



South Africa: Annuitization of provident funds takes effect

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From 1 Mar 2021, most members of provident retirement funds in South Africa are restricted to taking up to one-third of the value of their retirement fund as a lump sum upon their retirement, and must take the balance as an annuity. Previously, members could take their full benefit as a lump sum. Certain exceptions to the annuity requirement are permitted for fund members with lower balances and individuals approaching retirement age. The measures feature in Taxation Laws Amendment Act 25 of 2015 and should have taken effect on 1 Mar 2015, but were delayed due to continued discussions with labor unions. The rules on accessing cash upon retirement are now similar for members with different retirement vehicles.

Highlights

- Contributions of provident fund members aged 55 years or less and investment returns provided for under the fund rules are subject to the new lump sum limit and annuity rules, effective 1 Mar 2021. However, balances and investment returns that accrued up until 1 Mar 2021 can still be taken as a cash lump sum upon retirement.
- Grandfathering provisions allow provident fund and provident preservation fund members aged 55 years and older to take their full retirement benefits and fund returns as a lump sum. This includes any contributions made to the provident fund after 1 Mar 2021, provided the individual remains a member of the provident fund. Members with retirement benefits not exceeding ZAR 247,500 are also allowed to take their retirement benefits as a lump sum.
- If a transfer from a provident fund to a pension fund occurs after 1 Mar 2021, the grandfathering rules remain and are applicable up to the date of transfer for members aged 55 years and older. However, all new contributions after the transfer and up to the date of retirement are subject to the new annuity rules.

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The new rules will require provident funds to maintain accurate records of their members' contributions prior to, and following, 1 Mar 2021, as well as contributions and investment returns accruing after that date.

Related resources

Non-Mercer resources

- [Speech on Budget 2021](#) (Government of South Africa, 24 Feb 2021)
- [Documentation on budget 2021](#) (Government of South Africa, 24 Feb 2021)
- [Taxation Laws Amendment Act 25 of 2015](#) (Government of South Africa, 8 Jan 2016)

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- [National Budget 2021](#) (February 2020)

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