining balance of the full benefit. The member **cannot** transfer a portion or the two-thirds of the benefit to a retirement annuity fund. Only the full benefit can be transferred to the Retirement Annuity Fund and then the member can retire from the Retirement Annuity Fund. Refer to paragraph '*3.4.5 Transfer on Retirement* [*Par 2(1)(c)*]'.

- The rules of a pension or provident fund and the profession (line of work) of the member determines the retirement age.

  - ▫ From 1 March 2015 where the member reached retirement age in terms of the rules of the Fund, the member can elect when the retirement benefit must be paid as a lump sum or be used to purchase an annuity from a Long-term Insurer.

- For **tax purposes** members of a pension preservation fund, provident preservation fund and a provident fund can only retire from the age of 55 years (minimum).

- Where the Fund type is **pension** or pension preservation fund, only one-third of the total value of the benefit can be taken as a lump sum.

  - Before 1 March 2016 where the two-thirds of the total value of the annuity or annuities in a fund did not exceed R50 000 (R75 000 in total) the annuity or annuities could be commuted for a single lump sum payment.
  - From 1 March 2016 where the two-thirds of the total value of the annuity or annuities in **a fund** does not exceed R165 000 (R247 500 in total) the annuity or annuities may be commuted for a single lump sum payment.
    - An error message **'Gross amount incorrect'** will be displayed if the same fund submits a second tax directive application and the total of the '*Gross amount of lump sum payment*' for both tax directive applications are more than one-third of the *'Gross amount of total benefit'*; or
    - The total of the *'Gross amount of lump sum payment'* **per fund** for both applications are more than R247 500 or R75 000 for tax directive applications with a date of accrual before 1 March 2016.
    - The validation is per tax directive application. If there are two policies in a fund and the total value of both policies is more than R247 500, only one-third per policy can be taken in cash.
  - Where the member chooses to purchase an annuity / annuities at a Long-term Insurer with the full value of the benefit, it is recommended that the Fund purchasing the annuity must complete the Form A&D tax directive application.
    - Where the Fund purchasing the annuity does not complete and submit the Form A&D tax directive application, the Purchasing Fund must complete Part A of the ROT02 in full for each annuity that the member purchases from a Long-term Insurer. The tax directive number field on the ROT02 must be blank.
    - The Fund / Long-term Insurer receiving the amount / annuity is responsible for the submission of the completed manual recognition of purchase form (ROT02) of the compulsory pension / annuity to SARS within 30 days of the purchase.
    - The receiving Long-term Insurer will not be able to submit the ROT02 electronically, as the tax directive number is not available.
      - Although there is no legal basis, SARS has to mitigate the risk of the retirement benefit not being utilised to purchase an annuity where the Fund is outsourcing the payment of the annuity to a Long-term Insurer. It is recommended that a tax directive application be submitted for purposes of ascertaining the trail of whether a member's retirement interest was utilised to purchase an annuity.

- The amount in '***Gross amount of lump sum payment'*** must be reflected in the amount field for source code 3915 on the IRP5/IT3(a) tax certificate. If the amount in the field '***Gross amount of lump sum payment'*** is zero **no** IRP5/IT3(a) tax certificate is required where the full benefit was used to purchase an annuity / annuities.

3.4.2 Retirement due to ill-health

- The rules of a pension fund, provident fund, pension preservation fund or provident preservation fund will indicate when a member can retire due to ill-health.

  - Where the Fund type is pension fund or pension preservation fund, **only one-third of the total benefit** can be taken as a lump sum, except:
  - Before 1 March 2016 where the two-thirds of the total value of the annuity or annuities in the pension fund or pension preservation fund did not exceed R50 000 (R75 000 in total) the annuity or annuities could be commuted for a single payment.

- From 1 March 2016 where the two-thirds of the total value of the annuity or annuities in a pension fund or pension preservation fund does not exceed R165 000 (R247 500 in total) the annuity or annuities may be commuted for a single payment.
  - An error message **'Gross amount incorrect'** will be displayed if the second tax directive application is submitted and the total of the '*Gross amount of lump sum payment'* is more than one-third of the '*Gross amount of total benefit'* or
  - The total of the '*Gross amount of lump sum payment'* **per fund** is more than R247 500 or R75 000 for tax directive applications with a date of accrual before 1 March 2016.
- Where the member chooses to purchase an annuity / annuities, follow the process as described under the reason '*Retirement'*.

- The amount in the **'Gross amount of lump sum payment'** field on the tax directive application must be entered in the amount field for source code 3915 on the IRP5/IT3(a) tax certificate and the tax in the amount field for source code 4115.

3.4.3 Death before retirement

- From January 2008 the total value of the benefit can be commuted for a lump sum where the reason for the tax directive is 'Death before retirement'.

- The date of accrual cannot be after the date of death.

  - The error message 'Date of accrual cannot be greater than the date of estate' indicates the date of death on the tax directive application form does not correspond with the date of death on SARS's records.
  - The executor of the estate must go to a SARS branch with the executor's letter and a certified copy of the death certificate and update the date of death in the branch.

- If the member died **after retirement** please refer to the '*Directive reason'* on Form E – '*Death Member / Former Member after retirement'*.

- Where the beneficiaries or nominees elect to purchase an annuity with their portion of the benefit, the beneficiary or nominees' details must be entered in the '*Death prior to retirement, the following fields are also mandatory for this purchase'* field.

  - The Form A&D makes provision for the purchase of 4 annuities. Where there are more than 4 beneficiaries or nominees electing to purchase an annuity, a second Form A&D must be completed. The '*Gross amount of total benefit'* must be split.
  - Ensure that the beneficiaries or nominees information is correct as SARS validates that the ID number and the tax number of the beneficiary or nominee is valid and belongs to the ID number. If the beneficiary or nominee is not registered the income tax reference number must be obtained before the tax directive application is submitted. The income tax reference number is mandatory to submit the IRP5/IT3(a) tax certificate for the annuity payable to the beneficiary.

- The beneficiaries or nominees **cannot** transfer their portion of the death benefit to a retirement annuity fund. The beneficiary or nominee can either take their portion in cash or purchase an annuity from a Long-term Insurer.

- The amount in '*Gross amount of lump sum payment'* must be reflected in the amount field for code 3915 on the IRP5/IT3(a) tax certificate. If the amount in the field '*Gross amount of lump sum payment'* is zero **no** IRP5/IT3(a) tax certificate is required where the full benefit was used to purchase an annuity / annuities by the beneficiaries.

3.4.4 Provident fund deemed retirement

- Paragraph 4(3) of the Second Schedule to the Act makes provision that the Fund Administrators can request the Commissioner to allow members of a provident fund, to retire before the age of 55 years on grounds other than ill-health. The Commissioner's

office will issue a letter confirming that the member or members of the specific fund can retire before reaching the age of 55. Where approval was obtained, the reason 'Provident fund deemed retirement' must be selected. Whenever the taxpayer has to provide SARS with supporting documents, this approval letter must be part of the supporting documents in order to avoid the lump sum being taxed as a withdrawal benefit.

- □ The Fund Administrator must send the request to retirementfunds@sars.gov.za and the mail must clearly indicate that it is a request for early retirement from a provident fund.

- The amount in the '*Gross amount of lump sum payment'* field on the tax directive application must be entered in the amount field for source code 3915 on the IRP5/IT3(a) tax certificate and the tax in the amount field for source code 4115.

3.4.5 Transfer on Retirement [Par 2(1)(*c*)]

- From 1 March 2018 paragraph 2(1)(*c*) of the Second Schedule to the Act provides that a member's retirement interest in his or her pension fund or provident fund, can be transferred on or after the member attains normal retirement age, as defined in the rules of the Fund, but before retirement date (before the election to retire) to a retirement annuity fund. From 1 March 2019 the member of pension fund can also transfer to a pension preservation fund. Furthermore, a member of a provident fund can also transfer to a provident preservation fund, a pension preservation fund or a retirement annuity fund.

- Paragraph 6A states that an amount equal to so much of that lump sum benefit that is transferred for the benefit of a member from a pension fund or provident fund to a retirement annuity fund / preservation fund in terms of paragraph 2(1)(*c*), can be allowed as a deduction.

  - □ This means that a member of an approved pension fund or provident fund who reaches the retirement age, as stipulated in the rules of the fund, may transfer the retirement benefit to a pension preservation fund / a provident preservation fund / a retirement annuity fund and does not have to retire from the employer's approved pension fund / provident fund when the member retires from the employer's employment.
  - □ The **full retirement benefit must be transferred** to the retirement annuity fund or preservation fund, which means that the member cannot take a portion in cash and transfer the balance.
    - ◦ This means that the '*Gross amount of lump sum payment*', the *'Gross amount of total benefit'* and '*The amount transferred to the transferee fund'* must be the same.
    - ◦ The transfer fields cannot be used if the reason for the tax directive is:
      - ▪ Retirement; or
      - ▪ Retirement due to ill-health; or
      - ▪ Death before retirement; or
      - ▪ Provident fund deemed retirement.
  - □ The fund must complete the '*Particulars of transfer on Retirement'* container. Refer to 3.4.18.
  - □ Error message *'Invalid accrual date'* will be displayed if the reason *'Transfer on Retirement [Par 2(1) (c)]'* is used and the date of accrual (date of transfer) is before 1 March 2018 for a transfer to an RA Fund or the transfer to a preservation fund that is before 1 March 2019.

- The amount in the **'*Gross amount of lump sum payment'*** field (amount transferred) on the tax directive application must be entered in the amount field for source code 3924 on the IRP5/IT3(a) tax certificate and the tax in the amount field for source code 4115.

3.4.6 Date of accrual

- Mandatory field.

- The date of accrual must fall within the '*Year of assessment ended on'*. For example, if the date of accrual is 25 April 2016 the '*Tax year*' or '*Year of assessment ended on*' will be 2017-02-28. The '*Tax year*' on the tax directive will be 2017 and the '*Year of assessment*' on the IRP5/IT3(a) tax certificate must be 2017.

- For retirement or retirement due to ill-health - Before 1 March 2015 the date of accrual for income tax purposes was the last working day or the day after the last working day depending on the rules of the Fund.

- From 1 March 2015 the date of accrual will be the date that the person elects to have the retirement benefit paid to him or her in terms of paragraph 4(1) of the Second Schedule to the Act or to purchase an annuity / annuities with the full benefit.

- The accrual date for death will be one day before the date of death. SARS's tax directive system will allow the date of death to be the accrual date but will decline the tax directive application if the date of accrual is after the date of death. The error messages *'Date of accrual does not match the date of death'* and '*Date of accrual not valid for fields completed'* will be provided for the reason that the tax directive application was declined.

- Where additional amounts are payable due to an '*agterskot'* or any other payment, one day must be added or subtracted from the original date of accrual to avoid the error message '*Duplicate application'*. (Refer to 6.2. '*Additional amount payable*' for more information.)

3.4.7 Date on which the member became a member of the Fund (Joined date)

- Mandatory field.

- This is the date the member became a member (joined date) of the Fund that **is now applying** for a tax directive.

  - The Fund must ensure that the correct date is entered as SARS's system uses these dates to determine if certain deductions maybe allowed or not.
  - This date is not the date the fund took over the administration. It must be the date the member became a member of the fund.
  - Where the member was a member of another public sector fund the part '*Was a period consisting of a number of completed years used to determine the quantum of the benefit in terms of a formula prescribed in terms of the rules of the fund?*' must be completed. The total period will be taken into account when paragraph 2A formula is calculated.

3.4.8 Gross amount of lump sum payment (Including the amount deemed to accrue in respect of par 2B of the Second Schedule)

- The amount entered in this field is:

  - The amount that the member of the Fund has elected to take in cash in accordance with the rules of the Fund; or
  - If the member elected to transfer the benefit to a retirement annuity fund / provident preservation fund / pension preservation fund the '*Gross amount of lump sum payment',* the '*Gross amount of total benefit*' and '*The amount transferred to the transferee fund'* must be the same amount to avoid the rejection of the tax directive application.

- This amount can be zero where the member elects to utilise the full benefit **to purchase** an annuity or the beneficiary has elected that the full benefit remains in the fund in order to

provide an annuity / pension. This means that no gross amount of the lump sum payment is taken in cash.

- Where the member chooses to purchase an annuity / annuities with the full benefit, it is recommended that the Fund purchasing the annuity must complete Form A&D tax directive application form. The Form A&D tax directive applications contain most of the information that is found in PART A of the ROT02. The tax directive (IRP3) will indicate the gross lump sum payable as R0.00 and the tax R0.00.

  ▫ Where the Fund purchasing the annuity does not complete and submit the Form A&D tax directive application, the purchasing fund / Long-term Insurer must complete the ROT02 form in full for each annuity that the member purchases from a Long-term Insurer.
  ▫ The Fund purchasing the pension / annuity is responsible for the submission of the completed manual recognition of purchase form (ROT02) of the compulsory pension / annuity to SARS within 30 days of the purchase.
  ▫ The Receiving Long-term Insurer will not be able to submit the ROT02 electronically, since the tax directive number is not available.
  ▫ Although there is no legal basis, SARS has to mitigate the risk of the retirement benefit not being utilised to purchase an annuity where the Fund is outsourcing the payment of the annuity to an SA Registered Long-term Insurer. It is recommended that a tax directive application be submitted for purposes of ascertaining the trail of whether a member's retirement interest was utilised to purchase an annuity.

- SARS's tax directive system uses the '**Gross amount of lump sum payment'** amount to:

  ▫ Apply the **formula in paragraph 2A** (Old Formula C) of the Second Schedule to the Act if the Fund is a 'public sector' fund.
  ▫ Determine the amount to be included as income in terms of section 9(2)(*i*) if the taxpayer is a non-resident; and
    o There is no Double Taxation Agreement (DTA) in place between SA and the country of residence; or
    o There is a DTA in place but South Africa has the taxing right.

- SARS's tax directive system will validate that the '*Gross amount of lump sum payment'* amount is not more than one-third of the amount in the *'Gross amount of the full benefit'* field where the tax directive application is for a pension / pension preservation fund.

  ▫ An error message 'Gross amount incorrect' will be displayed if:
    o the 'Gross amount of lump sum payment' on the tax directive is more than one-third of the 'Gross amount of total benefit' in the case of a pension / pension preservation fund; or
    o More than one tax directive application is submitted **per fund** and the total of the '*Gross amount of lump sum payment'* per fund is more than R247 500 or R75 000 for applications with a date of accrual before 1 March 2016.
    o Surplus amounts payable after retirement must be taxed as normal income and source code 3605 must be used on the IRP5/IT3(a) certificate. The principles in GN29 are applicable.
    o Any future surplus amount determined under section 15C and distributed to former members or pensioners as a lump sum in terms of section 15D(1)(*b*) or 15E(1)(*d*) of the Pension Funds Act is a lump sum benefit that accrues to or is received by the former member or pensioner in consequence of past membership. However, the lump sum benefit is not payable in consequence of or following retirement, death, withdrawal or resignation from the fund, and therefore no deduction under the Second Schedule is allowed against the lump sum benefit.
    o The lump sum benefits payable to former members or pensioners as retirement fund lump sum withdrawal benefits (Form B must be used) and as such are subject to the tax table applicable to retirement fund lump sum withdrawal benefits and not as a bonus.

- The allowable deductions in terms of paragraph 5 or 6 of the Second Schedule to the Act will be deducted from the 'Gross amount of lump sum payment' amount to arrive at the taxable portion of the lump sum. The applicable rate of taxes will then be used to indicate the amount of PAYE to be withheld if any taxable portion was derived at.

- This amount opposite the **'Gross amount of lump sum payment'** must be reflected on the IRP5/IT3(a) tax certificate opposite the code 3915. On assessment the taxpayer's return will be rejected if an IRP5/IT3(a) tax certificate is not declared / submitted for the same amount.

  - If the full benefit was used to purchase an annuity and the *'Gross amount of lump sum payment'* was zero, **no** IRP5/IT3(a) tax certificate must be issued.
  - If R1.00 (or lessor amount greater than zero) was entered in the *'Gross amount of lump sum payment'* field then an IRP5/IT3(a) tax certificate must be issued but the amount cannot be less than R1.00 on the IRP5/IT3(a) tax certificate.

3.4.9 Gross amount of total benefit

- This is a mandatory field.

- The 'Gross amount of total benefit' must always be provided even if the Fund type is provident or provident preservation fund.

- This is the total amount available to the Fund Administrator to pay the one-third commutation (in case of a pension fund or pension preservation fund); and

- The two-thirds must be used to provide the member with a pension or must be used to purchase a compulsory annuity from a Long-term Insurer.

  - Before 1 March 2016, if two-thirds of the total value of the annuity or annuities in a pension fund or pension preservation fund did not exceed R50 000 (R75 000 in total) the annuity or annuities could be commuted for a single payment.
  - From 1 March 2016, if two-thirds of the total value of the annuity or annuities in a pension fund or pension preservation fund does not exceed R165 000 (R247 500 in total) the annuity or annuities may be commuted for a single payment.

- This amount '*Gross amount of total benefit'* **must not** be reflected on the IRP5/IT3(a) tax certificate. Only the amount in **'Gross amount of lump sum payment'** field must be reflected on the IRP5/IT3(a) tax certificate.

3.4.10 Amount attributed to a non-member spouse in respect of divorce order

- This field must only be used in the following scenarios:

  - Where a divorce order was granted before 13 September 2007 and the member's exit event was before 1 March 2012.
  - The rules of the Fund were not amended to allow the Fund to pay the divorce order before an exit event occurs.
  - Enter the amount that was allocated to the non-member spouse in accordance with the court order in this field.
  - This amount must be added to the one-third of the remainder of the benefit after the divorce portion was deducted and entered in the '*Gross amount of lump sum payment*' field.
    - For example the value of the full benefit before the divorce order was taken into account was R900 000. The amount allocated to the non-member spouse is R300 000. The remainder is R600 000. One-third is R200 000. Therefore the 'Gross amount of lump sum payment' will be R500 000 (the R300 000 of the non-member's spouse plus the member's one-third of R200 000).

- For divorce orders granted on or after 13 September 2007 the Fund Administrators must

use the Form B and tax-on-tax is applicable. Refer to the completion of Form B for more information.

3.4.11In the case of provident fund, total contributions by the member to the Fund <u>up to 1 March 2016</u> (excluding profit and interest):

- **Only** enter the member's contributions up to 28 February 2016.
    - ▫ **Do not add** the employer's contributions.
    - ▫ **Do not add** the contributions from 1 March 2016. The contributions must be entered in the field referring to contribution from 1 February 2016.
    - ▫ If **the member** did not contribute and only the employer has contributed to the Fund, this field **must be blank**.

- Member's own contributions and the employer's contribution from 1 March 2016 must not be included in this field.

- Preservation funds must reduce the member's contribution with the contributions claimed where the member exercises the one withdrawal prior to retirement from **any** preservation fund.

- Where the member has transferred a pension fund benefit to a provident fund / provident preservation fund, the after tax amount (amount the fund received) can be added to the pre-1 March 2016 contributions and entered in the '*total contributions by the member to the Fund up to 1 March 2016*' field as a member's own contributions. If the member only became a member of the current fund submitting the tax directive application form, after 1 March 2016 the '*Transfer from Pension Fund (after tax amount)*' field **must** be used, refer to 3.4.13.

- Where the member's provident fund contributions are more than the 'Gross amount of lump sum payment' enter the actual member's contribution. The system will limit the deduction to be equal to the 'Gross amount of lump sum payment' amount.

3.4.12In the case of provident fund, total contributions by the member to the Fund from 1 March 2016 (excluding profit and interest):

- **Mandatory** if the commencement date (joined date) is on or after 1 April 2016 or if an amount was entered in the '*up to 1 March 2016 contribution*' field and the date of accrual is after 1 March 2016.

- Enter the member's contributions and the employer's contributions from 1 March 2016.

    - ▫ If **the member** did not contribute, enter only the employer's contribution (fringe benefit amount).

- **From 1 March 2016, the excess contribution to any retirement fund not allowed** as a deduction in terms of section 11F on assessment will be displayed in the amount field for code 4029 on the ITA34.

    - ▫ This amount on the ITA34 will automatically be included as excess fund **contributions** and allowed as a deduction in terms of the Second Schedule to the Act when the tax on any tax directive is determined (**no manual** application is required once the returns for the 2017 year of assessment have been assessed).
        - o The amount will be displayed as '*Contributions not previous allowed as deduction*' on the tax directive (IRP3e).

- Where the tax directive application was submitted before the taxpayer's assessment was finalised, the excess contributions will, once the taxpayer's assessment is finalised, be allowed as either:

    - ▫ The opening balance for section 11F in the following year of assessment; or

- A Second Schedule deduction when another lump sum tax directive application form is submitted before the next year assessment is processed; or
- If no tax directive is submitted, the excess fund contributions will be granted as a section 10C exemption against the pension or compulsory annuity when the member submits his / her next tax return with pension or compulsory annuity income. The value of the exemption is limited to the taxpayer's total compulsory annuity income. (No tax directive will be issued for section 10C exemptions - it will only be allowed on assessment.)
  - **Example**: The member elects to retire in August 2017. When the Fund submits the tax directive application, the member's 2017 tax return is not yet filed or assessed. Therefore, the member's excess contributions towards the retirement funds have not yet been determined. The excess contributions will **not** be reflected on the tax directive as '*Excess retirement fund contribution'*.
  - Once the return is submitted (from 2017 and onward) and an excess amount is determined, the excess amount will automatically be allowed as a Second Schedule deduction on the subsequent tax directive(s). The amount will be reflected as '*Excess retirement fund contribution'* on the tax directive (IRP3e); or
  - If the next return is submitted before a tax directive application is submitted, and the member receives an annuity or pension, the amount will be granted as a section 10C exemption on the next assessment. The value of the exemption is limited to the taxpayer's total compulsory annuity income.

3.4.13 Transfer from Pension Fund (after tax amount)

Transfer from Pension Fund (after tax amount)	R			,	
Directive number for pension transfer					

- Where the member has transferred a benefit from a Pension Fund or a Pension Preservation Fund, to a Provident Fund or Provident Preservation Fund, enter the after tax amount (amount the fund has received) in this field.

- This field **must only** be used if the amount was not entered as provident fund own contributions in the above mentioned field, refer to 3.4.11 *In the case of provident fund, total contributions by the member to the Fund up to 1 March 2016 (excluding profit and interest)*.

  - Where the commencement date in the current fund is **after** 1 March 2016, the pension benefit transferred (after tax amount) cannot be entered in the Provident fund contributions field as deemed own contributions. This field, instead of the provident fund own contribution amount field, must be completed to avoid the decline of the tax directive application*.*

- If the amount field is completed the directive number field is mandatory. Enter the directive number that was provided on the ROT01 when the pension benefit was transferred to the Provident fund or Provident Preservation fund.

3.4.14 Where member contributions to the Fund have exceeded such amounts as allowed for deduction against income, state total amount of excess contributions.

- This field is **only** available on a manual application form.

- Use this field to claim **excess fund contributions** not previously allowed as a deduction on assessment in terms of section 11F (this amount can also include section 11(*n*) amounts previously not allowed as well as provident fund contributions where the member has transferred from a provident fund to a pension / pension preservation fund).

  - The Fund Administrator should not submit a tax directive application electronically. If an electronic tax directive application form was submitted and the tax directive was not returned with the excess fund contributions that the member indicated is available

on his / her account, the Fund must first cancel the electronically submitted tax directive; and

- ▫ Complete a manual tax directive application form and email it to SARS with supporting documents.
- ▫ The excess fund contribution amount entered will be **limited** to the lump sum amount payable.
- ▫ Where **one** of the following supporting documents are not attached to the tax directive application the 'excess contributions will not be allowed as a deduction:
  - o **A schedule of the member's contribution** per year:
  - o The ROT01 where the member has transferred from a provident fund to pension / pension preservation fund; or
  - o A copy of the ITA34.
    - ▪ Where the member is a member of a provident fund, the employer's contribution must be reflected separately from the employee's contributions. This field must be used where a member of a provident fund has transferred to a pension fund or pension preservation fund and contributed to the provident fund. A copy of the ROT01 must be attached to the application form.
    - ▪ Where the member has made additional **voluntary contributions** to the Fund and these contributions were **not** reflected on the employee's IRP5/IT3(a) tax certificate during any year of assessment, the voluntary contributions must be reflected separately on the sheet or the Fund must attach a letter indicating the amount voluntarily contributed and a name and contact details of a person must be reflected on the letter to enable SARS to confirm the contributions.
- ▫ The tax directive application with the schedule / letter / copy of ITA34 / copy of the ROT01 will be forwarded to the relevant division to ensure that the amount claimed as an excess fund contribution is correct. Where the schedule / letter / copy of ROT01 is not attached to the application form, the amount claimed as excess fund contributions will be disallowed or limited to the amount on SARS' records and the amount reflected on the taxpayer's ITA34.
- ▫ Where the excess fund contributions were not captured and taken into account on the tax directive, the excess fund contributions will not be taken into account on the taxpayer's assessment. Excess fund contributions **will only be** allowed as a deduction on the taxpayer's assessment if the excess fund contributions were captured on the tax directive application.
  - o Reduce the excess amount with any amount previously claimed on a withdrawal from any fund prior to retirement.

NOTE: Excess fund contributions will **automatically** be allowed as a deduction on a tax directive application in terms of paragraph 5 of the Second Schedule to the Act where the 'carry forward' amounts on the taxpayers ITA34 were verified and correct. From the 2017 year of assessment and onwards any amount in the amount field for **code 4029** on a taxpayer's ITA34 will **automatically** be allowed as a deduction on the tax directive application submitted once the excess amount was determined on assessment.

- The amount or the portion of the amount in the amount field for **code 4029** on a taxpayer's ITA34 that was taken into account on the directive will be displayed as '*Contributions not previous allowed as deduction*' on the tax directive (IRP3e).

- Where a member has indicated to the Fund Administrator that the excess fund contributions must not be taken into account as a deduction in terms of paragraph 5(1)(a) of the Second Schedule, a manual tax directive application form must be completed. The form must clearly indicate which amount must be taken into account as excess contributions on the tax directive application form. A letter from the member must accompany the application form. The letter must indicate that either no amount or the lessor amount must be allowed as excess contributions instead of the amount reflected as excess contributions on SARS records.

3.4.15 Former AIPF member's contributions transferred to the Fund.

- Only former members of the Associated Institution Pension Fund (AIPF) who had transferred their contributions to an approved fund before December 1994 can claim the contributions.

    - If the FSCA numbers do not correspond with the FSCA numbers on SARS' system the amount claimed will not be allowed as a deduction.
    - The tax directives can be submitted electronically.
    - If the electronic tax directive indicates that the AIPF contributions were not taken into account, the electronic tax directive must be cancelled and a manual tax directive application form must be submitted. The AIPF amount must be reflected as '*excess contributions*' on the manual application and the letter issued by SARS indicating the amount will be '*deemed as excess contributions*' or any other confirmation that the member was a member of an AIPF must be attached to the tax directive application form. If the documents are not attached the contributions will not be allowed as a deduction on the tax directive or on assessment.

3.4.16 Transfer by non-member spouse previously taxed.

- Non-member spouses who have transferred the divorce awards before 1 March 2009 to an approved fund and tax was levied on the amount transferred has to complete this field.

- Enter the amount that was transferred.

- The Fund Administrator must provide the non-member spouse with a copy of the Recognition of Transfer Form (ROT01) to be submitted as supporting documentation on request from SARS.

- Where the ROT01 is not provided, the transferred amount will not be taken into account and the benefit will be taxed in full.

3.4.17 Was a period consisting of a number of completed years used to determine the quantum of the benefit in terms of a formula prescribed in terms of the rules of the fund?

- Only mandatory, **if**:

    - The date of accrual is before 1 October 2007 and there was a break in service, the period should be deducted from the "Date from" to establish the completed years.
        - Where the taxpayer is a member of a public sector fund who has purchased years of service prior to and after 1 March 1998. The years purchased after 1 March 1998 must be added to the 'To date'. Therefore, the 'Date to' can be in the future and differs from the 'Date of accrual.
    - The member was a member of **another public sector fund before** joining the **current public sector fund** submitting the tax directive application form. This information will enable SARS to calculate the correct taxable portion of the lump sum benefit with the formula in paragraph 2A of the Second Schedule to the Act.
    - Where the date of accrual is before 1 October 2007, the Fund Administrator / trustees must answer these questions on the application form to indicate if the calculation of the benefit is in terms of employment or membership:
    - IF *'YES' provide the period of employment taken into account in terms of the rules of the fund:*
    - IF '*NO*' *provide the period of membership of this fund during which contributions were made:*
        - The 'To date' can be in the future if a member of a Public Sector Fund bought back years of service after 1 March 1998.
        - If these fields are completed and the fund is a public sector fund, SARS's tax directive system will use these fields to apply the formula in paragraph 2A of the Second Schedule to the Act.

- o The commencement date and date of accrual will not be used for the formula in paragraph 2A (Formula C) of the Second Schedule to the Act if the date of accrual is after 1 October 2007; or
- o These fields must **only** be completed by the Public Sector Fund where the date of accrual is after 1 October 2007 if the member has joined the fund before 1 March 1998 and has purchased years of service before or after 1 March 1998.
  - ▪ The '*Date from'* can be before '*Date on which the member became a member of the fund'* if years of service was bought before 1 March 1998; and
  - ▪ The '*Date to'* can be after '*Date of accrual'* if years of service were bought after 1 March 1998.

3.4.18 Was there a partial withdrawal taken from this benefit in the previous or current fund prior to this payment?

- Mandatory if the member has taken a withdrawal benefit prior to retirement:

  - ▫ If 'Yes', the fund must provide the following additional information:
    - o *'Date of the partial withdrawal'.* The fund must use the date of accrual on the tax directive application submitted for the partial withdrawal.
    - o *'Amount of partial withdrawal'.* Enter the amount of the withdrawal from the preservation fund before reaching the retirement age or the submission date of the current tax application.
    - o *'Directive number'.* The tax directive number issued by SARS when the member withdrew a portion of the amount from the preservation fund.

- The form provides for two withdrawals.

3.4.19 Particulars of transfer on Retirement

- From 1 March 2018 paragraph 2(1)(*c*) provides that a member's retirement interest in his or her pension or provident fund, can be transferred for the benefit of a person on or after normal retirement age to a retirement annuity fund / preservation fund, as defined in the rules of the fund, but before retirement date.

- The responses to the fields below are mandatory if the reason for the application of a tax directive is because of a '*Transfer on Retirement [Par 2(1)(c)]*':

  - ▫ Answer the question – '*Did the fund transfer the retirement benefit to another fund before retirement?'* – by selecting '*Yes / No'*;
  - ▫ Select the correct '*Transferee fund type':* Retirement annuity fund / Pension preservation fund / Provident preservation fund;
  - ▫ Enter – *'The amount transferred to the transferee fund'*;
  - ▫ Provide the *'E-mail address of transferee fund'*;
  - ▫ Provide the *'Tel no. of transferee fund'*;
  - ▫ Cell no. of transferee fund; and
  - ▫ FSCA Registration no. of transferee fund.

- The '*Gross amount of lump sum payment',* the '*Gross amount of total benefit'* and '*The amount transferred to the transferee fund'* must be the same amount.

3.4.20 Did the fund purchase an annuity?

- Mandatory fields if the '*Gross amount of lump sum payment' and the* '*Gross amount of total benefit'* is **not** equal to each other, the field '*Is the fund paying the annuity'* is not completed and if:

  - ▫ The Fund is a pension / pension preservation fund and the total benefit(s) per fund is **more** than R247 500; or
  - ▫ The Fund is a provident / provident preservation fund where the '*Gross amount of lump sum payment'* is not equal to the '*Gross amount of total benefit'*; or
  - ▫ The '*Gross amount of lump sum payment'* is less than the '*Gross amount of total benefit'*;

- The Fund Administrator must indicate if there are funds available to provide the member with an annuity / pension or if the funds are used to purchase an annuity / annuities at an Long-term Insurer(s) to provide a living annuity (or beneficiaries in the case of death before retirement and the beneficiary opts to purchase an annuity):

  - ▫ *Did the fund purchase a pension / annuity?* '*If yes, state the particulars per pension / annuity purchase'.*
    - o Where the member purchased more than one annuity, a container per Long-term Insurer, must be completed for each annuity purchased.

- The following details are **mandatory** (per container) and must be provided if the *member* purchase an annuity from a South African registered Long-term Insurer:

  - ▫ *Pension / annuity* Policy *number.* The policy number allocated by the registered Long-term Insurer. The system will not validate whether the number corresponds with the ROT02 information.
  - ▫ *Amount utilised to* purchase *a pension / annuity.* This amount is essential and must be provided to the Long-term Insurer to ensure the ROT02 can be submitted succesfully.
  - ▫ *Name of the* registered *Long-term Insurer where the pension / annuity was purchased.* Please ensure that the name corresponds with the name on the FSCA register.
  - ▫ *E-*mail address *of Insurer.* – It is a mandatory field and must contain an "@" sign and a domain.
    - o This will enable SARS to contact the Long-term Insurer in order to obtain the ROT02 where it was not submitted electronically by the Long-term Insurer.
  - ▫ *FSCA* Registered *Insurer no.* – Capture the FSCA Registered Long-term Insurer number in the correct format. Incorrect capturing of this number will result in the tax directive being declined. The format of this number should be 10/10/1/xxxx (followed by four digits, e.g. 10/10/1/0004). Ensure that the correct number is obtained from the Long-term Insurer before the directive application form is captured.
  - ▫ Tel *no.* – Enter the telephone number of the person that must be *contacted* when more information is required.
    - ▪ Only use numbers.
    - ▪ *Cell no.*

- *Death prior to retirement, the following fields are also mandatory for this purchase'* where a beneficiary or nominee elects to purchase an annuity with his or her portion of the benefit. Enter the details of the beneficiary or nominee who has elected to purchase an annuity from a Long-term Insurer in the following fields:
  - *Surname;*
  - *Name(s);*
  - *Identity number or other Identity number;*
    - The error '*ID number invalid'* indicates the beneficiary's ID number provided on the application form does not correspond with the ID number on SARS's records or the ID number and tax reference number does not match SARS's records. The beneficiary must visit a SARS branch, with their ID document, to update the personal details.
  - *Date of birth; and*
  - *Taxpayer reference number.* This is the income tax reference number of the beneficiary or nominee The member's tax reference number **cannot** be used. SARS's system will validate that the ID number and tax number corresponds with SARS's data.
- In cases where there are more than 4 beneficiaries or nominees who have elected to purchase an annuity from a Long-term Insurer, the Fund must submit more than one tax directive application and split the '*Gross amount of total benefit'* to ensure the amount(s) utilised to purchase the annuities are equal to the '*Gross amount of total benefit'* on the tax directive application.
- An *error message 'Purchase annuities amount incorrect' or 'Gross amount incorrect'* will be displayed if the total (the sum) of '*Amount utilised to purchase a pension / annuity' (in each container)* does not add up to the '*Gross amount of total benefit'* minus '*Gross amount of lump sum payment'.*

| Is the fund paying the annuity? | Yes ☐ No ☐ | If yes, state the amount remaining in the fund to pay the annuity | R ☐☐☐☐☐☐☐☐☐☐☐☐☐ , ☐☐ |

3.4.21 'Is the fund paying the annuity?

- This field is only mandatory if the *Gross amount of lump sum payment'* and *Gross amount of total benefit'* are not equal to each other and the purchase annuity fields are blank or the purchase indicator is '*No'.*

  - If the fund did not purchase an annuity the answer must be '*Yes'* and the amount remaining in the fund must be provided.
    - This amount must be equal to the answer "*Gross amount of total benefit'* minus *'Gross amount of lump sum payment'* to avoid the tax directive being declined with the message *'Remaining amount incorrect'.*
  - Enter the amount remaining in the fund in the field *'If 'YES', state the* amount *remaining in the fund to purchase the annuity'.*

NOTE: The above indicators cannot both be 'No' or 'Yes' where the 'Gross *amount of lump sum payment'* is less than the '*Gross amount of total benefit'.* The member must elect to either purchase annuities or the Fund must utilise the remaining amount to provide an annuity.

- On retirement the portion that is used to provide a compulsory life annuity may be used to purchase or ensure an annuity from a South African registered Long-term Insurer or must remain in the Fund to provide an annuity / pension.

3.4.22 Non Resident Service Rendered Inside Republic [Section 9(2)(*i*)].

Non Resident Service Rendered inside the Republic [Section 9(2)(i)]		
Were any services rendered inside / outside the Republic during the period of membership of the fund?	Yes ☐ No ☐	
Total number of months services were rendered while contributing to fund	☐☐☐	
Total number of months services were rendered inside the Republic while contributing to fund	☐☐☐	
Total number of months services were rendered outside the Republic while contributing to fund	☐☐☐	

- This container is only available on a manual application form or on the tax directive application forms on SARS eFiling and can only be completed if the member of the fund is

a non-resident. The non-resident indicator must be 'Yes'. Refer to 3.1.4 '*Is the taxpayer a non-resident?*

- This container must be completed even if the non-resident did not render any services inside SA. Select '*Yes'* to the question '*Were any service rendered inside / outside the Republic during the period of membership of the fund?* The following fields **must be completed**:

  ▫ Total number of months services were rendered while contributing to the Fund;
  ▫ Total number of months services were rendered inside the Republic while contributing to the Fund; and
  ▫ Total number of months services were rendered outside the Republic while contributing to the Fund.

- A detailed **history of employment** from the employer **must be attached** to the tax directive application form as well as the certificate of residence.

- Where no services were rendered inside SA and the non-resident is a member of an SA fund (e.g. Eswatini (Swaziland), Lesotho, Botswana, etc.), the container must also be completed.

  ▫ Select 'Yes' to the question '*Were any services rendered inside / outside the Republic during the period of membership of the fund?'.*
  ▫ Provide the months of service rendered inside and outside SA according to the history of employment.

3.4.23 Period of employment in Public Sector fund (excluding AIPF)

- This container **must only** be completed if:

  ▫ the member of the paying **approved** Fund, was previously a member of a public sector fund and the member has transferred the public sector benefit to the current Fund on or after 1 March 2006; **or**
  ▫ The member transferred for a second time the public sector benefit to another approved Fund after 1 March 2018.

- The container **must not** be completed if:

  ▫ the **full benefit** was not transferred (i.e. the exempt portion was taken in cash on transfer of the benefit); or
  ▫ a portion of the benefit was withdrawn (i.e. the exempt portion was taken in cash on transfer of the benefit); or
  ▫ the benefit was transferred before 1 March 2018 to another approved fund (the second fund after the member exits from the public sector fund).

- Paragraph 5 of the Second Schedule to the Act specifically provides for a deduction in circumstances where the amount has not previously been allowed as a deduction to a member. Therefore, where a member of a public sector Fund has opted to transfer the taxable portion of a withdrawal benefit to another Fund, and has elected to take the tax-free portion as a lump sum, a deduction in terms of paragraph 6 of the Second Schedule to the Act will be allowed.

- All the fields in this container must be completed where the member of a public sector Fund has transferred the **full benefit** to an approved Fund and is retiring from this transferee Fund or has transferred for a second time after 1 March 2018 to another approved Fund and is now retiring from the second approved Fund. The fields to be completed:

  □ *'Period of employment in public sector fund.'*
    o The Fund Administrator / Trustees must only provide the 'From date' and 'To date' in terms of the period **employed** in the Public Sector Fund.
  □ Provide *'The original amount attributed to the above period of membership in the Public Sector Fund (full benefit)';*
  □ This is the amount that was transferred from the Public Sector Fund when the member exited the Public Sector Fund.
  □ Enter the *'Public Sector fund directive number for the original transfer'.*
    o If the directive number provided does not exist or the directive number provided is not for a transfer from a public sector fund to an approved fund, the tax directive application will be declined.
  □ Enter the '*Date the amount was transferred from a public sector fund (CCYYMMDD)*;
  □ Enter the *'Date of transfer from first approved fund (CCYYMMDD);*
    o Leave blank if the benefit was received **directly** from a Public Sector fund and was not transferred to another approved Fund.
  □ Both the following questions **must be answerred**:
    o **Answer the question – '***Was the benefit received directly from a Public Sector Fund?.* Selecting '*Yes / No';.*
      ▪ The answer must be 'Yes' if the current fund paying the benefit received it directly from the Public Sector Fund.
      ▪ The answer must be 'No' if the current fund paying the benefit now did not receive it directly from the Public Sector Fund.
    o **Answer the question – '***Did the previous Fund indicate the benefit was from a Public Sector Fund?.* Selecting *'Yes / No'.*
      ▪ The answer must be 'Yes' if the current Fund paying the benefit did not receive it directly from a public sector Fund but from an approved fund indicating on the ROT that there was service rendered in the public sector fund.
      ▪ The answer must be 'No' if the benefit was received directly from a public sector Fund.

- The above information will determine if the member can get the deduction in terms of paragraph 5 of the Second Schedule:

  □ Therefore, if the information is captured incorrectly the pre-1998 vested rights will not be taken into account.
  □ To avoid the cancellation of tax directives the fund administrator can use the simulation option before submitting the final tax directive application to ensure that the pre-1998 vested rights are taken into account.

3.4.24 Details of Salary earned (only applicable for date of accrual prior to 1 October 2007) (only on Form A&D)

- These fields are mandatory **ONLY** if the date of accrual is before 1 October 2007.

- The highest average salary earned by the taxpayer during any 5 consecutive years in the service of the employer during his membership of the fund;
  □ The highest average salary earned by the member during any 5 consecutive years in the service of the employer during his membership of the fund must be provided where the date of accrual is before 1 October 2007.
  □ Where the Fund Administrator / Ttrustee has less than 5 consecutive years of information, the available information must be entered and the average salary will be determined according to the information supplied;

- **Average for 5 years or lesser period if employee employed for lesser period: (only on Form A&D)**

  - **Only** mandatory if the date of accrual is before 1 October 2007.

- **The members' salary during 12 months immediately preceding death. (only on Form A&D)**

  - **Only** mandatory if the date of accrual is before 1 October 2007.

- **Particulars of employer**

  - **Only** mandatory if the date of accrual is before 1 October 2007.

3.4.25 Declaration

  - Refer to paragraph 3.8 DECLARATION AND SIGNATURE.

3.5   Form B

- The form must be used for payments before the member reaches retirement age.

- The following reasons for the tax directive are on the Form B application form:

3.5.1 Transfer

- If the member indicates that the total benefit must be transferred to another approved Fund the reason for the tax directive must be '*Transfer*' and the gross lump sum payable must be equal to the amount transferred to enable SARS's tax directive system to finalise the tax directive application.

  - Where the Fund has to pay the housing loan before the amount can be transferred or the Fund has to pay any debt on behalf of the member, the Fund **must** first submit a tax directive application for the housing loan using the reason '*Security of mortgage bond order / housing loan'.* If the Fund has to pay an employee's debt the reason '*Withdrawal'* must be used. After the tax-on-tax directive (second directive) has been submitted, the balance of the benefit can be transferred using the reason '*Transfer'.*
  - If the reason is any reason other than 'Transfer' but the '*Gross amount of lump sum due'* is equal to '*The amount transferred'* field, SARS's tax directive system will decline the tax directive with the error message '*Transfer has been rejected*'.
  - The reason must be '*Transfer'* to ensure that SARS's tax directive system does not issue a stop-order (IT88L) or decline the tax directive where the taxpayer's tax affairs are not in order.

- If the reason '*Transfer'* is used, the Transferring Fund type cannot be '*Unclaimed Pension Preservation'* (07) or '*Unclaimed Provident Preservation'* (08) fund type. Therefore, if the reason '*Transfer'* is used the Transferring Fund type can only be pension, provident, pension preservation or provident preservation fund.

- No deductions will be reflected on the tax directive (IRP3e) or simulation when the reason '*Transfer'* is selected and the transfer is tax neutral.

- The transferee Fund will confirm the receipt of the benefit electronically (ROT01) and will therefore require the tax directive number.

- With effect of 1 March 2017 paragraph 9(3)(*b*) was deleted and therefore tax directive applications must be submitted for all transfers of a benefit from one Fund to another.

- Where a member elects to transfer the benefit to more than one Fund, the Fund Administrator must split the amount and submit a tax directive for each transfer separately. Remember the date of accrual cannot be the same date as SARS's system will decline the tax directive as a duplicate submission.

- The reason '*Transfer'* **cannot** be used for **transfers from a local fund to a fund registered in a foreign jurisdiction** and the member is a non-resident. The member can only withdraw from the Fund. Therefore, the reason 'Withdrawal' must be used and the tax directive application form on eFiling must be completed. The following must be done regarding the tax directive application form:

  - Complete the **history of employment** on the tax directive application form. Attach the letter reflecting the history of the member's employment on the employer's letterhead (For detailed information refer to 3.5.28 – '*Non Resident Service Rendered Inside / outside Republic [Section 9(2)(i)]*);
  - Indicate on the applicable field of the tax directive application whether the member / taxpayer is a non-resident. (For detailed information refer to 3.1.4 - *Is the taxpayer a non-resident?* in this document);
  - Indicate on the applicable field whether there is a certificate of residence and attach a copy to the tax directive application(citizenship certificate only where a DTA is not applicable) (For detailed information refer to 3.1.5 *Is the certificate of residence attached?* in this document);
  - Indicate on the tax directive application form the '*Non Resident Service Rendered Inside / outside Republic*' and attach relevant evidence for that [Section 9(2)(i)] (For detailed information refer to 3.5.28 - *Non Resident Service Rendered Inside / outside Republic [Section 9(2)(i)]*).

NOTE: If the history of employment document is not attached to the tax directive application form and the relevant fields are not completed, the tax directive will be rejected.

- The amount in the **'*Gross amount of lump sum payment'*** field on the tax directive application must be entered in the amount field for source code 3920 on the IRP5/IT3(a) tax certificate and the tax in the amount field for source code 4115. If no tax was reflected on the IRP3, reason code 04 must be used.

3.5.2 Divorce – Transfer

- If the non-member spouse indicates that the total benefit awarded by the court must be transferred to another approved Fund, the reason for the tax directive must be 'Divorce - Transfer' and the gross lump sum payable must be equal to the amount transferred to enable SARS's tax directive system to finalise the tax directive application.

- The same rules are applicable as indicated above if the reason is 'Transfer'.

- Please note that details of the person receiving the benefit (i.e. the non-member spouse) must be entered as 'Taxpayer details' for tax directive applications with a date of accrual on or after 1 March 2009.

- The divorce benefit can either be transferred or be taken in cash. The non-members spouse **cannot split** the benefit and take a portion in cash and transfer a portion.

- The amount in the '*Gross amount of lump sum payment'* field on the tax directive application must be entered in the amount field for source code 3920 on the IRP5/IT3(a) tax certificate and the tax in the amount field for source code 4115. If no tax was reflected on the IRP3, reason code 04 must be used.

3.5.3 Transfer Unclaimed benefit

- This reason must only be used where the fund is liquidated or is in the process of winding-up and only unclaimed benefits remain in the Fund because some of the members cannot be traced; or

- Where the Fund does not have an ID number and / or an income tax reference number for a member whose benefit must be transferred to an unclaimed preservation fund.

- If the reason '*Transfer unclaimed benefit*' is selected:

  - Only a '*Pension fund*' can transfer to an '*Unclaimed Pension Preservation fund*'; and
  - Only a '*Provident fund*' can transfer to an '*Unclaimed Provident Preservation fund*'.
  - Only the receiving fund type can be '*Unclaimed Pension Preservation*' or '*Unclaimed Provident Preservation*'.
  - This reason can only be used from 1 March 2017.
  - An ROT01 is required.
  - The simulation cannot be submitted where the reason is '*Transfer Unclaimed benefit*'.

- If an IRP5/IT3(a) tax certificate is issued, the amount in the '*Gross amount of lump sum payment*' field on the tax directive application must be entered in the amount field for source code 3923 on the IRP5/IT3(a) tax certificate and if no tax was reflected, then reason code 04 must be used in the '*Reason for no tax deducted*' field.

3.5.4 Par (*e*A) – Transfer / payment

- This reason must only be used by public sector funds where:

  - A member of a public sector Fund transfers from a pension fund to a provident fund; or
  - The Fund redeems a taxpayer's debt to an employer or any other debt (GEPF), such as a housing loan in accordance with the rules of the Fund, while still in the employment of the same employer. Paragraph (eA) of the definition of 'gross income' in section 1(1) of the Act is applicable.

- The special tax rates applicable to retirement fund lump sum and retirement fund lump sum withdrawal benefits are not applicable. The taxable two-thirds portion will be included in 'gross income' and taxed at marginal rates.

- The annual income must be provided on the tax directive application to ensure that the tax calculation is correct. If the annual income is not provided the tax rate will only be 18% and this will cause the taxpayer to pay large amounts when the final assessment is issued.

- A second tax directive application for the tax-on-tax must be submitted where the reason is not used for the transfer but the payment of the member's debt i.e. housing loans.

- The amount in the '*Gross amount of lump sum payment*' field must be entered in the amount field for source code 3614 on the IRP5/IT3 (a) tax certificate and the tax in the amount field for source code 4102.

3.5.5 Divorce – Member spouse

- This reason refers to the period before 1 March 2009 where the court has awarded a portion of the member's benefit to the non-member spouse.

- The divorce award was included in the member's income. The member was liable for the tax even if the benefit was transferred. Therefore, the Pension Funds Act allowed a Fund

to deduct from a member's individual reserve the PAYE that was due on the tax directive for the divorce award.

- A second tax directive application must be submitted for the PAYE the Fund had to deduct from a member's individual reserve. Refer to the General Note 33 – Divorce Award" on SARS website www.sars.gov.za for the formula to be used to submit one second tax directive instead of several tax directive applications.

- The divorce benefit can only be transferred or taken in cash.

- The amount in the **'Gross amount of lump sum payment'** field on the tax directive application must be entered in the amount field for source code 3902 / 3904 on the IRP5/IT3(a) tax certificate and the tax in the amount field for source code 4102.

3.5.6 Divorce – Non-member spouse

- From 1 March 2009 the tax directive application must be submitted in the name of the non-member spouse as the member is liable for the tax on the amount awarded by the court.

- The withdrawal rates (refer to paragraph 7 *Statutory rates of tax applicable to lump sums*) will be applicable if the non-member spouse takes the benefit in cash.

- The divorce benefit can either be transferred or be taken in cash. The non-member spouse cannot split the benefit and take a portion in cash and transfer a portion.

- The amount in the '**Gross amount of lump sum payment'** field on the tax directive application must be entered in the amount field for source code 3920 on the IRP5/IT3(a) tax certificate and the tax in the amount field for source code 4115.

3.5.7 Resignation

- The reason must be used where the member resigned from employment and takes the full benefit in cash. or

- Where the member takes a portion in cash and transfers a portion to another approved fund.

- The amount in the '*Gross amount of lump sum payment'* field on the tax directive application must be entered in the amount field for source code 3920 on the IRP5/IT3(a) tax certificate and the tax in the amount field for source code 4115.

3.5.8 Withdrawal / winding up

- The reason must be used where the member withdraws from the preservation fund prior to retirement; or

  - Where the Fund is being wound up.

- The amount in the '*Gross amount of lump sum payment'* field on the tax directive application must be entered in the amount field for source code 3920 on the IRP5/IT3(a) tax certificate and the tax in the amount field for source code 4115.

3.5.9 Termination of employment (Retrenchment)

- '*Involuntary Termination of Employment - Retrenchment'* is applicable where a member has to exit the employer's pension fund or provident fund due to the employer ceasing to carry on trading or intending to cease carrying on the trade in respect of which the person was employed or a person becoming redundant due to an employer reducing personnel.

- Therefore, the *'Involuntary Termination of Employment (Retrenchment)'* is only applicable to the employer's fund not to a preservation fund.

- The amount in the '*Gross amount of lump sum payment'* field on the tax directive application must be entered in the amount field for source code 3915 on the IRP5/IT3(a) tax certificate and the tax in the amount field for source code 4115. If no tax was indicated on the IRP3 (directive) reason code 04 must be used in the '*Reason for no tax deducted'* field.

3.5.10 Future surplus

- Future surplus determined in terms of Section 15C and distributed to former members or pensioners as a lump sum in terms of section 15D(1)(*b*) or 15E(1)(*d*) of the Pension Funds Act is taxable in terms of paragraph 2(1)(*b*) of the Second Schedule and the paragraph 6 deductions of the Second Schedule to the Act are not applicable as the payment is not as a result of death, retirement or resignation.

- The amount in the '**Gross amount of lump sum payment'** field on the tax directive application must be entered in the amount field for source code 3921 on the IRP5/IT3(a) tax certificate and the tax in the amount field for source code 4115.

3.5.11 Unclaimed benefit

- Can only be used if the date of accrual is before 1 March 2009.

- An unclaimed benefit as described in Interpretation Note 99 (previously General Note 35) is recognised as a benefit that accrued to a beneficiary who failed to claim it.

- GN 35 was only applicable to benefits that have accrued to the member before 1 March 2009.

- The reason '*Unclaimed benefit'* cannot be used if the date of accrual is after 1 March 2009.

- As soon as the taxpayer or beneficiary claims the benefit the Fund Administrator must **NOT CANCEL** the unclaimed benefit tax directive, but a second tax directive application form must be submitted quoting the exact reason for the exit from the Fund.

  - Such tax directive must be dealt with in the normal manner applicable to a tax directive application with reference to the reasons for exit from the Fund.
  - The original date of accrual (the actual date of exit from the Fund) remains unchanged and cannot change to the date the member claims the benefit.
  - For more detailed information regarding unclaimed benefits refer to Interpretation Note 99 – *'Unclaimed benefits'* on SARS's website.

- The amount in the '*Gross amount of lump sum payment'* field must be entered in the amount field for source code 3902 / 3904 on the IRP5/IT3(a) tax certificate and the tax in the amount field for source code 4102.

3.5.12 Security of mortgage bond order / housing loan

- Retirement funds can provide housing loans and or secure guarantees in terms of section 19(5) of the Pension Funds Act.

- When the Fund becomes liable for the guarantee or the loan before there is an exit event, the Fund must deduct the amount from the member's minimum individual reserve. This amount will be deemed to accrue to the member and is taxable in the hands of the member.

- The employees' tax to be deducted or withheld on the loan amount will not reduce the amount payable to the third party.

- Section 37D(1)(e) of the Pension Funds Act makes provision for the deduction of employees' tax from the member's minimum individual reserve to avoid hardship for the member.

- The payment of employees' tax is also deemed to be a lump sum benefit for purposes of the Second Schedule to the Act and is thus taxable in the hands of the member. A second tax directive application for the tax-on-tax must be submitted.

- GN 30 was issued and the following formula must be used to determine the tax-on-tax effect that the deduction of the employees' tax from the minimum individual reserve creates:
  - $X = A / C \times B$
  - X = represents the amount for which the additional tax directive must be applied for
  - A = the tax deductible as per the first tax directive
  - $B = 100$
  - C = 100 minus the member's effective rate of tax as determined by the first tax directive, e.g. C will be 100 - 18 = 82. The effective rate of 18% must be used where the rate is less than 18%. Therefore the effective rate cannot be less than 18%. Where the effective rate is between
    - 18% and 26.99% use 27%;
    - 27% and above use 36% as the effective rate to ensure no hardship is caused on assessment.
  - (Effective rate = PAYE as per first tax directive **divided** by the amount of the loan amount).

- To prevent a '*duplicate application*' error on the second tax directive application for the tax-on-tax directive, the letter 'H' must be added to the membership number or the original date of accrual must be increased by one day or less one day but must be in the same year of assessment.

- If the tax directive reason 'Security of Mortgage Bond Order / Housing Loan' is used for paying the housing loan, SARS's tax directive system will not issue an IT88L where there are outstanding taxes on the member's income tax account.

- If any other reason is used, SARS's tax directive system will issue and attach an IT88L to the tax directive. The Fund must then pay the outstanding taxes over to SARS.

- The amount in the '*Gross amount of lump sum payment*' field on the tax directive application must be entered in the amount field for source code 3920 on the IRP5/IT3(a) tax certificate and the tax in the amount field for source code 4115.

3.5.13 Transfer – Inactive Member with Insufficient Information (ONLY AVAILABLE FOR ELECTRONIC TAX DIRECTIVE SUBMISSIONS)

- From 7 December 2018 this reason is available only for electronic tax directive application forms. The date of accrual on the tax directive application cannot be before 1 March 2017.

- Due to insufficient information of the inactive members the Fund Administrators cannot obtain a tax directive for section 14 transfers. This new reason will assist the Fund Administrator to obtain a tax directive and to transfer all members' benefits in terms of section 14 of the Pension Funds Act successfully.

- Where the reason '*Transfer – Inactive Member with Insufficient Information*' is used on the Form B, the ID number / passport number, date of birth, income tax reference number, full names, etc. is optional but the application number of the declined tax directive with the reason '*Transfer*' as well as the Surname and Initial is mandatory. The Fund Administrator must first submit a tax directive application with the reason '*Transfer*', only once the original tax directive with the reason '*Transfer*' was declined / rejected can the Fund use the above-mentioned tax directive reason.

- The system will validate that the '*application number* 'of the original transfer tax directive, which was declined due to insufficient information, is used. The '*application number* 'of any other tax directive application form may not be used and the status of the original tax directive must be '*Application Declined*'.
- If the status of the tax directive is '*Finalised*' the application will be rejected.
- The Fund transfer combination can only be one of the following:
  - Provident Fund to Provident Fund;
  - Provident Fund to Pension Fund;
  - Pension Fund to Pension Fund; or
  - Any other combination of transfers the system will reject the application.

- The ROT01 is required therefore the Transferring Fund must ensure that the information used on the tax directive application is provided to the Receiving Fund to submit the ROT successfully.

- **No** IRP5/IT3 (a) tax certificate can be issued as the Fund does not have sufficient information of the member / taxpayer.

3.5.14 Emigration Withdrawal

- The definition of '*pension preservation fund*' and '*provident preservation fund*' have been amended with effect from 1 March 2019, to allow a member who has previously used the once-off withdrawal from the Fund to withdraw the full benefit prior to his / her retirement date where a member emigrated from the Republic and that emigration is recognised by the South African Reserve Bank for purposes of exchange control. Countries which form part of the Common Monetary Area (CMA) SA, Namibia, Lesotho and Eswatini (Swaziland) cannot use the reason emigration withdrawal.

- The Fund **must** also complete the questions in the '*Emigration withdrawal*' container on the Form B application form. Refer to 3.5.30 '*Emigration withdrawal*'. Where the response to the question is 'Yes', the Fund Administrator must ensure that the relevant documentation is attached to the tax directive application form. Where the certificate of residence and the relevant documents are not attached to the tax directive application form the tax directive will be declined.

- On eFiling when the user submits the application form the system will prompt the user to upload the following compulsory supporting documentation:

  - A letter from the Authorised dealer to confirm that the emigration was recognised by the South African Reserve Bank for purposes of exchange control;
  - A copy of the TCC in respect of emigrations issued by SARS; or
  - A copy of the 'Tax Compliance Status - Pin issued' letter; or
  - An affidavit indicating the reason a TCC cannot be provided; and
  - The member's certificate of residence obtained from the relevant Tax Authority of the country in which the member resides.
    - Ensure that only the required documents are uploaded. Do not upload or email the member's option forms that could clutter the system.

- On submission of the tax directive application form on eFiling a case will be created where a SARS user has to verify that the correct supporting documents were uploaded and that the application form was completed in full and correctly.

  - If the incorrect supporting documents were uploaded or the application form was not completed in full, the SARS user will reject the tax directive application. The Fund has to resubmit the tax directive application form and ensure that **ONLY** the required supporting documents are uploaded / attached.
  - If the application form was completed in full and the correct supporting documents were uploaded the SARS user will approve the tax directive application form and the application form will be processed on SARS system. Once approved the tax directive will be issued.

- o If the validations of SARS system are not met the tax directive application will be declined. In order to find out the reason for it being declined a list of errors can be viewed on eFiling.

- The amount in the **'Gross amount of lump sum payment'** field on the tax directive application must be entered in the amount field for source code 3920 on the IRP5/IT3(a) tax certificate and the tax in the amount field for source code 4115.

3.5.15 Withdrawal due to visa expiry

- With effect from 1 March 2019 the definition of 'pension preservation fund' and 'provident preservation fund' were amended to allow a member prior to his / her retirement date to access the lump sum benefit at the expiry of the visa issued in terms of paragraph (b) or (i) of the definition of 'visa' in section 1 of the Immigration Act, No. 13 of 2002.

NOTE: **Only on the expiry** of the visa can the member apply for the withdrawal. If the visa has not yet expired the tax directive application **cannot** and will not be processed by SARS.

- The Form B on eFiling must be completed and the following supporting documents must be attached and submitted to SARS:

  - A copy of the Certificate of residence obtained from the relevant **Tax Authority** of the country in which the member **resides**;
  - A copy of the passport indicating the exit from South Africa;
  - A copy of the Visa indicating the expiry date and the applicable paragraph in the definition of "Visa" in Section 1 of the Immigration Act in terms of which the visa was issued.
    - o Ensure that only the required documents are uploaded where the system prompts the user to upload. If the required documents are not uploaded, the tax directive application will be rejected.

- The Fund **must** also complete the questions in the '*Expiry of working visa'* container. Refer to 3.5.31 '*Expiry of working visa'.* Where the response to the question is '*Yes'* the Fund Administrator must ensure that the relevant documentation is attached to the tax directive application form. Where the certificate of residence and the relevant documents are not attached to the tax directive application, the tax directive will not be issued.

- On submission of the tax directive application form on eFiling a case will be created where a SARS user has to verify that the correct supporting documents were uploaded and that the tax directive application form was completed in full and correctly.

  - If the incorrect supporting documents were uploaded, the tax directive application form was not completed in full or the visa has not expired the SARS user will reject the tax directive application. The Fund has to resubmit the tax directive application form again once the visa has expired and ensure that **ONLY** the required supporting documents are uploaded / attached and that the form is completed in full.
  - If the tax directive application form was completed in full and the correct supporting documents were uploaded the SARS user will approve the tax directive application and the tax directive application form will be processed on SARS system. Once approved the tax directive will be issued.
    - o If the SARS system validations are not met, the tax directive application will be declined. In order to find out the reason for it being declined a list of errors can be viewed on eFiling.

- The amount in the **'Gross amount of lump sum payment'** field on the tax directive application must be entered in the amount field for source code 3920 on the IRP5/IT3(a) tax certificate and the tax in the amount field for source code 4115.

3.5.16 Gross amount of lump sum payment

- The full benefit value, determined by the Fund in accordance with the rules of the Fund, must be entered.

  - □ SARS' system uses this amount to:
    - ○ Apply the formula in paragraph 2A (Formula C) of the Second Schedule to the Act if the Fund is a 'public sector' fund.
    - ○ Determine the amount to be included as income in terms of section 9(2)(i) if the taxpayer is a non-resident and there isn't a Double Taxation Agreement (DTA) in place between SA and the country of residence.
    - ○ This amount will be reduced with the amount in the transferred field and the reason is not '*Transfer*'.

- The '*Gross amount of lump sum payment*' amount will be reduced by the allowable deductions in terms of paragraph 6 of the Second Schedule to the Act. For example:
  - ○ The amount transferred will be deducted from this amount where there is a partial withdrawal and partial transfer; and / or
  - ○ The excess fund contribution on the assessment, issued before this tax directive application is received, will be taken into account on the manual tax directive application form or on the electronically submitted tax directive application form. For example the 2018 return has been assessed and the source code 4029 on the ITA34 is R15 000 and the 2019 return has not yet been assessed the R15 000 will be taken into account as a deduction limited to the '*Gross amount of lump sum payment*' amount on the tax directive application form.
  - ○ Where a member has indicated to the Fund Administrator that the excess fund contributions must not be taken into account as a deduction in terms of paragraph 5(1)(a) of the Second Schedule, a manual tax directive application form must be completed. The form must clearly indicate what amount must be taken into account as excess contributions on the tax directive application form. A letter from the member must accompany the tax directive application form. The letter must indicate that either no amount or the lessor amount must be allowed as excess contributions, instead of the amount reflected as excess contributions on SARS records.

- The amount in the '*Gross amount of lump sum payment*' field must be shown on the IRP5/IT3(a) tax certificate opposite the relevant source code. The information on the tax directive will be used on assessment to reduce the '*Gross amount of lump sum payment*' amount to determine the taxable portion of the lump sum.

  - □ If the deduction in terms of the Second Schedule is not displayed on the tax directive it will not be allowed as a deduction on assessment.
  - □ List of deductions on the IRP3 (tax directive) that will reduce the '*Gross amount of lump sum payment*' on assessment:

Deductions allowed in terms of the 2nd Schedule to the Act:

Vested right pre-1 March 1998:	R {Amount}
Amount transferred:	R {Amount}
Own contribution to a provident fund:	R {Amount}
Contributions not previous allowed as deduction	R {Amount}
Transferred divorce benefit previously taxed:	R {Amount}
Amount exempt based on services outside the Republic:	R {Amount}
AIPF member transfer contributions:	R {Amount}
Exempt amount of the gain under section 10(1)(o)(ii)	R {Amount}
Full benefit use to purchase an annuity	R {Amount}
Deemed provident fund contributions (After tax pension benefit)	R {Amount}

3.5.17 Date of accrual

- Mandatory field.

- From 1 March 2009 the date of accrual will be the date that the person elects to have the withdrawal benefit paid to him or her in terms of paragraph 4(1)(*a*) of the Second Schedule to the Act.

  - □ From 1 March 2009 the benefit cannot be unclaimed as the member can now elect the date on which the benefit becomes recoverable.
  - □ Before 1 March 2009 the original date of accrual (the actual date of exit from the Fund) remains unchanged and cannot change to the date that the member claims the benefit previously identified as an unclaimed benefit.

- If any of the divorce reasons (except divorce – transfer) are used it is the date the amount is deducted from the benefit in terms of section 37D(1)(a),(b) or (c) of the Pension Funds Act, 1956 (Act No. 24 of 1956).

- If the reason is transfer it is the date of transfer.

3.5.18 Date on which membership commenced

- Mandatory field.

  - □ This is the date on which the member became a member of the current Fund (i.e. joined the Fund) that is now applying for a tax directive.
  - □ This date is not the date the Fund took over the administration. It must be the date the member became a member of the Fund.

- If any of the divorce reasons are used, it remains the date the member became a member of the Fund. The non-member is not a member of the Fund; the Fund is only paying the divorce order amount to the non-member's spouse, subject to the rules of the fund.

3.5.19 Date of divorce order

- Only mandatory if the divorce reasons are used and to ensure that the divorce order granted before 13 September 2007 is not taxed.

3.5.20 If a public sector fund, the period, if any, during which the member was a member of another public sector fund:

- Where the member was a member of another public sector Fund and the benefit was transferred to the current public sector fund, the period of membership must be completed here.

  - □ The '*Date from'* and '*Date to'* must be before the commencement date on the tax directive application form.

3.5.21 Period of employment taken into account in terms of the rules of the Fund: (only applicable to Public Sector funds)

- These fields must **only** be completed by the Public Sector Fund where the member has joined the Public Sector Fund before 1 March 1998 and has purchased years of service before or after 1 March 1998.

  - □ The '*Date from'* can be before '*Date on which the member became a member of the Fund'* where years of service was bought **before** 1 March 1998; and
  - □ The '*Date to'* can be **after** '*Date of accrual'* or in the future where years of service

was bought after 1 March 1998.

- If these fields are completed SARS's tax directive system will use the '*Date from'* and '*Date to'* to determine the full years to apply the formula in paragraph 2A (Formula C) of the Second Schedule to the Act to determine the taxable portion of the lump sum.

- The commencement date and date of accrual will then not be used for the formula in paragraph 2A (Formula C) of the Second Schedule to the Act.

3.5.22 Provident fund contributions

- **In the case of a Provident fund, total contributions by the member to the Fund up to 1 March 2016 (excluding profit and interest):**

  - ▫ Only enter the member's contributions up to 28 February 2016.
    - o **Do not add** the employer's contributions.
    - o **Do not add** the contribution from 1 March 2016. The contributions must be entered in the field referring to contribution from 1 February 2016.
    - o If the member did not contribute and only the employer has contributed to the Fund this field must be blank.

- Preservation funds must reduce the member's contribution with the contributions claimed where the member exercises the one withdrawal prior to retirement from **any** preservation fund.

- Where the member has transferred a pension fund benefit to a provident fund / provident preservation fund, the after tax amount (amount the Fund has received) must be added to the pre-1 March 2016 contributions and entered in the '*total contributions by the member to the Fund up to 1 March 2016*' field as the member's own contributions. If the member only became a member of the current fund submitting the tax directive application, after 1 March 2016 the '*Transfer from Pension Fund (after tax amount)'* field **must** be used, refer to 3.5.23.

- Where a provident fund benefit was transferred to a pension fund refer to 3.5.26 excess fund contributions.

- Where the member's provident fund contributions are more than the '*Gross amount of lump sum payment'* enter the actual member's contribution. The system will limit the deduction to be equal to the '*Gross amount of lump sum payment'* amount.

- **In the case of a provident fund, total contributions by the member to the Fund from 1 March 2016 (excluding profit and interest):**

  - ▫ **Mandatory** if the commencement date is on or after 1 April 2016 or if an amount was entered in the '*up to 1 March 2016 contribution'* field.
  - ▫ Enter the member's contributions and the employer's contributions from 1 March 2016.
    - o If **the** member did not contribute, enter only the employer's contribution (fringe benefit amount).
  - ▫ From 1 March 2016 the excess contributions to any retirement funds not allowed as a deduction in terms of section 11F on assessment, will be displayed in the amount field for code 4029 on the ITA34.
    - o This amount on the ITA34 will automatically be included as excess fund contributions and allowed as a deduction in terms of the Second Schedule to the Act when the tax on any tax directive is determined (no manual tax directive application is required once the returns from the 2017 year of assessment has been assessed).
  - ▫ Where the tax directive application was submitted before the assessment was finalised, the excess contributions will, once the assessment is finalised, be allowed either as:
    - o The opening balance for section 11F in the following year of assessment; or

- A Second Schedule deduction where another lump sum tax directive application is submitted before the next year assessment is processed; or
- If no tax directive is submitted the excess fund contributions will be granted as a section 10C exemption against the pension or compulsory annuity when the member submits his / her **next** return with pension or compulsory annuity income. The value of the exemption is limited to the value of the total compulsory annuity income of the taxpayer. (No tax directive will be issued for section 10C exemptions - it will only be allowed on assessment.)
  - **Example**: The member elects to retire in August 2017. When the Fund submits the tax directive application, the member's 2017 return is not yet filed or assessed. Therefore, the member's excess contributions towards the retirement funds has not yet been determined because the 2017 return was not yet submitted and assessed. The excess contributions will not be reflected on the tax directive as '*Excess retirement fund contribution'*.
  - Once the return is submitted (from 2017 and onwards) and an excess amount is determined this excess amount will be allowed automatically as a Second Schedule deduction on the subsequent tax directive(s) submitted. The amount will be reflected as '*Excess retirement fund contribution'* on the tax directive (IRP3e); or
  - If the next return is submitted before a tax directive application is submitted and the member receives an annuity or pension, the amount will be allowed as a section 10C exemption on the next assessment.

3.5.23 Transfer from Pension Fund (after tax amount)

| Transfer from Pension Fund (after tax amount) | R [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] , [ ] [ ] |
| Directive number for pension transfer | [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] |

- Where the member has transferred a benefit from a Pension Fund or a Pension Preservation Fund, to a Provident Fund or Provident Preservation Fund, enter the after tax amount (amount the fund received) in this field.

- This field **must only** be used if the amount was not entered in the 3.5.22 '*In the case of provident fund, total contributions by the member to the Fund up to 1 March 2016 (excluding profit and interest')* and the member became a member of the fund submitting the tax directive application after 1 March 2016*.*

  - Where the commencement date in the current fund is after 1 March 2016, the '*Pension benefit transferred (after tax amount)*' cannot be entered in the Provident fund contributions field as deemed own contributions. This field, instead of the provident fund own contribution amount field, must be completed to avoid the decline of the tax directive application*.*

- If the amount field is completed then the directive number field is mandatory. Enter the tax directive number that was provided on the ROT01 (or tax directive) when the pension benefit was transferred to the Provident fund or Provident Preservation fund.

3.5.24 Transferred by non-member spouse previously taxed.

- Non-member spouses who have transferred the divorce awards before 1 March 2009 to an approved fund and tax was levied on the amount transferred has to complete this field.

- The Fund Administrator must provide the non-member spouse with a copy of the Recognition of Transfer (ROT) form to be submitted as supporting documentation upon request from SARS.

3.5.25 If a policy of insurance is ceded to the member, state the surrender value as at date of cession (for the purpose of paragraph 4(2)*bis* of the Second Schedule):

- This field is only available on a manual tax directive application form.

- Only enter the amount of the value of the policy on the date of cession.

3.5.26 Where member contributions to the Fund have exceeded such amounts as allowed for deduction against income, state total amount of excess contributions

- This field is only available on a manual tax directive application form.

- This field must be used if the 'Type of fund' is pension or pension preservation fund.

  - This field must be used to claim **excess fund contributions** not previously allowed as a deduction on assessment in terms of section 11F previous section 11(*k*) (this amount can also include section 11(*n*) amounts previously not allowed as well as provident fund contributions where the member has transferred from a provident fund to a pension / pension preservation fund
    - o The Fund Administrator should **not** submit a tax directive application electronically. If an electronic tax directive application was submitted the Fund must first cancel the tax directive application.
    - o Complete a manual tax directive application form and email it to SARS with supporting documents. SARS assessment centre will ensure the amount claimed as an excess fund contribution is correct before capturing the tax directive application.
    - o The excess fund contribution amount entered must be limited to the lump sum payable amount.
    - o A schedule of the member's contributions per year must be submitted with the tax directive application form: or
    - o The ROT01 where the member has transferred from a provident fund to pension / pension preservation fund; or
    - o A copy of the ITA34.
      - ▪ Where the member has made additional **voluntary contributions** to the Fund and these contributions were not reflected on the employees IRP5/IT3(a) tax certificate during any year of assessment, the voluntary contributions must be reflected separately on the schedule or the Fund must attach a letter indicating the amount voluntarily contributed and a name and contact details of a person must be reflected on the letter to enable SARS to confirm the contributions.
      - ▪ This field must be used where a member of a provident fund has transferred to pension / pension preservation fund and contributed to the provident fund. A copy of the ROT01 form must be attached to the tax directive application form.
      - ▪ Where the provident fund benefit was transferred to a pension fund attach the contributions schedule per year of assessment and the employer's contribution must be reflected separately from the employee's contributions for each year of assessment.
    - o The tax directive application with the schedule / letter / copy of ITA34 / copy of the ROT01 will be forwarded to the relevant division to ensure that the amount claimed as excess fund contributions is correct. Where the schedule is not attached to the tax directive application form, the amount claimed as excess fund contributions will be limited to the amount on SARS' records and the amount reflected on the taxpayer's ITA34.

  NOTE: Where the excess fund contributions were not captured and taken into account on the tax directive, the excess fund contributions will not be taken into account on the taxpayer's assessment. Excess fund contributions will only be allowed as a deduction on the taxpayer's assessment if the excess fund contributions were previously captured on the tax directive application.

o Reduce the excess amount with any amount previously claimed on a withdrawal from any fund prior to retirement

NOTE: Excess fund contributions will **automatically** be allowed as a deduction on a tax directive application in terms of paragraph 6 of the Second Schedule to the Act where the 'carry forward' amounts on the taxpayers ITA34 were verified and correct. From the 2017 year of assessment any amount in the amount field for **code 4029** on a taxpayer's ITA34 will **automatically** be allowed as a deduction on the tax directive application submitted once the excess amount has been determined on assessment.

- The amount or the portion of the amount in the amount field for **code 4029** on a taxpayer's ITA34 that was taken into account on the tax directive will be displayed as '*Contributions not previous allowed as deduction*' on the tax directive (IRP3e).

- Where a member has indicated to the Fund Administrator that the excess fund contributions must not be taken into account as a deduction in terms of paragraph 5(1)(a) of the Second Schedule a manual tax directive application form must be completed. The form must clearly indicate what amount must be taken into account as excess contributions on the tax directive application form. A letter from the member must accompany the tax directive application form. The letter must indicate that either no amount or the lessor amount must be allowed as excess contributions, instead of the amount reflected as excess contributions on SARS records.

3.5.27 Former AIPF member's contributions transferred to the Fund.

- Only former members of the Associated Institution Pension Fund (AIPF) who had transferred their contributions to an approved Fund before December 1994 can claim the contributions.

  - If the FSCA numbers do not correspond with the FSCA numbers on SARS' system the amount claimed will not be allowed as a deduction.
  - The tax directives can be submitted electronically.
  - If the electronic tax directive indicates the AIPF contributions were not taken into account, the electronic tax directive must be cancelled and a manual tax directive application form must be submitted. The AIPF amount must be reflected as '*excess contributions*' on the manual tax directive application and the letter issued by SARS indicating the amount will be '*deemed as excess contributions*' or any other confirmation that the member was a member of an AIPF must be attached to the tax directive application form. If the documents are not attached the contributions will not be allowed as a deduction on the tax directive or on assessment

3.5.28 Did the Fund pay any portion of the lump sum payment into another fund?

- If 'YES is selected', enter the registered name of the transferee fund (the Fund who will receive the amount):
  - In this field enter the name of the Fund as registered with the FSCA.

- The following fields are mandatory if the 'Yes' indicator was selected :

- □ **Select one of the following fund types**:
  - o Pension Fund;
  - o Provident Fund;
  - o Retirement Annuity Fund;
  - o Pension Preservation Fund;
  - o Provident Preservation Fund;
  - o Unclaimed Pension Preservation Fund; or
  - o Unclaimed Provident Preservation Fund.
- □ **Fund approval number:**
  - o This field must be blank if the Fund transfer is to an approved Fund.
  - o **Only** public sector funds can use the Fund approval number.
  - o If the benefit is paid into a public sector fund the indicator '**Is the transferee fund a public sector fund?'** must be 'Yes'.
- □ **FSCA registration number:**
  - o This field is mandatory if the Fund transfer is to an approved fund.
  - o This is the registration number, as allocated by the FSCA (and must be provided in the correct format 12/8/0000000/999999, where 0000000 is the registered umbrella fund number and 999999 represents the participating employer number. In cases where the number is less than 7 digits, populate the rest of the field with '0' before the number e.g. the FSCA registration number is 12/8/123 capture the registration number as 12/8/0000123/).
  - o If the Fund is a free-standing fund (not a type-A umbrella fund or a retirement annuity fund) the last 6 digits must be zeroes and the participating employer name must be blank. The number must be entered with the '/'.
  - o The last 6 digits of a retirement annuity fund or type-B umbrella fund will always be 6 zeroes as a retirement annuity fund or type-B umbrella fund does not have any participating employers.
  - o An error message '*Invalid format of FSCA registration number'* and or '*Participating employer name must be provided'* will be displayed where:
    - ▪ The FSCA number is not in the correct format 12/8/7-digits/6-digits;
    - ▪ Where the last 6 digits are greater than '0' and **no** 'Participating employer name' was entered;
    - ▪ Where the last 6 digits are zeroes and the *'Participating employer name'* was entered;
    - ▪ The Fund type selected is a *'Retirement annuity fund'* and the last 6 digits is greater than zero and the 'Participating employer name' was entered.
- □ **Participating employer name:**
  - o The name of the employer participating in a registered type-A umbrella fund. The name must correspond to the name as registered by the FSCA.
  - o If any of the last six digits of the FSCA registration number is greater than zero e.g. 12/8/0012345/000006) the name must be provided.
  - o If the last six digits of the FSCA registration number are only zeroes or the Fund transfer is to a retirement annuity fund this field must be left blank.
- □ **Email address of transferee fund:**
  - o It is a mandatory field and must contain an "@" sign and a domain and must be the email address of the receiving fund (transferee fund).
- □ **Tel no. of transferee fund**
  - o Enter the telephone number of the person that must be contacted when more information is required.
  - o Only use numbers.
- □ **Is the transferee fund a public sector fund?**
  - o Select 'Yes' or 'No'
- □ **The amount transferred to the transferee fund:**
  - o If the reason is transfer, this amount must be equal to the amount in the *'Gross amount of lump sum payment'*. If not SARS's tax directive system will decline the tax directive application.
  - o If the taxpayer wants to take a portion in cash and transfer a portion to an approved Fund the reason must either be withdrawal or resignation. The amount in this field will then be deducted from the '*Gross amount of lump sum payment'* before the tax is calculated.

- All the above fields must be completed if the reason is '*Transfer*' or where the member chooses to transfer a portion and take a portion in cash.
- State if the transfer of the benefit is subject to special conditions. If '*Yes*', confirm the applicable provision in the Fund rules.

3.5.29 Was there a partial withdrawal taken from this benefit in the previous or current fund prior to this payment?

- Mandatory if the member has a withdrawal prior to retirement:

  - If yes, the Fund must provide the following additional information:
    - *'Date of the partial withdrawal'*. The Fund must use the date of accrual on the tax directive application submitted for the partial withdrawal.
    - *'Amount of partial withdrawal'*. Enter the amount the member withdrew from the preservation fund before reaching the retirement age or before submission of the current tax directive application.
    - *'Directive number'*. The tax directive number that is issued by SARS when the member withdraws a portion of the amount from the preservation fund.

- The form provides for two withdrawals.

3.5.30 Non Resident Service Rendered Inside / outside Republic [Section 9(2)(i)]

- This container is only available on a manual tax directive application form or on the tax directive application forms on eFiling. This information can only be completed if the member of the Fund is a non-resident. Refer to 3.1.4 '*Is the taxpayer a non-resident?*

- This container **must be completed** even if the non-resident did not render any services inside SA. Select '*Yes*' to the question '*Were any service rendered inside / outside the Republic during the period of membership of the Fund?* the following fields **must be completed**:

  - Total number of months during which services were rendered while contributing to the Fund;
  - Total number of months during which services were rendered inside the Republic while contributing to the Fund; and
  - Total number of months' services were rendered outside the Republic while contributing to the Fund.

- A detailed **history of employment** from the employer **must be attached** to the tax directive application form as well as the certificate of residence.

- Where no services were rendered inside SA and the non-resident is a member of an SA fund (e.g. Eswatini (Swaziland), Lesotho, Botswana etc.), the container must also be completed.
  - Select 'Yes' to the question '*Were any service rendered inside / outside the Republic during the period of membership of the fund?'.*
  - Provide the months of service rendered inside and outside SA according to the history of employment letter.

3.5.31 Period of employment in Public Sector fund (excluding AIPF)

- This container must only be completed if:

  - □ the member of the paying **approved** Fund, was previously a member of a public sector Fund and the member has transferred the public sector benefit to the current Fund on or after 1 March 2006; **or**
  - □ The member transferred the public sector benefit for a second time to another approved Fund after 1 March 2018.

- The container **must not** be completed if:

  - □ the **full benefit** was not transferred (i.e. the exempt portion was taken in cash on transfer of the benefit);
    - o a portion of the benefit was withdrawn (i.e. the exempt portion was withdrawal from the fund); or
  - □ the benefit was transferred before 1 March 2018 to the another approved Fund (a second Fund after the exit from the public sector Fund).

- Paragraph 6 of the Second Schedule to the Act specifically provides for a deduction in circumstances where the amount has not previously been allowed as a deduction to a member. Therefore, where a member of a public sector Fund has chosen to transfer the taxable portion of a withdrawal benefit to another Fund, and has taken the tax-free portion as a lump sum, a deduction in terms of paragraph 6 of the Second Schedule to the Act will be allowed.

- All the fields in this container must be completed where the member of a public sector Fund has transferred the full benefit to an approved Fund and is exiting or withdrawing from the first receiving Fund (transferee fund) or has transferred the public sector benefit for a second time after 1 March 2018 to another approved Fund and is now withdrawing or exiting from the second approved Fund. The fields to be completed:
'
  - □ *'Period of employment in public sector fund.'*
    - o The Fund Administrator / Trustees must only provide the 'From date' and 'To date' in terms of the period **employed** in the Public Sector Fund.
  - □ Provide *'The original amount attributed to the above period of membership in the Public Sector Fund (full benefit)';*
    - o This is the amount that was transferred from the Public Sector Fund when the member exited the Public Sector Fund.
  - □ Enter the '*Date the amount was transferred from a public sector fund (CCYYMMDD)*;
  - □ Enter the *'Date of transfer from first approved fund (CCYYMMDD);*
    - o This field must be blank if the benefit was transfered directly from the public sector fund.
  - □ Both the following questions **must be answerred**:
    - ▪ **Answer the question – '***Was the benefit received directly from a Public Sector Fund?.* Selecting '*Yes / No*';.
    - ▪ The answer must be '*Yes'* if the member only transferred from a public sector Fund once.
    - ▪ If the member transferred to another approved Fund the answer must be '*No*' since the Fund paying the benefit did not receive it directly from the public sector fund.
    - o **Answer the question – '***Did the previous Fund indicate the benefit was from a Public Sector Fund?.* Selecting '*Yes / No'.*
      - ▪ The answer must be 'Yes' if the current Fund paying the benefit did not receive it directly from a public sector Fund but from an approved Fund

indicating on the ROT that there was service renderred in the public sector Fund.

- ▪ The answer must be '*No'* if the benefit was received directly from a public sector Fund.
  - ▫ Enter the *'Public Sector fund directive number for the original transfer'.*
    - o If the tax directive number provided does not exist or the tax directive number provided is not for a transfer from a public sector fund to an approved fund, the tax directive application will be declined.

- The above information will determine if the member can get the deduction in terms of paragraph 6 of the Second Schedule.
  - ▫ Therefore, if the information is captured incorrectly the pre-1998 vested right will not be taken into account.
  - ▫ To avoid the cancellation of tax directives the Fund Administrator can use the simulation option before submitting the final tax directive application to ensure that the pre-1998 vested right is taken into account.

3.5.32 Emigration withdrawal

Emigration Withdrawal

Was an application for emigration recognised by the Reserve Bank?	Yes ☐	No ☐
Is proof of a valid Tax Clearance certificate attached?	Yes ☐	No ☐
Is the certificate of residence of the new country of residence attached?	Yes ☐	No ☐
Please state date of emigration. (CCYYMMDD)	☐☐☐☐☐☐☐☐	

Please note: if the answer to any of the above questions is "Yes", copies of the said documentation must be submitted as supporting documents to verify the validity of this request.

- Mandatory if the reason '*Emigration withdrawal'* is elected.

- Must only be completed if the reason for the tax directive is '*Emigration withdrawal'*

  - ▫ If the listed documents are not attached to the tax directive application, the tax directive application will be declined.
    - o A letter from the Authorised dealer to confirm that the emigration was recognised by the South African Reserve Bank for purposes of exchange control.
    - o A copy of the Tax Clearance Certificate (TCC) or an affidavit indicating the reasons why the TCC cannot be provided.
    - o The member's certificate of residence obtained from the relevant **Tax Authority** of the country in which the member **resides.**
      - ▪ Where the DTA must be taken into account a letter must be included indicating that the DTA must be taken into account.
    - o The date of emigration must be provided.
  - ▫ For more information refer to the external guide '*Tax Directive for Emigration and cessation of visas'* on SARS website www.sars.gov.za

3.5.33 Expiry of Working Visa

Expiry of Working Visa

Was the visa issued in terms of paragraph (b) or (i) of the definition of visa in section 1 of the Immigration Act, no. 13 of 2002?	Yes ☐	No ☐
Did the visa expire?	Yes ☐	No ☐
Did the member exit South Africa?	Yes ☐	No ☐

Please note: if the answer to any of the above questions is "Yes", copies of the said documentation must be submitted as supporting documents to verify the validity of this request.

- Mandatory if the reason '*Expiry of Working Visa'* is elected.

- Must only be completed if the reason for the tax directive is '*Expiry of Working Visa*'.

  □ If one of the answers is 'No' and the listed documents are not attached to the tax directive application, the tax directive application will be declined.
  □ For more information refer to the external guide '*Tax Directive for Emigration and cessation of visas*' on SARS website www.sars.gov.za.

3.5.34 Declaration

  □ Refer to paragraph 3.8 DECLARATION AND SIGNATURE.

3.6 Form C

The form can only be used by a retirement annuity fund.

The following reasons for the tax directive are on the Form C application form:

3.6.1 Retirement

- The rules of a retirement annuity fund (RAF) and the policy will determine the retirement age.

- From 1 March 2015 a member of the Fund can elect when to retire from the Fund. Refer to the 'Date of accrual' for more information

- Before 1 March 2016 where the two-thirds of the total value of the annuity or annuities in a fund does not exceed R50 000 (R75 000 in total) the annuity or annuities may be commuted for a single payment.

- From 1 March 2016 where the two-thirds of the total value of the annuity or annuities in a fund does not exceed R165 000 (R247 500 in total) the annuity or annuities may be commuted for a single payment.

  □ An error message **'Gross amount incorrect'** will be displayed if the tax directive application is submitted and the total of the *'Gross amount of lump sum payment'* is more than one-third of the *'Gross amount of total benefit'*; or
  □ A second tax directive application from the Fund is submitted and the total of the *'Gross amount of total benefit'* **per fund,** for both tax directive applications are in total more than R247 500 (R75 000 for tax directive applications with a date of accrual before 1 March 2016).
    o Where the member has elected on policy one (1) to use the full benefit to purchase an annuity or take less than one-third in cash the member cannot on policy two (2) choose to take the full benefit in cash or the one-third of the two (or more) policies. The validation is per policy that the '*Gross amount of lump sum payment'* is not more than one-third of the *'Gross amount of total benefit'* and
    o if there are multiple policies then the total value of the policies taken in cash is not more than the R247 500.
    o Example: A member has two policies in a fund and elects to receive the total value of R200 000 to purchase an annuity using the total benefit from policy one(1). When policy two (2) with a total value of R60 000 matures, and the member elects to receive the full benefit in cash. The system will decline the tax directive application with an error message **'Gross amount incorrect'**. The

total value of the two policies in a fund is R260 000 therefore the member can only receive one-third of the R60 000 in cash.

- The amount in the '*Gross amount of lump sum payment*' field on the tax directive application must be entered in the amount field for source code 3915 on the IRP5/IT3(a) tax certificate and the tax in the amount field for source code 4115.

3.6.2 Retirement due to ill-health

- The rules of a retirement annuity fund will indicate when a member can retire due to ill-health.

- Where the Fund type is pension fund only one-third of the benefit can be taken as a lump sum.

- Before 1 March 2016 where the two-thirds of the total value of the annuity or annuities in a Fund did not exceed R50 000 (R75 000 in total) the annuity or annuities could be commuted for a single payment.

- From 1 March 2016 where the two-thirds of the total value of the annuity or annuities in a Fund does not exceed R165 000 (R247 500 in total) the annuity or annuities may be commuted for a single payment.

  - □ An error message '*Gross amount incorrect*' will be displayed if the second tax directive application is submitted and the total of the '*Gross amount of lump sum payment*' is more than one third of the '*Gross amount of total benefit*' or more than the total of the '*Gross amount of lump sum payment*' per fund is more than R247 500 or R75 000 for tax directive applications with a date of accrual before 1 March 2016.

- The amount in the '*Gross amount of lump sum payment*' field on the tax directive application must be entered in the amount field for source code 3915 on the IRP5/IT3(a) tax certificate and the tax in the amount field for source code 4115.

3.6.3 Death prior to retirement

- From 1 January 2008 the total value of the benefit can be commuted as a lump sum where the reason for the tax directive is '*Death before retirement*'.

- Prior to 1 January 2008 a formula was used to determine the allowable amount the beneficiaries or nominees could take as a lump sum.

- If the member died after retirement, please refer to the Form E – '*Death Member / Former Member after retirement*'.

- The amount in the '*Gross amount of lump sum payment*' field on the tax directive application must be entered in the amount field for source code 3915 on the IRP5/IT3(a) tax certificate and the tax in the amount field for source code 4115.

3.6.4 Transfer prior to retirement

- This reason can only be used where a member of a RAF transfers the full benefit to another RAF.

- A member of a RAF can only transfer to another RAF before the member retires from the Fund. Refer to the definition of '*retirement annuity fund*'

- On retirement the member **cannot** transfer the two-thirds or more to another RAF. The portion the member does not take in cash must be used to purchase an annuity or must remain in the Fund and be used to provide an annuity.

- The transfer container must be completed to avoid the decline of the tax directive application.

- The amount in the 'Gross amount of lump sum payment' field on the tax directive application must be entered in the amount field for source code 3920 on the IRP5/IT3(a) tax certificate and the tax in the amount field for source code 4115. If no tax was reflected on the IRP3, reason code 04 must be used in the '*Reason for no tax deducted*' field.

3.6.5 Discontinued Contributions

- Where a member of a retirement annuity fund stopped contributing to the Fund the member can withdraw the benefit before retirement if the benefit is less than the amount determined by the Minister of Finance. In Government Gazette 29913 No. 467 dated 1 June 2007 the Minister determined the amount to be R7 000. **The R7 000 limitation applies per fund. Therefore, the total of all the policies in the Fund cannot be more than R7 000**.

  ▫ Once a member has stopped contributing to a Fund and has withdrawn his / her benefit and then becomes a member of the Fund again, the previous discontinued contribution will be taken into account once the member stops contributing again and wants to withdraw his / her contributions.

- The benefit is regarded as a withdrawal benefit from a retirement annuity fund prior to retirement and is therefore taxable as a withdrawal benefit.

- The amount in the 'Gross amount of lump sum payment' field on the tax directive application must be entered in the amount field for source code 3920 on the IRP5/IT3(a) tax certificate and the tax in the amount field for source code 4115.

3.6.6 Future surplus

- Future surplus payable in terms of Section 15C of the Pension Funds Act is taxable in terms of paragraph 2(1)(I) of the Second Schedule and the paragraph 5 or 6 deductions of the Second Schedule of the Act are not applicable as payment is not as a result of death, retirement or resignation.

- The amount in the '*Gross amount of lump sum payment'* field on the tax directive application must be entered in the amount field for source code 3921 on the IRP5/IT3(a) tax certificate and the tax in the amount field for source code 4115.

3.6.7 Divorce – Member spouse

- This reason refers to the period before 1 March 2009 where the court has awarded a portion of the member's benefit to the non-member spouse.

- The divorce award was included in the member's income. The member was liable for the tax. Therefore, the Pension Funds Act allowed a fund to deduct from a member's individual reserve the PAYE that was due on the tax directive for the divorce award of the non-member spouse.

- A second tax directive is therefore required to be submitted for the PAYE the Fund had to deduct from a member's minimum individual reserve. Refer to the General Note 33 on SARS website www.sars.gov.za for the formula to be used to submit one tax directive instead of several tax directive applications.

- The amount in the '*Gross amount of lump sum payment'* field on the tax directive application must be entered in the amount field for source code 3902 on the IRP5/IT3(a) tax certificate and the tax in the amount field for source code 4102.

3.6.8 Divorce – Non-member spouse

- From 1 March 2009 the tax directive application must be submitted in the name of the non-member spouse as the member is liable for the tax on the amount awarded by the court.

- The withdrawal rates will be applicable if the non-member spouse did not transfer the benefit to another approved fund.

- The divorce benefit can either be taken in cash or transferred in full. The non-member spouse cannot split the benefit to take a portion in cash and transfer a portion.

- The amount in the '*Gross amount of lump sum payment'* field on the tax directive application must be entered in the amount field for source code 3920 on the IRP5/IT3(a) tax certificate and the tax in the amount field for source code 4115.

3.6.9 Divorce – Transfer

- On a Form C the non-member spouse can only transfer from the member's RA Fund to another RA Fund of the non-member spouse's choice.

- The transfer container must be completed and the full benefit must be transferred.

- The amount in the '*Gross amount of lump sum payment'* field on the tax directive application must be entered on the field for source code 3920 on the IRP5/IT3(a) tax certificate and the tax in the amount field for source code 4115. If no tax was reflected on the IRP3, reason code 04 must be used in the '*Reason for no tax deducted'* field.

3.6.10 Emigration Withdrawal

- The definition of 'retirement annuity fund' has been amended with effect from 1 March 2008, to allow a member who discontinues his / her contributions prior to his / her retirement date to be entitled to the payment of a lump sum benefit where a member emigrated from the Republic and that emigration is recognised by the South African Reserve Bank for purposes of exchange control. Countries which form part of the Common Monetary Area (CMA) SA, Namibia, Lesotho and Eswatini (Swaziland) cannot use the reason emigration withdrawal.

- The Fund **must** also complete the questions in the *'Emigration withdrawal'* container. Refer to 3.6.27 *'Emigration withdrawal'* Where the response to the question is 'Yes', the Fund Administrator must ensure that the relevant documentation is attached to the tax directive application form. Where the certificate of residence and the relevant documents are not attached to the tax directive application the tax directive will be declined.

- On eFiling when the user submits the tax directive application form the system will prompt the user to upload the following compulsory supporting documentation:

  - A letter from the Authorised dealer to confirm that the emigration was recognised by the South African Reserve Bank for purposes of exchange control;
  - A copy of the TCC in respect of emigrations issued by SARS; **or**
  - A copy of the 'Tax Compliance Status - Pin issued' letter; **or**
  - An affidavit indicating the reason a TCC cannot be provided; and
  - The member's certificate of residence obtained from the relevant Tax Authority of the country in which the member resides.
    - Ensure that only the required documents are uploaded. Do not upload the member's option forms or emails that could clutter the system.

- On submission of the tax directive application form on eFiling a case will be created where a SARS user has to verify that the correct supporting documents were uploaded and that the tax directive application form was completed in full and correctly.

- If the incorrect supporting documents were uploaded or the tax directive application form was not completed in full the SARS user will reject the tax directive application. The fund has to resubmit the tax directive application form and ensure **ONLY** the required supporting documents are uploaded / attached.
- If the tax directive application form was completed in full and the correct supporting documents were uploaded the SARS user will approve the tax directive application form and the tax directive application form will be processed on SARS system to issue a tax directive if all the validations (correct ID number, tax reference number, etc.) are met.
  - o If the SARS system validations are not met, the tax directive application will be declined. In order to find out the reason for it being declined a list of errors can be viewed on eFiling.

- The amount in the '**Gross amount of lump sum payment'** field on the tax directive application must be entered in the amount field for source code 3920 on the IRP5/IT3(a) tax certificate and the tax in the amount field for source code 4115.

3.6.11 Withdrawal due to visa expiry

- With effect from 1 March 2016 the definition of 'retirement annuity fund' was amended to allow a member who discontinues his / her contributions prior to his / her retirement date to access the lump sum benefit at the expiry of the visa issued in terms of paragraph (b) or (i) of the definition of 'visa' in section 1 of the Immigration Act, No. 13 of 2002.

NOTE: **Only on the expiry** of the visa can the member apply for the withdrawal. If the visa has not yet expired the tax directive application **cannot** and will not be processed by SARS.

- The retirement annuity fund Administrators, trustees or Long-term Insurer must complete the Form C on eFiling and attach the following supporting documents to SARS:

  - A copy of the Certificate of residence obtained from the relevant **Tax Authority** of the country in which the member **resides**;
  - A copy of the passport indicating the exit from South Africa;
  - A copy of the Visa indicating the expiry date and the applicable paragraph in the definition of "Visa" in Section 1 of the Immigration Act in terms of which the visa was issued.
    - ◦ Ensure that only the required documents are uploaded where the system prompts the user to upload.

- The Fund must also complete the questions in the '*Expiry of working visa'* container. Refer to 6.3.28 '*Expiry of working visa'.* Where the response to the question is 'Yes' the Fund Administrator must ensure that the relevant documentation is attached to the tax directive application form. Where the certificate of residence and the relevant documents are not attached to the tax directive application, the tax directive will not be issued.

- On submission of the tax directive application form on eFiling a case will be created where a SARS user has to verify that the correct supporting documents were uploaded and that the tax directive application form was completed in full and correctly.

  - If the incorrect supporting documents were uploaded, the tax directive application form was not completed in full or the visa has not expired the SARS user will reject the tax directive application. The Fund has to resubmit the tax directive application form again once the visa has expired and ensure that **ONLY** the required supporting documents are uploaded / attached and that the form is completed in full.
  - If the tax directive application form was completed in full and the correct supporting documents were uploaded the SARS user will approve the tax directive application and the tax directive application form will be processed on SARS system to issue a tax directive if all the validations (correct ID number, tax reference number, etc.) are met.

- o   If the SARS system validations are not met, the tax directive application will be declined. In order to find out the reason for it being declined a list of errors can be viewed on eFiling.

- The amount in the '***Gross amount of lump sum payment'*** field on the tax directive application must be entered in the amount field for source code 3920 on the IRP5/IT3(a) tax certificate and the tax in the amount field for source code 4115.

3.6.12 Date of accrual

- Mandatory field.

- From 1 March 2015 the date of accrual will be the date the person elects to have the retirement benefit paid to him or her in terms of paragraph 4(1) of the Second Schedule to the Act.

- The accrual date for death will be the day before death or can be equal to date of death.

- Before 1 March 2015 the date of accrual for income tax purposes was the last working day or the day after the last working day depending on the rules of the Fund.

- The date of accrual for:

  - □   Divorce – the date the non-member spouse elected to take the benefit in cash;
  - □   Transfer – the date the benefit is transferred to another retirement annuity fund. This is applicable to all transfers;
  - □   Emigration withdrawal, Visa – the date the member elected to take the benefit in cash.

3.6.13 Commencement date of policy

- Mandatory field.

- The date the member became a member of the Fund that is now applying for a tax directive.

3.6.14 Date of death of member

- Only mandatory if the reason on the tax directive is 'Death prior to Retirement'.

3.6.15 Gross amount of lump sum payment

- The amount entered in this field is the amount the member of the Fund has elected to take in cash in accordance with the rules of the Fund.

- SARS's tax directive system will validate that the 'Gross amount of lump sum payment' amount is not more than one-third of the amount in the 'Total value of the full annuity' field.

3.6.16 Total value of full annuity

- The 'Total value of full annuity' must always be provided.

- This is the total amount available to the Fund Administrator to pay the one-third commutation or a lesser amount that the member has elected to take in cash; and

- The two-thirds must be used to provide the member with an annuity / pension or must be used to purchase a compulsory annuity from a Long-term Insurer.

3.6.17 Amount distributed to non-members spouse in respect of divorce order

- This field must only be used if the date of accrual is before 13 September 2007.

3.6.18 Date of divorce order

- Mandatory if the divorce reasons are used.

3.6.19 Transferred by non-member spouse previously taxed.

- Non-member spouses who have transferred the divorce awards before 1 March 2009 to an approved Fund and tax was levied on the amount transferred has to complete this field.

- The Fund Administrator must provide the non-member spouse with a copy or the Recognition of Transfer (ROT) form to be submitted as supporting documentation upon request from SARS.

3.6.20 Death before 1 October 2007

- These two fields must be completed if the date of accrual / date of death is before 1 October 2007.

  - On death of member prior to retirement from the Fund: What amount would the taxpayer have derived in respect of the commutation of one-third of the annuity if he had retired the day preceding his death?
  - On death of member prior to retirement from the Fund: State total contributions by member to the Fund, accumulated at 7% compound interest to the date of death.

3.6.21 Where the member contributions to the Fund have exceeded such amounts as allowed for deduction against income, state total amount of excess.

- This field is only available on a manual tax directive application form and refer to the excess fund contribution not allowed previously as a deduction on assessment (in terms of section 11F previously section 11(*k*) (this amount includes section 11(*n*) amounts previously not allowed).

  - Where a member of the Fund requested that the contributions (excess fund contributions) to any fund that was not allowed as a deduction during any previous year of assessment, (in terms of previous paragraph (k) and (n) of section 11), must be taken into account when a lump sum is payable. The Fund should **not** submit a tax directive application electronically.
    - o If an electronic tax directive application was submitted and the tax directive was not returned with excess fund contributions the member has indicated is available on his / her account, the Fund must first cancel the electronically submitted tax directive; and
  - The Fund Administrator must complete a manual tax directive application and email the tax directive application form and the supporting documents to SARS. SARS assessment centre will ensure that the amount claimed as excess fund contribution is correct before capturing the tax directive application.
    - o The allowable deduction in respect of the excess fund contribution amount entered is limited to the lump sum amount payable.
    - o This field must be completed where a member of a **provident** fund transferred a benefit before retirement to a retirement annuity fund.
      - Only the contribution before 1 March 2016 must be captured.
      - The ROT01 of the transfer to the RA Fund must be attached to the manual tax directive application form.

NOTE: Excess fund contributions will **automatically** be allowed as a deduction on a tax directive application in terms of paragraph 5 of the Second Schedule to the Act where the 'carry forward'

amounts on the taxpayers ITA34 were verified and correct. From the 2017 year of assessment any amount in the amount field for **code 4029** on a taxpayer's ITA34 will **automatically** be allowed as a deduction on the tax directive application submitted once the excess amount was determined on assessment.

- The amount or the portion of the amount in the amount field for **code 4029** on a taxpayer's ITA34 will be displayed as '*Contributions not previous allowed as deduction*' on the tax directive (IRP3e).

- Where a member has indicated to the Fund Administrator that the excess fund contributions must not be taken into account as a deduction in terms of paragraph 5(1)(*a*) of the Second Schedule a manual tax directive application form must be completed. The form must clearly indicate what amount must be taken into account as excess contributions on the tax directive application form. A letter from the member must accompany the tax directive application form. The letter must indicate that either no amount or the lessor amount must be allowed as excess contributions, instead of the amount reflected as excess contributions on SARS records.

3.6.22 Provident fund Contributions

- If the amount is from a Provident Fund, indicate total provident fund contributions by the member up to 1 March 2016.

- If the amount is from a Provident Fund, indicate total provident fund contributions by the member after 1 March 2016.

- A manual form must be submitted for any transfer prior to 1 March 2018 from a provident fund.

- The above fields can only be used where a form A&D was used to transfer the benefit on retirement.

3.6.23 Transfer from Pension Fund (after tax amount)

Transfer from Pension Fund (after tax amount)   R [   ] , [ ]

Directive number for pension transfer [   ]

- Where the member has transferred a benefit from a Pension Fund or a Pension Preservation Fund, to a Provident Fund or Provident Preservation Fund and then transferred the benefit to a Retirement Annuity Fund, enter the after tax amount (amount the Provident Fund or Provident Preservation Fund has received) in this field.

- This field **must only** be used if the amount was not entered as Provident Fund own contributions in the above-mentioned field, refer to 3.6.22.

- If the amount field is completed the tax directive number field is mandatory. Enter the tax directive number that was provided on the ROT01 when the pension benefit was transferred to the Provident Fund or Provident Preservation Fund.

3.6.24 Was there a partial withdrawal taken from this benefit in the previous or current fund prior to this payment?

- Mandatory if the member has a withdrawal prior to retirement:

  - If 'Yes', the Fund must provide the following additional information:
    - *'Date of the partial withdrawal'*. The Fund must use the date of accrual on the tax directive application submitted for the partial withdrawal.

- o '*Amount of partial withdrawal'*. Enter the amount of the withdrawal from the preservation fund before reaching the retirement age or the submission date of the current tax directive application.
  - o '*Directive number'*. The tax directive number issued by SARS when the member withdrew a portion of the amount from the preservation fund.

- The form provides for two withdrawals.

3.6.25 Did the Fund transfer the benefit to another fund before retirement?

- These fields must **only** be completed where the reason is '*Divorce – Transfer'* or '*Transfer'* and the member transfers the benefit from one retirement annuity fund to another retirement annuity fund **before retirement:**

  - ▫ **The amount transferred to the transferee fund:**
    - o If the reason is '*Transfer prior to Retirement'* this amount must be equal to the amount in the 'Gross amount of lump sum payment'. If not SARS's tax directive system will decline the tax directive application.
    - o The taxpayer cannot take a portion in cash and transfer a portion to another retirement annuity fund.
  - ▫ **Name of the transferee fund:**
    - o In this field enter the name of the Fund as registered with the FSCA.
  - ▫ **E-mail address of transferee:** It is a mandatory field and must contain an "@" sign and a domain.
  - ▫ **Tel no of transferee fund:** Enter the telephone number of the contact person if more information is required**.**
    - o Only use numbers.
  - ▫ **Cell no of transferee fund.**
  - ▫ **FSCA registration number:**
    - o This field is mandatory.
    - o The number allocated to the Fund by the Financial Sector Conduct Authority, which consists of 12/8/ plus 7 digits. In cases where the number is less than 7 digits populate the rest of the fields with '0' before the number and the last 6 digits must be zeroes.

- **State if the transfer / purchase of the annuities is subject to special conditions. If yes, confirm the applicable provision in the Fund rules:**

3.6.26 Did the Fund purchase an annuity?

Particulars of purchase of pension/annuity

Did the fund purchase an annuity?	Yes ☐ No ☐	If yes, provide details per annuity purchase:

Annuity policy no. ☐☐☐☐☐☐☐☐☐☐☐☐☐ Amount utilised to purchase an annuity R ☐☐☐☐☐☐☐☐☐☐☐☐☐ , ☐☐

Name of the registered long-term insurer where the annuity was purchased: ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐
☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

Email address of insurer ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

FSB Registered Insurer no. 1 0 / 1 0 / 1 / 0 0   Tel no. ☐☐☐☐☐☐☐☐☐☐   Cell no. ☐☐☐☐☐☐☐☐☐☐

Death prior to retirement, the following fields are also mandatory for this purchase:

Surname ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

Name(s) ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

Identity Number ☐☐☐☐☐☐☐☐☐☐☐☐☐   Date of Birth (CCYYMMDD) ☐☐☐☐☐☐☐☐   Passport/Permit no. ☐☐☐☐☐☐☐☐☐☐☐

Taxpayer ref no. ☐☐☐☐☐☐☐☐☐☐

- Mandatory if the member has purchase an annuity.

- If the reason is '*Retirement, Retirement due to Ill-health* or '*Death before retirement'* and the '*Gross amount of lump sum payment'* and the '*Gross amount of total benefit'* is not equal; and

  - ▫ Where the total benefit is greater than R247 500; or
  - ▫ The '*Gross amount of lump sum payment'* is less than the '*Gross amount of total benefit'* and the two-thirds is not remaning in the Fund;

- The Fund Administrator must indicate if there are funds available to provide the member with an annuity (remaining in the Fund) or if the Funds are used to purchase an annuity / annuities at a Long-term Insurer(s) to provide a living annuity (or beneficiaries in the case of death before retirement and the beneficiary chooses to purchase an annuity):

  - ▫ *Did the fund purchase an annuity?* '*If yes, state the particulars per annuity purchase'.*
    - o Where the member purchased more than one annuity, for each annuity purchased, a container, per Long-term Insurer, must be completed.
  - ▫ The *following* details are mandatory (per container) and must be provided if the member purchases an annuity from a South African registered Long-term Insurer:

    - o *Annuity Policy number.* The policy number allocated by the registered Long-term Insurer.
    - o *Amount utilised to purchase an annuity.*
    - o *Name of the registered long-term insurer where the annuity was purchased.*
    - o *E-mail address of insurer.* It is a mandatory field and must contain an "@" sign and a domain.
    - o To enable SARS to contact the Long-term Insurer in order to obtain the ROT02 where it was not electronically submitted by the Long-term Insurer.
    - o *FSCA Registered Insurer no.* To avoid the delay in the issuing of the tax directive or the rejection of the ROT02 ensure that the correct FSCA registered Long-term Insurer number is used and that the number is in the correct format. The FSCA registered Long-term Insurer number starting with 10/10/1/xxxx (follow by four digits, e.g. 10/10/1/0004).
    - o *Tel no.* - To enable SARS to contact the Long-term Insurer.
    - o *Cell no.*
    - o *Death prior to retirement, the following fields are also mandatory for this purchase* where a beneficiary or nominee elects to purchase an annuity with his or her portion of the benefit. In the following fields, enter the details of the beneficiary or nominee who has elected to purchase an annuity from a Long-term Insurer:
      - ▪ *Surname;*

- - Name(s);
  - Identity number or other Identity number;
  - Date of birth; and
  - Taxpayer reference number. This is the income tax reference number where the beneficiary or nominee is registered for income tax purposes.

- In cases where there are more than 4 beneficiaries or nominees elected to purchase an annuity from an Long-term Insurer, the Fund must submit more than one tax directive application and split the 'Gross amount of total benefit' to ensure the amount(s) utilised to purchase the annuities are equal to the 'Gross amount of total benefit' on the tax directive application.

  - In the case where two or more beneficiaries purchase annuities from the same Long-term Insurer, separate tax directive application forms must be used. The same FSCA Registered Long-term Insurer number cannot be used more than once on a tax directive application form.
  - An error message 'Purchase annuities amount incorrect' or 'Gross amount incorrect' will be displayed if the total (the sum) of 'Amount utilised to purchase a pension / annuity' (in each container) does not add up to the 'Gross amount of total benefit' minus 'Gross amount of lump sum payment'.

- Is the fund paying the annuity? If the Fund did not purchase an annuity the answer must be 'Yes' and the amount remaining in the Fund must be provided.

  - This amount must be equal to the answer 'Gross amount of total benefit' minus 'Gross amount of lump sum payment' to avoid the tax directive applicationbeing declined with the message 'Remaining amount incorrect'.
  - Enter the amount remaining in the Fund in the field 'If 'YES', state the amount remaining in the fund to purchase the annuity'.

NOTE: The indicators above **cannot** both be 'No' or 'Yes' where the 'Gross *amount of lump sum payment'* is less than the 'Gross amount of total benefit'. The member must elect to either purchase annuities or the Fund must utilise the Funds to provide an annuity.

- On retirement, the portion that has to provide a compulsory life annuity may be used to purchase or ensure an annuity from a South African registered Long-term Insurer or must remain in the Fund to provide an annuity.

3.6.27 Period of employment in Public Sector fund (excluding AIPF)

- This container must only be completed if:

  - the member of the paying **approved** fund, was previously a member of a public sector Fund and the member has transferred the public sector benefit to the current Fund on or after 1 March 2006; **or**
  - The member transferred for a second time the Public Sector Fund benefit to another approved Fund after 1 March 2018.

- The container **must not** be completed if:

  - the **full benefit** was not transferred (the exempt portion was taken in cash on transfer of the benefit);
  - a portion of the benefit was withdrawn (i.e. the exempt portion was withdrawan when the benefit was in a presevation fund); or

- the benefit was transferred before 1 March 2018 to the another approved fund (the second fund after the exit from the public sector fund).

- Paragraph 5 of the Second Schedule to the Act specifically provides for a deduction in circumstances where the amount has not previously been allowed as a deduction to a member. Therefore, where a member of a public sector Fund has opted to transfer the taxable portion of a withdrawal benefit to another Fund, and has elected to take the tax-free portion as a lump sum, a deduction in terms of paragraph 6 of the Second Schedule to the Act will be allowed.

- All the fields in this container must be completed where the member of a public sector Fund has transferred the full benefit to an approved Fund and is retiring from this transferee Fund or has transferred for a second time after 1 March 2018 to another approved Fund and is now retiring from the second approved Fund. The fields to be completed:

  ‘
  - *'Period of employment in public sector fund.'*
    - o The Fund Administrator / Trustees must only provide the 'From date' and 'To date' in terms of the period **employed** in the Public Sector Fund.
  - Provide *'The original amount attributed to the above period of membership in the Public Sector Fund (full benefit)';*
    - o This is the amount that was transferred from the Public Sector Fund when the member exited the Public Sector Fund.
  - Enter the '*Date the amount was transferred from a public sector fund (CCYYMMDD)*;
    - o The commencement date in the approved fund cannot be prior to the transfer date.
  - Enter the 'Date of transfer from first approved fund (CCYYMMDD);
    - o Leave blank if the benefit was received directly from a public sector Fund and was not transferred to another approved Fund.
  - Both the following questions **must be answerred**:
    - o **Answer the question – '***Was the benefit received directly from a Public Sector Fund?* Selecting '*Yes / No'*;.
      - ▪ The answer must be '*Yes'* if the member only transferred from a public sector Fund once.
      - ▪ If the member transferred to another approved Fund the answer must be '*No*' since the Fund paying the benefit did not receive it directly from the public sector Fund.
    - o **Answer the question – '***Did the previous Fund indicate the benefit was from a Public Sector Fund?* Selecting *'Yes / No'.*
      - ▪ The answer must be 'Yes' if the current Fund paying the benefit did not receive it directly from a public sector Fund but from an approved Fund, who has indicated on the ROT that there was service rendered in the public sector Fund.
      - ▪ The answer must be 'No' if the benefit was received directly from a public sector Fund.
  - Enter the *'Public Sector fund directive number for the original transfer'.*
    - o If the tax directive number provided does not exist or the directive number provided is not for a transfer from a public sector fund to an approved fund the tax directive application will be declined.

- The above information will determine if the member can get the deduction in terms of paragraph 5 of the Second Schedule.
  - Therefore if the information is captured incorrectly the pre-1998 vested right will not be taken into account.
  - To avoid the cancellation of tax directives the Fund Administrator can use the simulation option before submitting the final tax directive application to ensure that the pre-1998 vested right is taken into account.

3.6.28 Emigration withdrawal

Emigration withdrawal

Was an application for emigration recognised by the Reserve Bank?	Yes	☐	No	☐
Is proof of a valid Tax Clearance certificate attached?	Yes	☐	No	☐
Is the certificate of residency of the new country of residence attached?	Yes	☐	No	☐

Please state date of emigration. (CCYYMMDD) ☐☐☐☐☐☐☐☐

Please note: if the answer to any of the above questions is "Yes", copies of the said documentation must be submitted as supporting documents to verify the validity of this request

- Mandatory if the reason '*Emigration withdrawal*' is elected.

- Must only be completed if the reason for the tax directive is '*Emigration withdrawal*'

  □ If the listed documents are not attached to the tax directive application, the tax directive application will be declined.
  o A letter from the Authorised dealer to confirm that the emigration was recognised by the South African Reserve Bank for purposes of exchange control.
  o A copy of the Tax Clearance Certificate (TCC) or an affidavit indicating the reasons why the TCC cannot be provided.
  o The member's certificate of residence obtained from the relevant **Tax Authority** of the country in which the member **resides.**
    ▪ Where the DTA must be taken into account a letter must be included indicating that the DTA must be taken into account.
  o The date of emigration must be provided.
  □ For more information refer to the external guide '*Tax Directive for Emigration and cessation of visas*' on SARS website www.sars.gov.za

3.6.29 Expiry of Working Visa

Expiry of Working Visa

Was the visa issued in terms of paragraph (b) or (i) of the definition of visa in section 1 of the Immigration Act, no. 13 of 2002?	Yes	☐	No	☐
Did the visa expire?	Yes	☐	No	☐
Did the member exit South Africa?	Yes	☐	No	☐

Please note: if the answer to any of the above questions is "Yes", copies of the said documentation must be submitted as supporting documents to verify the validity of this request

- Mandatory if the reason '*Expiry of Working Visa*' is elected.

- Must only be completed if the reason for the tax directive is '*Expiry of Working Visa*'.

  □ If one of the answers is 'No' and the listed documents are not attached to the tax directive application, the tax directive application will be declined.
  □ For more information refer to the external guide '*Tax Directive for Emigration and cessation of visas*' on SARS website www.sars.gov.za.

3.6.30 Declaration

  □ Refer to paragraph 3.8 DECLARATION AND SIGNATURE.

3.7　Form E

The Form E application form is to be used for commutation of annuities or other exit events after retirement. Only the amount of the 'Total value of full annuity' to be paid in cash to the dependant(s) and / or nominee(s) must be entered in the 'Gross amount of lump sum payment' field.

The tax directive application must be in the name of the member and not the dependants or nominees.

3.7.1　Particulars of fund

Particulars of Fund/Insurer

Registered Name of Fund/Insurer	

Indicate whether this fund/Insurer is: An approved fund   A public sector fund   Insurer   Other   Specify other

FSB Registration no. `1 2 / 8 / 0 0`   `/`   Fund Approval no. (Public Sector Funds only) `1 8 2 0 4`   FSB Registered Insurer no. `1 0 / 1 0 / 1 /`

Contact Person

E-mail address

Particulars of Fund/Insurer (continued)

Tel no.   Policy No.   PAYE Reference no. `7`

Postal Address

Postal Code

- This information is mandatory.

  - Registered Name of Fund / Long-term Insurer.
    - Enter Fund / Long-term Insurer name as registered with FSCA.
  - Indicate whether this Fund / Long-term Insurer is: (Select **only** one of the following types):
    - An approved Fund;
    - A public sector Fund; or
    - Other. If 'other' is selected the Fund Administrator / Long-term Insurer must specify why the reason 'other' is selected, e.g. the Fund Administrator / Long-term Insurer is not yet approved or registered as an Long-term Insurer at the FSCA.
      - No deduction in terms of the Second Schedule will be allowed and the benefit will be taxed as normal income.
  - FSCA Registration no;
  - Fund Approval no. (Public Sector Funds only);
  - FSCA Registered Long-term Insurer no;
    - **Only one** of the above numbers must be provided. An approved Fund must only provide the FSCA registration number and the Fund approval number must be blank.
  - Contact Person;
  - E-mail address;
  - Tel no.;
  - Policy No.;
    - The member's policy number
  - PAYE Reference no.;
    - This number starts with a 7 and consists of 10 numbers.
    - This is the reference number that the Fund must use to pay over the PAYE, indicated on the tax directive to be deducted from the lump sum, to SARS.
  - Postal Address;
    - This is the address to be used to inform the Fund / Long-term Insurer as to the status of the tax directive application.
    - Where the hard copy of the tax directive application is manually submitted and captured by a SARS user on SARS's tax directive system, the tax directive will be emailed to the applicant.

3.7.2 Particulars of Gross Lump Sum Due

The following reasons for the tax directive (to commute annuities) are on the tax directive application form:

Particulars of Gross Lump Sum Due					
Reason for directive:	Death Member / Former Member after Retirement	Par. (c) Living Annuity Commutation	Gn16: Existing Annuity	Death - Next Generation Annuitant	Next Generation Annuitant Commutation	Transfer of an annuity

3.7.3 Death Member / Former Member after retirement

- If a member died after retirement and the beneficiaries or nominees elected to convert (commute) the annuities to a lump sum the Fund Administrator must select the reason '*Death Member / Former Member after Retirement'* on the tax directive application form.

- Where a dependant or a nominee elects to receive an annuity that is provided by the Fund or purchased from another fund, no lump sum benefit shall be deemed to have accrued. Gross lump sum payable will be zero (0.00).

- Therefore, if the '*Gross amount of lump sum payment*' and the '*Total value of full annuity'* are not equal, the following information **must** also be completed to indicate the portion not to be paid as a lump sum and to avoid the rejection of the tax directive application:

   - Indicate '*Yes'* or '*No'* on the field for the question: '*If death of member / annuitant please indicates whether any portion of the total value of the annuity was used to purchase an annuity for a nominee(s)*'.
   - The transfer container cannot be completed only one of the purchase annuity containers can be completed.

- The amount (if greater than zero) in the '*Gross amount of lump sum payment'* field on the tax directive application must be entered in the amount field for source code 3915 on the IRP5/IT3(a) tax certificate and the tax in the amount field for source code 4115. If no tax was reflected on the IRP3, reason code 04 must be used.

- If the date of accrual is before 1 March 2011 the amount in the '*Gross amount of lump sum payment'* field on the tax directive application or the '*Gross lump sum amount'* on the IRP3 (directive) must be entered in the amount field for source code 3921 on the IRP5/IT3(a) tax certificate and the tax in the amount field for source code 4115.

3.7.4 Par. (c) Living annuity Commutation

- Paragraph (c) of the definition of 'Living annuity' determines that "the full remaining value of the assets contemplated in paragraph (*a*) may be paid as a lump sum when the value of those assets become at any time less than an amount prescribed by the Minister by notice in the Gazette".

   - The value prescribed in Notice 1164 in Government Gazette 31554 of 30 October 2008 until 29 February 2020 was:
     - R50 000 if an amount was previously commuted at retirement; or
     - R75 000 in any other case.

- Notice 1164 was withdrawn by the Minister of Finance. The value, prescribed in Notice 619 in the Government Gazette 43380 of 1 June 2020, is R125 000 with effect from 1 March 2020, irrespective of whether there were any previous commutations.

- If the reason for the tax directive application is 'Par C Living Annuity - Commutation' the following fields must also be completed:
   - Was any value or part of the retirement interest commuted before? Select either 'Yes' or 'No'; and

- ▫ Benefit payable to Member / Former Member must be 'Yes'.
- ▫ If the tax directive application is submitted electronically the *'Member / Former Member'* indicator must be '1'.

- The amount in the *'Gross amount of lump sum payment'* field on the tax directive application must be entered in the amount field for source code 3915 on the IRP5/IT3(a) tax certificate and the tax in the amount field for source code 4115. If no tax was reflected on the IRP3, reason code 04 must be used.

- If the date of accrual is before 1 March 2011 the amount in the *'Gross amount of lump sum payment'* field on the tax directive application or the 'Gross lump sum amount' on the IRP3 (directive) must be entered in the amount field for source code 3921 on the IRP5/IT3(a) tax certificate and the tax in the amount field for source code 4115.

3.7.5 GN16: Existing Annuity

- This reason can only be used if the member retired before 1 October 2007

- A commutation as outlined by General note 16 (Issue 2) – Existing annuities

  - ▫ A member / former member who retired before 1 October 2007 and did not commute previously and wants to commute the annuities for a lump sum (if the annuity product's rules so allows the commutation) can now commute annuities under the following conditions:
  - ▫ If the member did not commute previously and the member's "retirement interest" on the "retirement date" did not exceed R75 000.
    - o If the Fund or Long-term Insurer is unable to determine whether a member did commute previously, the remaining annuity can be commuted to a lump sum if two-thirds of the member's "retirement interest" on the "retirement date" did not exceed R50 000.

- If the reason for the tax directive application is 'GN16: *Existing Annuity Commutation'* the following information **must** also be completed to avoid the rejection of the tax directive application:

  - ▫ Retirement interest (Total value of the full benefit) at retirement date;
  - ▫ Was any value or part of the retirement interest (i.e. total value of benefit) commuted before?; and
  - ▫ Benefit payable to Member / Former Member select 'Yes'
    - o If the tax directive application is submitted electronically the '*Member / Former Member'* indicator must be '1'.

- The amount in the '*Gross amount of lump sum payment'* field on the tax directive application must be entered in the amount field for source code 3915 on the IRP5/IT3(a) tax certificate and the tax in the amount field for source code 4115. If no tax was reflected on the IRP3, reason code 04 must be used.

- If the date of accrual is before 1 March 2011 the amount in the '*Gross amount of lump sum payment'* field on the tax directive application or the *'Gross lump sum amount'* on the IRP3 (directive) must be entered in the amount field for source code 3921 on the IRP5/IT3(a) tax certificate and the tax in the amount field for source code 4115.

3.7.6 Death- Next Generation Annuitant

NOTE: A 'Next Generation Annuitant' is the dependant(s) or nominee(s) of the original member who has elected to receive an annuity.

- 'Death – Next Generation Annuitant' reason must be used where the next generation annuitant dies and the dependant or nominee elects to commute the annuities by way of a lump sum.

- Wherever the '*Gross amount of lump sum payment'* and the '*Total value of full annuity'* are not equal, the following information **must** also be completed to indicate the portion that is not paid as a lump sum and to avoid the rejection of the tax directive application:
    - o
    - o Indicate 'Yes' or 'No' on the field for the question: *'If death of member / annuitant please indicates whether any portion of the total value of the annuity was used to purchase an annuity for a nominee(s)'*.
    - o If 'Yes' is selected, at least one set of the following fields must also be completed:
        - ▪ Full name(s) of nominee (Not applicable if tax directive application is submitted electronically);
        - ▪ Identity number (ID of the dependant / nominee).
        - ▪ Amount (portion of the amount to provide an annuity to the dependant / nominee).

- Where a dependant or a nominee elects to receive an annuity that is provided by the Fund or purchased from another fund, no lump sum benefit shall be deemed to have accrued.

- The amount in the '*Gross amount of lump sum payment'* field on the tax directive application must be entered in the amount field for source code 3915 on the IRP5/IT3(a) tax certificate and the tax in the amount field for source code 4115. If no tax was reflected on the IRP3, reason code 04 must be used.

- If the date of accrual is before 1 March 2011 the amount in the *'Gross amount of lump sum payment'* field on the tax directive application or the *'Gross lump sum amount'* on the IRP3 (directive) must be entered in the amount field for source code 3921 on the IRP5/IT3(a) tax certificate and the tax in the amount field for source code 4115.

3.7.7 Next Generation Annuitant Commutation

- To be used for a commutation by a person not a member or former member of a pension fund, pension preservation fund, provident fund, provident preservation fund or retirement annuity fund.

- The following fields must also be completed:
    - o Identity number / Passport number of original member (not both);
    - o Full name(s) of original member ;
    - o Was any value of the annuity or retirement interest previously commuted for a single payment?
    - o Benefit payable to Next Generation Annuitant. Indicate 'Yes' or 'No'.

- The amount in the '*Gross amount of lump sum payment'* field on the tax directive application must be entered in the amount field for source code 3915 on the IRP5/IT3(a) tax certificate and the tax in the amount field for source code 4115. If no tax was reflected on the IRP3, reason code 04 must be used.

- If the date of accrual is before 1 March 2011 the amount in the '*Gross amount of lump sum payment'* field on the tax directive application or the *'Gross lump sum amount'* on the IRP3 (directive) must be entered in the amount field for source code 3921 on the IRP5/IT3(a) tax certificate and the tax in the amount field for source code 4115.

3.7.8 Transfer of an annuity

- The transfer of an annuity should be used where a **member** transfers his / her annuity from one registered Long-term Insurer to another registered Long-term Insurer.

- This reason **cannot** be used if the beneficiary elects to purchase an annuity.

- The amount in the '*Gross amount of lump sum payment'* field on the tax directive application must be entered in the amount field for source code 3920 on the IRP5/IT3(a) tax

certificate and the tax on the field for source code 4115. If no tax was reflected on the IRP3, reason code 04 must be used.

3.7.9 Date of accrual

- The date of accrual will be the date:

  - ▫ The annuitant elected to commute the annuities; or
  - ▫ The date of death of the member / former member or next generation annuitant.
  - ▫ The date annuity is transferred to another Long-term Insurer.

3.7.10 Gross amount of lump sum payment

- The amount the:

  - ▫ annuitant elected to take in cash: or
  - ▫ dependant(s) or nominee(s) elected to take in cash.
  - ▫ the amount of the annuity the member transfers to another Long-term Insurer (This amount must be equal to the '*Gross amount of lump sum payment'* and '*Full value of annuity*' and "*Amount transferred*").

- If the 'Gross amount of lump sum payment' and the 'Total value of full annuity' are not equal, the question *'If death of member / annuitant please indicates whether any portion of the total value of the annuity was used to purchase an annuity for a nominee(s)'* must be answered and at least one set must be completed. Refer to paragraph 3.7.20 - *Death of member / annuitant.*

- If the '*Full value of the annuity*' amount is not paid in full to the nominees or beneficiaries, the amounts in the *'Gross amount of lump sum payment'* field plus the amount(s) in the fields used to purchase annuities for the nominee(s) / beneficiary(ies) (refer to paragraph 3.7.20 - *Death of member / annuitant)* must be equal to the amount in the '*Full value of annuity*' field.

  - ▫ If the amounts are not correct the tax directive application will be declined.

- This amount can be zero where the nominees or beneficiaries, elects to utilise the full benefit to purchase annuities, meaning no gross amount of lump sum payment is taken in cash.

  - ▫ The tax directive (IRP3) will indicate the gross lump sum payable as 0.00 and the tax 0.00.
  - ▫ If the full benefit was used to purchase an annuity and the 'Gross amount of lump sum payment' was zero, **no** IRP5/IT3(a) tax certificate has to be issued.

- This amount must be reflected on the IRP5/IT3(a) tax certificate opposite the code 3915. On assessment, the taxpayer's return will be rejected if an IRP5/IT3(a) tax certificate is not declared / submitted for the same amount.

3.7.11 Full value of annuity

- The 'Total value of full annuity' must always be entered.

- If there is a difference between the 'Gross amount of lump sum payment' and the 'Total value of full annuity', SARS's tax directive system will validate that the following fields are completed:

  - ▫ 'If death of member / annuitant please indicate whether any portion of the total value of the annuity was used to purchase an annuity for a nominee(s)'must be answered and

- □   at least one set of the following fields must also be completed:
  - o   Full name(s) of nominee (Not applicable if tax directive application is submitted electronically);
  - o   Identity number (ID of the dependant / nominee).
  - o   Amount (portion of the amount to provide an annuity to the dependant / nominee).

3.7.12 Retirement interest at retirement date (only applicable for reason "GN16 Existing Annuity commutation").

- Mandatory if the reason for the tax directive is '*GN16: Existing Annuity'* or '*Par. (c) Living annuity Commutation*'.

- Retirement interest refers to the total value of the full benefit of the member on retirement.

3.7.13 Identity number / Passport number of original member

- Mandatory if the reason for the tax directive is:

  - □   Next Generation Annuitant Commutation; or
  - □   Death - Next Generation Annuitant.

- Must only be completed if one of the above reasons is used.

3.7.14 Full name(s) of original member

- Mandatory if the reason for the tax directive is:

  - □   Next Generation Annuitant Commutation; or
  - □   Death - Next Generation Annuitant.

- Must only be completed if one of the above reasons is used.

3.7.15 Was any value of the annuity or retirement interest previously commuted for a single payment?

- Mandatory if the reason for the tax directive is:

  - □   Par. (c) Living annuity Commutation;
  - □   GN16: Existing Annuity; or
  - □   Next Generation Annuitant Commutation.

3.7.16 Benefit payable to Member / Former Member – Note: only applicable to reasons for directive: "Death – Member / Former Member post retirement", "GN16 Commutation" and "Par. (c) Living Annuity Commutation"

- Mandatory if the reason for the tax directive is:

  - □   Death Member / Former Member after Retirement;
  - □   GN16: Existing Annuity; or
  - □   Par. (c) Living annuity Commutation.

3.7.17 Benefit payable to Next Generation Annuitant – Note: only applicable to reasons for directive "Next Generation Annuitant Commutation" or "Death – Next Generation Annuitant".

- Mandatory if the reason for the tax directive is:

◻ Next Generation Annuitant Commutation; or
◻ Death - Next Generation Annuitant.

3.7.18 Members own contributions not previously allowed as a deduction.

- This field is only available on the manual tax directive application form and refer to the excess fund contribution not allowed previously as a deduction on assessment in terms of section 11F previously section 11(k) (this amount includes section 11(n) amounts previously not allowed).

  o Where a member of the Fund requested that the excess contributions to a retirement fund that was not allowed as a deduction during any year of assessment, in terms of paragraph (k) and (n) of section 11and section 11F, must be taken into account when a lump sum is payable. The Fund should **not** submit a tax directive application electronically.
    ▪ If an electronic tax directive application was submitted and the tax directive was not returned with excess fund contributions the member has indicated is available on his / her account, the Fund must first cancel the electronically submitted tax directive; and
  o The Fund Administrator must complete a manual Form E application form and email the tax directive application form and the supporting documents to SARS. SARS assessment centre will ensure the amount claimed as excess fund contribution is correct before capturing the tax directive application.
  o The excess fund contribution amount entered must be limited to the lump sum payable amount.

NOTE: Excess fund contributions will **automatically** be allowed as a deduction on a tax directive application in terms of paragraph 5 of the Second Schedule to the Act where the 'carry forward' amounts on the taxpayers ITA34 were verified as correct. From the 2017 year of assessment any amount in the amount field for **code 4029** on a taxpayer's ITA34 will **automatically** be allowed as a deduction on the tax directive application submitted once the excess amount was determined on assessment.

- The amount or the portion of the amount in the amount field for **code 4029** on a taxpayer's ITA34 that was taken into account on the directive will be displayed as '*Contributions not previous allowed as deduction*' on the tax directive (IRP3e).

- Where a member has indicated to the Fund Administrator that the excess fund contributions must not be taken into account as a deduction in terms of paragraph 5(1)(*a*) of the Second Schedule a manual tax directive application form must be completed. The form must clearly indicate what amount must be taken into account as excess contributions on the tax directive application form. A letter from the member must accompany the tax directive application form. The letter must indicate that either no amount or the lessor amount must be allowed as excess contributions, instead of the amount reflected as excess contributions on SARS records.

3.7.19 Particulars of transfer

- The following fields must be completed if the reason '*Transfer of an annuity*' is selected:

  o Did the member elect to transfer to another Long-term Insurer?
  o The name of the '*Registered Name of Insurer*' must be provided
  o The transferee Long-term Insurer's '*FSCA Registered Insurer no.*' must be provided and must be in the correct format. The FSCA Long-term Insurer registered number starting with 10/10/1/xxxx (follow by four digits, e.g. 10/10/1/0004).
  o Amount transferred: This amount must be equal to the '*Gross amount of lump sum payment*' and '*Full value of annuity*'.
  o E-mail address of the transferee Long-term Insurers. It is a mandatory field and must contain an "@" sign and a domain.

- To enable SARS to contact the Long-term Insurer in order to obtain the ROT02 where it was not electronically submitted by the Long-term Insurer.
  - o Telephone number. Enter the telephone number of the person that must be contacted should more information be required.
    - ▫ Only use numbers.
  - o Cell number
  - o State if the transfer / purchase of the annuities is subject to special conditions. If yes, confirm the applicable provision in the Fund rules:

3.7.20 If death of member / annuitant, please indicate whether any portion of the total value of the annuity was used to purchase an annuity for a nominee(s)

Particulars of pension/annuity purchase for a beneficiary/nominee

If death of member / annuitant, please indicate whether any portion of the total value of the annuity was used to purchase an annuity for a beneficiary / nominee: Y ☐   N ☐   (If an annuity/pension was purchased from another insurer, state the details below:)

Field		
Surname		
Name(s)		
Identity number		Other Identity number
Annuity policy number		Amount utilised to purchase an annuity R
Taxpayer ref. no		
Name of the registered long-term insurer where the annuity was purchased		
E-mail address		
FSCA Registration no. 1 0 / 1 0 / 1 /	Tel no.	Cell no.

- Mandatory if there is a difference between the '*Gross amount of lump sum payment*' and the '*Total value of full annuity*'.

- At least one set of the following fields must also be completed for each nominee an annuity is purchased:

  - o Surname
  - o Full name(s);
  - o Identity number (ID of the dependant / nominee); or
  - o Other identity number and
  - o Annuity policy number
  - o Amount utilised to purchase an annuity (the amount uses to provide an annuity to the dependant / nominee)**.**
  - o Taxpayers refer no.
  - o Name of the Long-term Insurer where the annuity was purchased
  - o E-mail address
  - o FSCA Registration no.
    - ▪ In the case where two or more beneficiaries purchase annuities from the same Long-term Insurer, separate tax directive application forms must be used. The same FSCA Registered Long-term Insurer number cannot be used more than once on a tax directive application form.
  - o Tel. no.
  - o Cell no.

3.7.21 Non Resident Service Rendered Inside Republic [Section 9(2)(i)].

Non Resident Service Rendered inside the Republic [Section 9(2)(i)]		
Were any services rendered inside the Republic during the period of membership of the fund?	Yes	No
Total number of months services were rendered while contributing to fund		
Total number of months services were rendered inside the Republic while contributing to fund		
Total number of months services were rendered outside the Republic while contributing to fund		

- □ This container is only available on a manual tax directive application form or on the tax directive application forms on eFiling and can only be completed if the member of the Fund is a non-resident. The non-resident indicator must be '*Yes'*. Refer to 3.1.4 '*Is the taxpayer a non-resident?*

- □ The service inside the Republic will only be taken into account if the tax directive reason is: (on assessment the taxpayer must be able to provide SARS with the history of employment on the letter from the employer)
  - o Death Member / Former Member after retirement
  - o Par. (c) Living annuity Commutation'
  - o GN16: Existing Annuity
- □ If the answer is 'Yes' to the question '*Were any service rendered inside the Republic during the period of membership of the fund?* these fields must be completed:
  - o Total number of months' services were rendered while contributing to the Fund,
  - o Total number of months' services were rendered inside the Republic while contributing to the Fund; and
  - o Total number of months' services were rendered outside the Republic while contributing to the Fund.
- □ SARS's tax directive system will calculate the exempt portion in terms of section 9(2)(i) on the amount in the 'Gross amount of lump sum payment' field.

3.8   DECLARATION AND SIGNATURE

- The Fund Administrator completing the tax directive application confirms to SARS that the information specified on the tax directive application form is true and correct.

- This declaration is also applicable to Fund Administrators submitting the tax directive applications electronically.

4   PROCESS TAX DIRECTIVE APPLICATION

- The SARS's tax directive system will validate that the minimum information is captured on the SARS's tax directive system or the minimum information was provided on the electronically submitted tax directive applications and the information is correct according to the rules built on SARS's tax directive system.

- Where the tax directive could not be issued due to errors on the tax directive application form or other validations the Fund will be notified as follows:

  - □ Tax directive application submitted through an Interface agency will get the error response electronically in a responses file.
  - □ Where the tax directive application was submitted through eFiling the error will be displayed on eFiling.

4.1 Minimum Information Required on an Application Form

- Tax Year
  - ▫ Type of tax directive application forms (Form A&D, Form B, Form C, Form E) - The correct tax directive application form must be completed.
- Taxpayer Surname
- Taxpayer First names
- Taxpayer Initials (only applicable to electronic submissions)
- Taxpayer Date of Birth
- Taxpayer ID number or other unique number if the person is not a SA citizen
- Reason for non-registration (Unemployed or 'Other' specified) if no reference number entered.

NOTE: The income tax reference number must be provided on the IRP5/IT3(a) tax certificate.

- Taxpayer's physical address and postal code
- Taxpayer's postal address and postal code
- Annual Income of taxpayer Forms A&D, Form B, Form C, Form E accruals before 01/03/2009 and for the reason '*Par.(eA) section 1*')
- Registered Name of fund
- Administrator's valid email address in the correct format
- FSCA registration number if an approved fund / fund approval number if a Public sector fund
- Fund PAYE reference number
- Membership number or policy number
- Type of fund (Pension, Provident, Pension Preservation, Provident Preservation)
- Fund created reason
- Postal address and postal code of the Fund Administrator
- Reason for tax directive (retirement, resignation, transfer, etc.)
- Date of accrual
- Commencement date
- Gross amount of lump sum amount payment

5 TAX DIRECTIVE

- When the tax directive application was successfully captured and processed on SARS's tax directive system, a tax directive (IRP 3) will be issued to the Fund Administrator who requested the tax directive:

  - ▫ For tax directive applications that were submitted electronically, the tax directive issued information will be sent electronically. The Interface Agent will generate the tax directive. The tax directive may only be reproduced by registered interface agents in the prescribe format in the IBIR006 – '*Tax Directive Interface Specifications*' and only in respect of electronic certificates approved to that particular Interface Agent.
  - ▫ Where a tax directive applications are submitted manually and captured by a SARS user on SARS's tax directive system, due to the fact that the employer could not obtain a directive through an Interface Agency or eFiling, the tax directive will be emailed to the Fund Administrator or Insurer.

□   If the Fund Administrator or Long-term Insurer has used eFiling to submit a tax directive application the tax directive will be available on eFiling if the tax directive application has been approved. If the tax directive application was rejected or declined the declined reason can be viewed on eFiling.

5.1 IT88L (Notice attached to the tax directive)

- The IT88L attached to the tax directive will contain all outstanding tax amounts to be paid over to SARS (per IT88L). Taxes outstanding can be for Assessed Tax, Provisional Tax or Administrative Penalties.

    □   The 'Tax amount' (PAYE) to be withheld regarding the lump sum will be on the tax directive (IRP3). If the amount on the tax directive is greater than R0 the amount must be deducted from the lump sum amount and paid over to SARS with the monthly EMP201. The Fund has to issue an IT3(a) tax certificate if no tax is to be withheld and an IRP5/IT3(a) tax certificate where tax (PAYE) is to be withheld from the lump sum.

    □   The IT88L is an instruction to the Fund to deduct and pay over **an additional amount** after the 'Tax amount' on the tax directive was deducted. This amount **must not** be reflected on the IRP5/IT3(a) tax certificate.

    □   The amounts indicated on the IT88L must be paid to SARS under the relevant income tax reference numbers indicated (taxpayers account) on the IT88L. SARS will provide the PRN for each tax type the Fund Administrator has to use to pay over the amounts indicated on the IT88L.

    □   Payments to SARS must be itemised per taxpayer reference number. A single payment per group of taxpayers **must not be made electronically**, i.e. via bank transfer, as it is not possible to itemise the tax reference numbers.

    □   If payment is done electronically then this must be done individually per stop order (IT88L). Refer to the External Guide South African Revenue Service Payment Rules - Gen-Paym-01-G01.

- IT88L **will not** be attached to the tax directive issued if the reason for the tax directive is "*Death*", "*Death Member / Former Member after retirement*" / "*Security of mortgage bond order / housing loa*n" or '*Transfer*' since the benefit is payable to a third party and / or does not accrue to the taxpayer.

- If the taxpayer has an arrangement for outstanding taxes or indicates the amount on the IT88L must not be withheld a letter from SARS Debt collection is required to instruct the Fund of the amount to be paid over to SARS or where debt was settled or reduced to ignore the IT88L.

6   ADDITIONAL DETAILS OF TAX DIRECTIVE APPLICATION

6.1   CANCELLATION OF TAX DIRECTIVES

- The process for the submission of the tax directive application is as follows:

    □   Once the Fund Administrator has received the member's election, they are obligated to submit the tax directive application;

    □   SARS will then issue a tax directive indicating the amount of tax to be withheld after taking into account all previous lump sums (i.e. via the aggregation principle applicable to lump sums) and deductions in terms of the Second Schedule to the Income Tax Act;

    □   If a member has outstanding taxes, SARS will then issue an IT88L (stop-order) for the outstanding debt; and

    □   Once a tax directive has been issued, the tax directive status on SARS's tax directive system will be shown as 'FINALISED'.

- Once a tax directive has been issued, it **may not** be cancelled by the Fund or Fund

Administrator. Paragraph 4(1) of the Second Schedule to the Income Tax Act provides that the lump sum benefit accrues to the member on the date on which an election is made in respect of the benefit. The date of the election by the taxpayer is the date of accrual, and it is very important to note that an accrual date cannot be changed once a person has made an election and that person has become unconditionally entitled to a lump sum benefit. The obligation is on the member to ensure that he / she is aware of the income tax implications and financial impact flowing from his / her election **BEFORE** an instruction is submitted to the Fund. Information relating to lump sums previously received is provided by SARS if requested by the member or his / her authorised tax practitioner.

- The simulation / quoting process can be used to determine the tax implication **BEFORE** the election instruction is submitted.

- The cancellation of a tax directive **can only be considered** in the following instances.

NOTE: **Only** the Fund Administrator / Employer / Long-term Insurer / can submit a request to cancel the tax directive to SARS on the Fund Administrator / Employer / Long-term Insurer / letter head. The taxpayer / member is not allowed to submit a request as he / she has completed the option form. The letter must have detailed reasons why the tax directive must be cancelled. The request should not be submitted if it is one of the following reasons:

- ▫ The taxpayer requested that the amount on the carry-over folder (only for years of assessment prior to 2017) must be taken into account as excess fund contributions or Voluntary contributions not reflected on the IRP5/IT3(a) tax certificate. Where the Fund Administrator has submitted a tax directive application electronically the Fund must first cancel the electronically submitted tax directive and complete a manual tax directive application.
  - ◦ The taxpayer's supporting documentation indicating that an amount should be regarded as 'excess fund contribution' must be attached to the manual tax directive application. This might be applicable to taxpayers of the Council for Scientific and Industrial Research (CSIR), Universities and Telkom retirement funds for which SARS has currently no record of the AIPF (Associated Institutions Pension Fund) contributions. AIPF contributions will not be on any carry-over folder.
- ▫ The reason 'Resignation' instead of 'Involuntary Termination of employment' (Retrenchment) was selected on the Form B. This means that a different tax rate is applicable.
- ▫ The reason 'Death before Retirement' instead of 'Retirement' or 'Retirement due to ill-health' was selected on the Form A&D. Although the same tax rate is applicable, the system will classify the income tax reference number as an estate.
- ▫ The incorrect date of birth was used in circumstances where the taxpayer does not have a South African (SA) Identity (ID) number and a passport number was used in the 'Other Identification' field. The correct date of birth is required to determine the correct PAYE to be withheld from the lump sum benefit.
- ▫ The incorrect income tax reference number was used on the tax directive application. This might be in circumstances where the taxpayer's Income Tax reference number instead of the spouse's income tax reference number was used for the lump sum benefit which accrued to the spouse in a divorce order.
- ▫ In circumstances where the second tax directive application is a duplicate of the original tax directive application submitted, the duplicate tax directive application must be cancelled, i.e. the membership number and PAYE number is the same; only the date of accrual will differ.
- ▫ The tax directive was captured on an income tax reference number before it was classified as an insolvent case. The tax directive with a date of accrual after the date of insolvency must be cancelled where it was submitted on the taxpayer's income tax reference number that was coded as 'insolvent estate' and submit the tax directive on the registration number that was registered after insolvency.
- ▫ The tax directive was captured without an income tax reference number. Where the taxpayer registered as a taxpayer and submits a return with the IRP5/IT3(a) tax certificate without an income tax reference number the return will be

rejected. The return can only be finalised if the tax directive is submitted with the correct income tax reference number.

▫

6.1.1 IRP5/IT3(a) tax certificates where a tax directive was cancelled

- Where a tax directive has been cancelled thereafter a new tax directive application was submitted and issued:

    ▫ Do not cancel the IRP5/IT3(a) tax certificate if the related reconciliation was submitted to SARS; and

    ▫ Do not refund the taxpayer if the manual tax directive application was submitted and the tax is less than the amount on the original tax directive that has been cancelled; or

    ▫ Do not refund the taxpayer where the fund administrator / Long-term Insurer obtained a new tax directive since the original tax directive has been cancelled or replaced and '*the tax amount*' on the tax directive is less or nil. SARS will refund the taxpayer since the employees' tax was already paid over to SARS.

        o An Employer / Fund Administrator is not permitted to make refunds of PAYE to a member. Even if the PAYE has been over-deducted. Paragraph 28 and 29 of the Fourth Schedule to the Income Tax Act 58 of 1962 provides that no refund of PAYE shall be made to any employee (includes members). Under these provisions, only SARS may refund taxes to the deemed employee / members, and this must be done via the income tax assessment process.

    ▫ Where the amount on the new tax directive is more than the amount on the original tax directive, after the reconciliation was submitted and the amount cannot be collected from the member / employee. The Employer / Fund Administrator / Long-term Insurer must inform SARS and provide SARS with a reason or an explanation why the Employer / Fund Administrator / Long-term Insurer is unable to withhold '*the tax amount*' indicated on the new IRP3 tax directive.

- The Employer must ensure that the IRP5/IT3(a) tax certificate has the correct source code and the employees' tax (according to the original tax directive) that was paid over to SARS. If any IRP5/IT3(a) tax certificate has been amended the amended certificate must be resubmitted to SARS to ensure the correct IRP5/IT3(a) tax certificate is reflecting on SARS PAYE system and to avoid the rejection of the taxpayer's return. The Employer / Fund administrator / Long-term Insurer must ensure that the member / employee has the updated IRP5/IT3(a) tax certificate as well as a letter indicating the reasons for the amendment to the IRP5/IT3(a) tax certificate and cancellation of the tax directive.

6.2   Additional amount payable

- If an additional amount is payable by the Fund Administrator / Employer, the original tax directive must not be cancelled. A second tax directive application for the additional amount payable must be submitted, for example where the amount may have been calculated incorrectly ('*agterskot*').

- Where an existing pension was purchased from a Long-term Insurer and where the Long-term Insurer, for reasons beyond its control, cannot reasonably be expected to accept the additional (*agterskot*) payment as payment for an increase under the existing pension arrangement, the Fund that originally purchased the pension may pay the '*agterskot*' payment to the member in the form of a once-off bonus pension and the IRP3(a) tax directive application form must be used.

    ▫ On the IRP3(a) tax directive application form, select the reason 'Other' and in the description field '*Other (Specify other payment separately)*' enter the description of the additional payment e.g. *"Additional agterskot payment"*

- The submission of a second tax directive application does not allow a member of a pension preservation fund or provident preservation fund to increase the withdrawal instruction where the taxpayer did not take the tax implications into account when the request was

submitted to the Fund. The obligation is on the member to ensure that he / she is aware of the income tax implication flowing from his / her election before an instruction for a withdrawal from the pension preservation fund or provident preservation fund is submitted to the Fund.

   ▫   A second withdrawal from the same pension preservation fund or provident preservation fund is not allowed.

•   To avoid SARS's tax directive system declining the tax directive application, a day must be added or subtracted from the original date of accrual. It is however important to ensure that the date of accrual remains in the same year of assessment.

7   STATUTORY RATES OF TAX APPLICABLE TO LUMP SUMS

7.1   RATES

7. (a) (i) If a **retirement fund lump sum withdrawal benefit** accrues to a person in any

year of assessment commencing on or after 1 March 2020, the rate of tax referred to in

section 1(1) of this Act to be levied on that person in respect of taxable income

comprising the aggregate of—

   (aa) that retirement fund lump sum withdrawal benefit;

   (bb) retirement fund lump sum withdrawal benefits received by or accrued to that person

        on or after 1 March 2009 and prior to the accrual of the retirement fund lump sum

        withdrawal benefit contemplated in subitem (aa); and

   (cc) retirement fund lump sum benefits received by or accrued to that person on or after

        1 October 2007 and prior to the accrual of the retirement fund lump sum withdrawal

        benefit contemplated in subitem (aa),

   (dd) severance benefits received by or accrued to that person on or after 1 March 2011

        and prior to the accrual of the retirement fund lump sum withdrawal benefit

        contemplated in subitem (aa),

is set out in the table below:

Taxable income from lump sum benefits	Rate of tax
Not exceeding R25 000	0 per cent of taxable income
Exceeding R25 000 but not exceeding R660 000	18 per cent of taxable income exceeding R25 000
Exceeding R660 000 but not exceeding R990 000	R114 300 plus 27 per cent of taxable income exceeding R660 000
Exceeding R990 000	R203 400 plus 36 per cent of taxable income exceeding R990 000

   (ii) The amount of tax levied in terms of item (i) must be reduced by an amount equal to the tax

        that would be leviable on the person in terms of that item in respect of taxable income

        comprising the aggregate of—

        (aa) retirement fund lump sum withdrawal benefits received by or accrued to that person

             on or after 1 March 2009 and prior to the accrual of the retirement fund lump sum

             withdrawal benefit contemplated in item (i)(aa); and

   (bb) retirement fund lump sum benefits received by or accrued to that person on or after 1 October 2007 and prior to the accrual of the retirement fund lump sum withdrawal benefit contemplated in item (i)(aa).

   (cc) severance benefits received by or accrued to that person on or after 1 March 2011 and prior to the accrual of the retirement fund lump sum (withdrawal) benefit contemplated in item (i)(aa).

(b) (i) If a **retirement fund lump sum benefit** accrues to a person in any year of assessment commencing on or after 1 March 2020, the rate of tax referred to in section 1(1) of this Act to be levied on that person in respect of taxable income comprising the aggregate of—

   (aa) that retirement fund lump sum benefit;

   (bb) retirement fund lump sum withdrawal benefits received by or accrued to that person on or after 1 March 2009 and prior to the accrual of the retirement fund lump sum benefit contemplated in subitem (aa);

   (cc) retirement fund lump sum benefits received by or accrued to that person on or after 1 October 2007 and prior to the accrual of the retirement fund lump sum benefit contemplated in subitem (aa); and

   (dd) severance benefits received by or accrued to that person on or after 1 March 2011 and prior to the accrual of the retirement fund lump sum benefit contemplated in subitem (aa),

is set out in the table below:

Taxable income from lump sum benefits	Rate of tax
Not exceeding R500 000	0 per cent of taxable income
Exceeding R500 000 but not exceeding R700 000	R0 plus 18 per cent of taxable income exceeding R500 000
Exceeding R700 000 but not exceeding R1 050 000	R36 000 plus 27 per cent of taxable income exceeding R700 000
Exceeding R1 050 000	R130 500 plus 36 per cent of taxable income exceeding R1 050 000

(ii) The amount of tax levied in terms of item (i) must be reduced by an amount equal to the tax that would be leviable on the person in terms of that item in respect of taxable income comprising the aggregate of—

   (aa) retirement fund lump sum withdrawal benefits received by or accrued to that person on or after 1 March 2009 and prior to the accrual of the retirement fund lump sum benefit contemplated in item (i)(aa);

   (bb) retirement fund lump sum benefits received by or accrued to that person on or after 1 October 2007 and prior to the accrual of the retirement fund lump sum benefit contemplated in item (i)(aa); and

   (cc) severance benefits received by or accrued to that person on or after 1 March 2011 and prior to the accrual of the retirement fund lump sum benefit contemplated in item (i)(aa).

(c) (i) If a **severance benefit accrues** to a person in any year of assessment commencing on or after 1 March 2019, the rate of tax referred to in section 1(1) of this Act to be levied on that person in respect of taxable income comprising the aggregate of—

    (aa) that severance benefit;

    (bb) severance benefits received by or accrued to that person on or after 1 March 2011 and prior to the accrual of the severance benefit contemplated in subitem (aa);

    (cc) retirement fund lump sum withdrawal benefits received by or accrued to that person on or after 1 March 2009 and prior to the accrual of the severance benefit contemplated in subitem (aa); and

    (dd) retirement fund lump sum benefits received by or accrued to that person on or after 1 October 2007 and prior to the accrual of the severance benefit contemplated in subitem (aa),

is set out in the table below:

Taxable income from lump sum benefits	Rate of tax
Not exceeding R500 000	0 per cent of taxable income
Exceeding R500 000 but not exceeding R700 000	R0 plus 18 per cent of taxable income exceeding R500 000
Exceeding R700 000 but not exceeding R1 050 000	R36 000 plus 27 per cent of taxable income exceeding R700 000
Exceeding R1 050 000	R130 500 plus 36 per cent of taxable income exceeding R1 050 000

(ii) The amount of tax levied in terms of item (i) must be reduced by an amount equal to the tax that would be leviable on the person in terms of that item in respect of taxable income comprising the aggregate of—

    (aa) severance benefits received by or accrued to that person on or after 1 March 2011 and prior to the accrual of the severance benefit contemplated in item (i)(aa);

    (bb) retirement fund lump sum withdrawal benefits received by or accrued to that person on or after 1 March 2009 and prior to the accrual of the severance benefit contemplated in item (i)(aa); and

    (cc) retirement fund lump sum benefits received by or accrued to that person on or after 1 October 2007 and prior to the accrual of the severance benefit contemplated in item (i)(aa).

8   CONCLUSION

• Should you require any further information which might not be addressed in this brochure, visit the SARS website www.sars.gov.za or contact your nearest SARS branch or the SARS Contact Centre on 0800 00 7277 for assistance.

DISCLAIMER

The information contained in this leaflet is intended as guidance only and is not considered to be a legal reference, nor is it a binding ruling. The information does not take the place of legislation and readers who are in doubt regarding any aspect of the information displayed in the leaflet should refer to the relevant legislation, or seek a formal opinion from a suitably qualified individual.

For more information you may-
- Visit the SARS website at www.sars.gov.za;
- Visit your nearest SARS branch;
- Contact your legal advisor;
- Contact the SARS National Contact Centre -
  ○ If calling locally, on 0800 00 7277; or
  ○ If calling from abroad on +27 11 602 2093 (only between 8am and 4pm South African time).