

## EXTERNAL GUIDE

# GUIDE TO COMPLETE TAX DIRECTIVE APPLICATION FORMS

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## 1 PURPOSE

The purpose of this guide is to assist fund administrators or employers with the completion of the various application forms to obtain a tax directive (IRP3) before paying the lump sum to a member. The 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 DIRECTIVE APPLICATION FORM?

- Employers (including an administrator of a benefit fund, pension fund, pension preservation fund, provident fund, provident preservation fund, retirement annuity fund or any other fund) are required in terms of paragraph 9(3) of the Fourth Schedule to the Income Tax Act (the Act) to apply for a tax directive in respect of any lump sum payable.
- A fund administrator or a long term insurer has to submit a tax directive application irrespective of the amount payable.
- A member of a fund cannot complete and submit a directive application form.

### 2.2 HOW TO OBTAIN A DIRECTIVE APPLICATION FORM?

- The directive application forms can be obtained through any of the following channels:
  - The **SARS website** [www.sars.gov.za](http://www.sars.gov.za).
    - The latest updated version manual application forms are available.
  - By visiting your nearest **SARS branch**
    - For the address of your nearest SARS branch you can call the SARS Contact Centre on 0800 00 SARS (7277) or visit the SARS website [www.sars.gov.za](http://www.sars.gov.za)
  - **eFiling:**
    - If your organisation is not registered as an eFiler, please log on to [www.sarsefiling.co.za](http://www.sarsefiling.co.za) to register and refer to the guide: '*How to Register, Manage Users and Change User Password on eFiling*'.
  - **Electronically** (via an Interface or SARS eFiling)
    - Administrators can be registered as an Interface agent or use established Interface agents to capture the application forms online.
      - The interface specification IBIR-006 and the INF001 form to register to get access to SARS Interface are on SARS website.

### 2.3 HOW TO SUBMIT A DIRECTIVE APPLICATION FORM?

- A completed application form can be submitted through any of the following channels:
  - **SARS branch:** You can visit any SARS branch and submit the manual completed and signed application form.
    - The SARS branch will scan and forward the application form to the assessment centre to process and finalise the application form.

- Therefore ensure that the application form is completed correctly and that the required supporting documents are attached to the application form to avoid the delay in the issuing of the tax directive,
- **Post:** You can complete and sign the application form and post it to SARS.
- **eFiling:** Administrators registered on eFiling can complete the forms online
- **Electronically:** (via an Interface or SARS eFiling)

### 3 COMPLETING THE DIRECTIVE APPLICATION FORM

The format of this completion guide is based on the manual application forms.

Year of assessment ended on:

Income tax reference number

- **Year of assessment ended on (Tax Year):** 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 2014 the 'Tax year' or 'Year of assessment ended on' will be 2014-02-28.
- Income Tax Reference number;
  - This number is the member's income tax reference number.
  - The number can only start with and 0, 1, 2 or 3 and must have 10 digits.
    - The taxpayer can provide the fund with the top part of the ITA34 'Notice of Assessment'. The reference number is the number to be entered in the 'Income tax reference number' field.

#### 3.1 PARTICULARS OF TAXPAYER

- This part of the form is generic to the all the tax directive application forms (Form A&D, Form B, Form C and Form E).
- In the 'Particulars of Taxpayer' container provide the personal details of the member who will receive the lump sum payment.
  - If the directive reason is 'Divorce – transfer' or 'Divorce non-member spouse' on the application forms and the date of accrual is after 1 March 2009 the personal detail of the spouse who will receive the benefit must be completed in this container.
  - The information in this container must be used to issue an IRP5 certificate for the lump sum amount paid.

#### Particulars of Taxpayer

Surname																																
First names																																
Date of birth	C	C	Y	Y	-	M	M	-	D	D	Identity number																					
Other identification											Specify other identification																					
If the taxpayer/member is not registered for Income tax, select one of the following reasons:																																
<input type="checkbox"/> Unemployed										<input type="checkbox"/> Other, specify																						
Is the taxpayer a non-resident?																														YES	NO	
Annual income	R						Employee number																									
Residential address																																
																												Postal code				
Postal address																																
																												Postal code				

- **Surname:** This is a mandatory field that must be completed.
- **First name:** This is a mandatory field that must be completed.
  - Enter the member's name(s). Use the name(s) as contained in the identity document or passport.
  - Do not use nicknames to avoid the directive been rejected.
  - The names must correspond with the information on SARS register for taxpayers.
  - The Initials is mandatory for electronic submitted application forms and must correspond with the names.
- **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 identity number where the identity 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 Home Affairs.
  - If the taxpayer did not inform SARS to update his/her identity number with SARS to match the identity number in the ID document the directive system will reject the application.
    - One of the reasons for the rejection 'Income tax reference number invalid for applicant' can be due to the ID number on the application from that does not match the ID number on SARS records.
    - The member must ensure that the last 3 digits of his/her ID number on SARS records correspond with the number in the ID document.
- **Other Identification:** The other ID number must only be specified 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 directive application must match the other identification number the taxpayer has used to register for income tax purposes.
- **Specify other identification:** If the 'Other Identification' is used instead of the identity number 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.
    - If reason 'other' is selected a reason for this must be supplied.
  
- **Is the taxpayer a non-resident?**
  - Select 'Yes' or 'No'.
    - If 'Yes' is selected and the application is for a non-resident and therefore not a resident in terms of the definition 'resident' in section 1(1) of the Income Tax Act,;
    - A certificate of residence must be attached to the directive application form.
      - 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;
      - Only where no DTA is in place a citizenship document or assessment can 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 application form the directive will be rejected.
    - The above mentioned supporting documents to be attached require the application form to be completed manually. The application form can be submitted:
      - At a SARS branch;
      - Use the SA postal services; or
      - Email it to the addresses on SARS website.
  
- **Annual Income;**
  - This field is mandatory if:
    - The reason on the directive is 'Par (eA) Transfer/Payment'. Only applicable to public sector funds. Refer to paragraph 3.3.2.5 for more information.
    - Form B and Form E where the date of accrual is prior to 1 March 2009.
    - Form A&D and Form C where the date of accrual is prior to 1 October 2007.
  - If the annual income amount is not completed correctly the tax calculation will be incorrect and will cause hardship to the taxpayer when the final assessment is processed.
  
- **Employee number;** This field is not mandatory
  
- **Taxpayer's Residential address and Postal code;**
  - These fields are mandatory.
  
- **Taxpayer's Postal address and Postal code;**
  - These fields are mandatory and can be the same as the residential address.
  - This address is used to issue the IT110(a) notice to the taxpayer indicating that a directive application was submitted on his / her behalf and also indicating the reasons why it was declined.
  - The directive (IRP3) will not be issued to the taxpayer only to the fund administrator or long term insurer requested the directive.

## 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 form.
  - Where certain information is not required on the specific application form it will be indicated as such where the required field to be completed is discussed.

### Particulars of fund

Name of fund												
Contact person												
Email address of administrator												
Telephone number												
Fund approval number	1	8	2	0	4					Fund PAYE reference number	7	
FSB registration number	1	2	/	8	/			/				
Participating employer name												
Membership number												
Type of fund:	<input type="checkbox"/> Pension	<input type="checkbox"/> Provident	<input type="checkbox"/> Pension Preservation	<input type="checkbox"/> Provident Preservation								
Postal address											Postal code	
Indicate whether this fund is <input type="checkbox"/> 01 A public sector fund <input type="checkbox"/> 02 An approved fund <input type="checkbox"/> 03 Other, specify <input type="text"/>												

- **Name of fund;**
  - Enter fund name as registered with the Financial Service Board (FSB).
- **Contact person;**
  - Provide the name of the person that can be contacted if more information regarding the directive application is required.
- **Email address of administrator;**
  - This is a mandatory field and must contain information which is in a valid e-mail address format.
  - Must contain at least a @ sign and a domain.
- **Telephone number.**
  - Optional field.
  - Enter the telephone number of the person that must be contacted if more information is required.
- **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 must use to pay the PAYE, indicated on the directive and to be deducted from the lump sum, over to SARS.
  - This number must not be used to pay the amount indicated on an IT88L (stop-order) over to SARS. For more information regarding to the IT88L refer to paragraph 5.1. The amount on the IT88L is outstanding taxes on the taxpayer's record(s).
- **Fund approval number; (not applicable to Form E)**
  - This number must be blank if the fund is an approved fund.
  - Only public sector funds must use the fund approval number.

- If the public sector uses the approval number the FSB registration number field must be blank.
  - The format is 18204(followed by 6 digits) e.g. 18204000909.
- **FSB registration number;** (not applicable to Form E)
  - Mandatory for approved funds.
  - This is the registration number, as allocated by the Financial Service Board FSB (and must be provided in the format 12/8/0000000/999999, where 0000000 is the registered umbrella fund number and 999999 is the participating employer number.
  - 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.
- **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 name must correspond to the name as registered by the FSB.
  - If the last six digits of the FSB registration number is greater than zero e.g. 12/8/0012345/000006) the name must be provided.
- **Membership number** (on Form A&D, Form B and Form E) / **Policy number** (on Form C);
  - Mandatory field to be completed.
  - The number which the fund 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 application been declined as a duplicate application.
- **Type of fund;** (not on Form E)
  - Mandatory field.
  - 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' can be selected.
- **Postal address and Postal code;**
  - Mandatory field.
  - This is the address to be used to inform the fund as to the status of the directive application.
  - When the directive application was successfully captured and processed a directive (IRP3) will be sent to the fund administrator who requested it as follows:
    - Directive application that was submitted electronically, the directive information will be sent electronically. The interface agent will generate a directive prescribe by SARS.
    - If the fund who submitted the application electronically has indicated they require a 'paper response' a printed version will be send via the SA Postal Services to the fund by the external printers.
    - Directive applications submitted manually and captured by a SARS user on the system the applicant will receive a printed directive via the SA postal services once released from the external printers.
  - The IT110- '*Rejection application for a tax directive*' will be send to this address if the application was submitted manually or submitted electronically and the 'Paper response indicator' is set to 'Yes'.



- **Indicate whether the fund is:** (not applicable to Form E)
  - Mandatory field.
  - 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 (paragraph (a) and (b) of the definition of pension fund or provident to the Act);
    - **An approved fund** - the rules of the fund are approved by the Commissioner for SARS in compliance with the requirements of the definition of provident fund and paragraph (c) of the definition of pension fund or provident fund, also known as private sector funds; or

**NOTE:** The Commissioner of SARS has delegated the function to approve the rules of a fund to the FSB 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 administrator can only select
  - An approved fund; or
  - Other.

### 3.3 PARTICULARS OF THE GROSS LUMP SUM DUE

This part of the application form is not generic although certain fields are generic but will be dealt with under each application form.

In this part of the application form the fund administrator has to indicate the reasons for submitting the directive. The reason indicates why the lump sum is payable or how the fund must deal with the lump sum benefit.

The reason selected on a 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.

#### 3.3.1 Form A&D

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

Reason for directive:	<input type="checkbox"/> Retirement	<input type="checkbox"/> Death before Retirement
	<input type="checkbox"/> Retirement due to ill-health	<input type="checkbox"/> Provident fund deemed Retirement

- **Retirement**
  - The reason retirement must be used where the member has elected to take a portion in cash.
  - The rules of a pension or provident fund and the profession of the member determine the retirement age.
  - For tax purposes members of a preservation fund and a provident fund can only retire from the age of 55 years (minimum) if a retirement benefit is paid by way of a lump sum.
  - Where the fund type is pension fund only one third of the benefit can be taken as a lump sum.

- 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.
- **Retirement due to ill-health**
  - The rules of a pension or provident 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.
  - 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.
- **Death before retirement**
  - From January 2008 the total value of the benefit can be commuted as a lump sum where the reason for the directive is 'Death before retirement'.
  - The date of accrual cannot be after the date of death.
- **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 must issue approval in writing. In these cases the reason for the directive must be 'Provident fund deemed retirement'. Where the taxpayer has to provide SARS with supporting documents this letter must be part of the supporting documents.
- General Note 9 prohibits the transfers of membership at retirement. A benefit can only be transferred to a retirement annuity fund as a result of resignation from or termination of services (other than on retirement from employment). A portion or the full benefit cannot be transferred to a retirement annuity fund or any other approved fund when the member has elected to retire.
- On retirement the portion that has to provide a compulsory life annuity may be used to purchase or ensure an annuity from a registered South African insurer or must remain in the fund to provide an annuity.
- **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 one day before death date. The system will allow the date of death to be the accrual date but decline the directive application if the date of accrual is after the date of death.
  - For retirement or retirement due to ill-health - Before 1 March 2015 the date of accrual for Income Tax purposes was the last working date or the date after the last working date depending on the rules of the fund.
- **Date on which the member became a member of the fund**
  - Mandatory field.
  - The date the member became a member of the fund that is now applying for a directive.
    - 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.

- **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 according to the rules of the fund.
  - SARS system uses this amount to:
    - Apply the formula in paragraph 2A (Old Formula C) of the Second Schedule to the Act if the fund is 'public sector' fund.
    - Determine section 10(1)(gC) exemption where service was rendered inside and outside SA.
    - Determine the amount to be included as income in terms of section 9(2)(i) if the taxpayer is a non-resident and
      - There is no Double Taxation Agreement (DTA) in place between SA and the country of residence; or
      - There is a DTA in place but South Africa has the taxing right.
  - SARS 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.
  - The allowable deductions in terms of paragraph 5 or 6 of the Second Schedule to the Act to will be deducted from this amount to arrive to 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.
  
- **Gross amount of total benefit**
  - Mandatory. 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 (if a pension 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.
  - 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.
  
- **Amount attributed to a non-member spouse in respect of divorce order**
  - This field must only be used in scenarios:
    - Where a divorce order before 13 September 2007 was issued and the members exit events was before 1 March 2012; or
    - the rules of the fund were not amended to allow the fund to pay the divorce order before and 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 enter 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 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 GN33 is applicable. Refer to the completion of Form B for more information.
  
- **In the case of provident fund, total contributions by the member to the fund:**

- Only enter the member's contributions.
      - Do not add the employer's contributions.
      - If the member did not contribute and only the employer has contributed to the fund this field must be blank.
- **In the case of a pension fund, where a member's contribution to the fund have exceeded such amounts as ranked for deduction against his income in terms of paragraph (k) of Section 11 of the Income tax Act, state total amount of excess during membership**
  - This field is only available on a **manual application form**.
    - Where a member of the fund requested that the contributions (excess fund contributions) to a retirement fund that was not allowed as a deduction during any year of assessment, in terms of paragraph (k) and/or (n) of section 11, must be taken into account when a lump sum is payable. The fund should **not** submit a directive application electronically.
    - Complete a manual application form and submit it at the nearest SARS branch. The SARS branch will forward the directive application to the assessment centre to ensure the amount claimed as excess fund contribution is correct before capturing the directive application.
- **Former AIPF member's contributions transferred to the fund.**
  - Only former members of the Associated Institution Pension Fund who had transferred their contributions to an approved fund before December 1994 can claim the contributions.
    - If the FSB numbers does not correspond with the FSB numbers on SARS system the amount claimed will not be allowed as a deduction.
    - The directives can be submitted electronically.
- **Transferred by non-member spouse previously taxed.**
  - Non-members spouse who has transferred the divorce awards before 1 March 2009 to an approved fund and taxed 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) to be submitted as supporting document on request from SARS.
- **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.
      - The taxpayer is a member of a public sector fund and has purchase years of service after 1 March 1998 and has also service years prior to 1 March 1998. The year 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 whom submitting the directive application form.
  - 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 purchased back dated years of employment after 1 March 1998.
  - If these fields are completed and the fund is a public sector fund the system will use these fields to apply the formula in paragraph 2A of the Second Schedule to the Act.
- **Average for 5 years or lesser period if employee employed for lesser period:**
  - Only mandatory if the date of accrual is before 1 October 2007.
- **The members' salary during 12 months immediately preceding death.**
  - Only mandatory if the date of accrual is before 1 October 2007.
- **Did the fund purchase an annuity?**
  - Mandatory fields.
  - 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 at an insurer to provide a living annuity:
    - *IF 'YES', state the amount utilised to purchase the annuity.*
    - *Name of the registered long-term insurer where the annuity was purchased: must be provided;*
    - *Annuity policy number;*
    - *If 'NO', is the fund paying the annuity?*
    - *If 'YES', the amount remaining in the fund to fund the annuity.*
- **Service outside Republic (on the Form A&D and Form B).**
  - If the answer is 'Yes' to the question '*Were any service rendered outside the Republic during the period of membership of the fund?*' these fields must be completed:
    - Total number of months service were rendered while contributing to the fund, and
    - Total number of months service was rendered outside the Republic while contributing to the fund.
  - The system will only be able to calculate the exempt portion in terms of section 10(1)(gC) or the portion to be included as gross income in terms of section 9(2)(i) if both the above fields are completed.
- **Period of employment in Public Sector fund** (*Only applicable where a benefit was paid into the current fund from a pension fund as contemplated in paragraph (a) or (b) of the definition of "pension fund" in section 1*)
  - All the fields in this container must be completed where the member of a public sector funds has transferred his/her benefit to an approved fund and retire from this transferee fund. The fields to be completed:
    - *'Date from' and 'date to'.*
      - These dates must correspond with the period of membership in the public sector fund that's on the ROT. The system will use these fields to apply the formula in paragraph 2A (Formula C) of the Second Schedule to the Act.
    - *Amount transferred or the amount attributed to the period of membership in the pension fund as contemplated in par (a) / (b) of the definition of 'pension fund' in sec 1.*
    - *Date the amount was transfer from Public Sector fund.*
- **Details of Salary earned (only applicable for date of accrual prior to 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 / trustee has less than 5 consecutive years information, the information available must be entered and the average salary will be determined according to the information supplied;
- **Particulars of employer**
  - Only mandatory if the date of accrual is before 1 October 2007.

### 3.3.2 Form B

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

Particulars of gross lump sum due

Reason for directive:	<input type="checkbox"/> Transfer	<input type="checkbox"/> Resignation
	<input type="checkbox"/> Divorce - Transfer	<input type="checkbox"/> Future Surplus
	<input type="checkbox"/> Divorce - Member Spouse	<input type="checkbox"/> Unclaimed Benefit
	<input type="checkbox"/> Divorce - Non-Member Spouse	<input type="checkbox"/> Withdrawal
	<input type="checkbox"/> Par (eA) Transfer/Payment	<input type="checkbox"/> Termination of Employment (Retrenchment)
	<input type="checkbox"/> Security of mortgage bond order / Housing Loan	

- **Transfer**
  - If the member indicates that the total benefit must be transferred to another approved fund the reason for the directive must be 'Transfer' and the gross lump sum payable must be equal to the amount transferred to enable the system to finalise the directive application.
    - If the reason is any other reason than 'Transfer' but the 'Gross amount of lump sum due' is equal to 'The amount transferred' field the system will decline the directive with the error message 'Transfer has been rejected'.
    - The reason must be 'Transfer' to ensure that the system does not issue a stop-order (IT88L) or decline the directive where the taxpayer's tax affairs are not in order.
- **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 directive must be 'Divorce - Transfer' and the gross lump sum payable must be equal to the amount transferred to enable the system to finalise the directive application.
  - The same rules are applicable as indicated above if the reason is 'Transfer'.
- **Divorce – Member spouse**
  - This reason refers to the period before 1 March 2009 where the court has awarded a portion of the member benefit to the non-members 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 directive for the divorce award.
  - A second directive had to be submitted for the PAYE the fund had to deduct from a member's individual reserve. Refer to the General note 33 on SARS website

[www.sars.gov.za](http://www.sars.gov.za) for the formula to be used to submit one directive instead of several applications.

- **Divorce – Non-member spouse**

- From 1 March 2009 the 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) will be applicable if the non-member spouse did not transfer the benefit to another approved fund.

- **Par (eA) – 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 redeems a taxpayer's debt, 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 of the Ac is applicable.
- The retirement withdrawal rates are not be applicable. The two thirds taxable will be included in 'gross income' and taxed at marginal rate.
- The annual income must be provided on the directive application to ensure the tax calculation is correct. If the annual income is not provided the tax rate will only be 18% and will cause that the taxpayer has to pay large amounts when the final assessment issued.

- **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 pension interest or minimum individual reserve. This amount will be deemed to accrue to the member and taxable in the hands of the member.
- The employee's tax to be deducted or withheld on the loan amount will not reduce the amount payable to the third party.
- Section 37D(1)(d)(ii) 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 thus taxable in the hands of the member.
- 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. The effective rate of 18% must be used where the rate is less than 18%.
  - (Effective rate = PAYE as per first directive divided by the amount of the loan amount).
- To prevent a 'duplicate application' error on the second directive application, 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.

- **Resignation**

- The reason must be used where the member resigned from employment.
- **Future surplus**
  - Future surplus payable in terms of Section 15C of the Pension Funds Act is taxable in terms of paragraph 2(1)(b) 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.
- **Unclaimed benefit**
  - Can only be used if the date of accrual is before 1 March 2009.
  - An unclaimed benefit as prescribed in General Note 35 (GN 35) is recognised as a benefit that accrues to a beneficiary who fails to claim it.
  - GN 35 is only applicable to benefits that have accrued to the member before 1 March 2009.
  - Therefore the reason unclaimed benefit cannot be used if the date of accrual is after 1 March 2009.
- **Withdrawal / winding up**
  - The reason must be used where the member withdraw from the preservation fund prior to retirement; or
  - Where the fund is being wind up.
- **Termination of employment (Retrenchment)**
  - Termination of employment - 'Retrenchment' is applicable where a member has to exit the employer's pension or provident fund due to the fact that the employer ceasing to carrying on trading or a person becoming redundant due to an employer reducing personnel.
  - Therefore the 'Termination of Employment (Retrenchment)' is only applicable to the employer's fund not to a preservation fund.
- **Gross amount of lump sum payment**
  - The full benefit value, determined by the fund in according to 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 'public sector' fund.
      - Determine section 10(1)(gC) exemption where service was rendered inside and outside SA.
      - 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.
  - The 'Gross amount of lump sum payment' amount will be reduced with 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; and/or
    - The excess fund contribution on the manual directive application form, etc.
  - The amount in this field must be on the IRP5 certificate. The information on the directive will be used on assessment to reduce the amount to derive to the taxable portion of the lump sum.
- **Date of accrual**
  - Mandatory field.



- From 1 March 2009 the date of accrual will be the date 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 the benefit becomes recoverable.
    - If any of the of the divorce reasons (except divorce – transfer) are used it is the dated 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.
- **Date of divorce order**
  - Only mandatory if the divorce reasons are used and to ensure that the divorce order before 13 September 2008 is not taxed.
- **Date on which membership commenced**
  - Mandatory field.
  - The date the member became a member of the fund that is now applying for a directive.
- **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 member ship must be completed here.
    - The 'Date from' and 'Date to' must be before the commencement date on the application form.
- **Period of employment taken into account in terms of the rules of the fund: (only applicable to Public Sector funds)**
  - These fields must be completed where:
    - a member of the Public Sector Fund has purchased backdated years of employment after 1 March 1998 and has service before 1 March 1998.
      - The year of service purchase must be added to the date of accrual as these services cannot be exempt.
    - If the period where the member was a member of another fund must be taken into account.
  - If these field are completed the 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 not be used for the formula in paragraph 2A (Formula C) of the Second Schedule to the Act.
- **In the case of a Provident fund, total contributions (excluding profit and interest) by member to the fund:**
  - Only enter the member's contributions.
    - Do not add the employer's contributions.
    - If the member did not contribute and only the employer has contributed to the fund this filed must be blank.
- **Transferred by non-member spouse previously taxed.**
  - Non-members spouse who has transferred the divorce awards before 1 March 2009 to an approved fund and taxed 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) to be submitted as supporting document on request from SARS.
  - **Did the fund pay any portion of the lump sum payment into another fund?**
    - **If 'YES', state the name of the transferee fund:**
      - In this field enter the name of the fund as registered with the FSB.
    - The following fields are mandatory if the 'Yes' indicator was selected :
      - **Select one of the following fund's type:**
        - Pension fund;
        - Provident fund;
        - Retirement annuity fund;
        - Pension Preservation Fund; or
        - Provident Preservation Fund.
    - **Fund approval number:**
      - This field must be blank if the fund transfer to an approved fund.
      - Only public sector fund can use the fund approval number.
    - **FSB registration number:**
      - This field is mandatory if the fund transfer to an approved fund.
    - **Participating employer name:**
      - The name of the employer who participates in a registered type A umbrella fund. The name must correspond to the name as registered by the FSB.
      - If the last six digits of the FSB registration number is greater than zero e.g. 12/8/0012345/000006) the name must be provided.
      - If the last six digits of the FSB registration number is only zeroes this field must be left blank.
    - **Is the transferee fund a public sector fund?**
      - Select 'Yes' or 'No'
    - **The amount transferred to the transferee fund:**
      - If the reason is transfer this amount must be equal to the amount in the 'Gross amount of lump sum payment'. If not the system will decline the application.
      - If the taxpayer wants to take a portion in cash and transfer a portion an approved fund the reason must be either 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.
- **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):**
  - Only enter the amount of the value of the policy on the date of cession.
- **Where the member's contribution to a pension fund have exceeded such amounts as ranked for deduction against his income in terms of section 11(k) of the Income Tax Act no. 58 of 1962, as amended or the corresponding provisions of any previous Income tax Act, state total amount of excess during membership.**
  - This field is **only** available on a manual application form.
    - Where a member of the fund requested that the contributions (excess fund 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 11, must be taken into account when a lump sum is payable. The fund should **not** submit a directive application electronically.
    - Complete a manual application form and submit it at the nearest SARS branch. The SARS branch will forward the directive application to the assessment centre to ensure the amount claimed as excess fund contribution is correct before capturing the directive application.

- **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 FSB numbers does not correspond with the FSB numbers on SARS system the amount claimed will not be allowed as a deduction.
    - The directives can be submitted electronically.
  
- **Service outside Republic (on the Form A&D and Form B).**
  - If the answer is ‘Yes’ to the question ‘Were any service rendered outside the Republic during the period of membership of the fund?’ these fields must be completed:
    - Total number of months service were rendered while contributing to the fund, and
    - Total number of months service was rendered outside the Republic while contributing to the fund.
  - The system will only be able to calculate the exempt portion in terms of section 10(1)(gC) or the portion to be included as gross income in terms of section 9(2)(i) if both the above fields are completed.
  
- **Period of employment in Public Sector fund** *(Only applicable where a benefit was paid into the current fund from a pension fund as contemplated in paragraph (a) or (b) of the definition of “pension fund” in section 1)*
  - All the fields in this container must be completed where the member of a public sector funds has transferred his/her benefit to an approved fund and retire from this transferee fund. The fields to be completed:
    - *‘Date from’ and ‘date to’.*
      - These dates must correspond with the period of membership in the public sector fund that’s on the ROT. The system will use these fields to apply the formula in paragraph 2A (Formula C) of the Second Schedule to the Act.
    - *Amount transferred or the amount attributed to the period of membership in the pension fund as contemplated in par (a) / (b) of the definition of ‘pension fund’ in sec 1.*
    - *Date the amount was transfer from Public.*

### 3.3.3 Form C

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

Reason for directive:	<input type="checkbox"/> Retirement	<input type="checkbox"/> Death prior to Retirement	<input type="checkbox"/> Transfer prior to Retirement
	<input type="checkbox"/> Retirement due to ill health	<input type="checkbox"/> Discontinued Contributions	<input type="checkbox"/> Future Surplus
	<input type="checkbox"/> Divorce - Member Spouse	<input type="checkbox"/> Emigration Withdrawal	<input type="checkbox"/> Tax affairs not in order
	<input type="checkbox"/> Divorce - Non Member Spouse	<input type="checkbox"/> Divorce Transfer	

- **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 elects when to retire from the fund. Refer to the ‘Date of accrual in paragraph
  - 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.
  
- **Death prior to retirement**

- From January 2008 the total value of the benefit can be commuted as a lump sum where the reason for the directive is 'Death before retirement'.
  - Prior to 1 January 2008 a formula was used to determine the allowable amount the beneficiaries or nominees could be taken as a lump sum.
- **Transfer prior to retirement**
  - A member of a RAF can only transfer to another RAF
  - A member of a RAF can only transfer to another RAF if the member is before the member retires from the fund.
  -
- **Retirement due to ill-health**
  - The rules of the fund will indicate when a member can retire due to ill-health.
  - Only one third of the total benefit can be taken as a lump sum.
  - 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.
- **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 benefit is regarded as a withdrawal benefit from a retirement annuity fund prior to retirement and is therefore taxable as a withdrawal benefit.
- **Future surplus**
  - Future surplus payable in terms of Section 15C of the Pension Funds Act is taxable in terms of paragraph 2(1)(b) 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.
- **Divorce – Member spouse**
  - This reason refers to the period before 1 March 2009 where the court has awarded a portion of the member 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 directive for the divorce award of the non- member spouse.
  - A second directive is there for required to be submitted for the PAYE the fund had to deduct from a member's individual reserve. Refer to the General note 33 on SARS website [www.sars.gov.za](http://www.sars.gov.za) for the formula to be used to submit one directive instead of several applications.
- **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.
- **Tax Affairs not in order**

- Can only be used if the date of accrual is before 1 March 2009.
  - After 1 March 2009 the system will no longer reject the return where the taxpayer's tax affairs are not in order.
- **Divorce – Non-member spouse**
  - From 1 March 2009 the 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.
- **Divorce – Transfer**
  - On a Form C the non-member spouse can only transfer from the members RA to another RA fund of the non-member spouse's choice.
- **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.
  - Before 1 March 2015 the date of accrual for Income Tax purposes was the last wording date or the date after the last working date depending on the rules of the fund.
- **Date of death of member**
  - Only mandatory if the reason on the directive is 'Death prior to Retirement'.
- **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 according to the rules of the fund.
  - SARS 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.
- **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 or must be used to purchase a compulsory annuity from a long term insurer.
- **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.
- **Commencement date of policy**
  - Mandatory field.
  - The date the member became a fund member of the fund in respect of this application
- **Date of divorce order**

- Mandatory if the divorce reasons are used.
- **Transferred by non-member spouse previously taxed.**
  - Non-members spouse who has transferred the divorce awards before 1 March 2009 to an approved fund and taxed 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) to be submitted as supporting document on request from SARS.
- **Did the fund pay any portion of the lump sum payment into another fund?**
  - **If 'YES', state the name of the transferee fund:**
    - In this field enter the name of the fund as registered with the FSB.
  - **Fund approval number:**
    - This field must be blank.
  - **FSB registration number:**
    - This field is mandatory.
    - The number allocated to the Fund by the Financial Service Board, which consists of 12/8/ plus 7 digits. In case 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.
  - **The amount transferred to the transferee fund:**
    - 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 the system will decline the application.
    - The taxpayer cannot take a portion in cash and transfer a portion to another retirement annuity fund.
- **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?**
  - Mandatory if the date of accrual is before 1 October 2007 and the reason is death prior to retirement.
- **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.**
  - Mandatory if the date of accrual is before 1 October 2007.
- **Where the member's contribution to the fund have exceeded such amounts as ranked for deduction against his income in terms of section 11(n) of the Income Tax Act no. 58 of 1962, as amended or the corresponding provisions of any previous Income Tax Act, state total amount (if known) of excess during membership.**
  - This field is only available on a manual application form and refer to the excess fund contribution not allowed previous as a deduction on assessment.
    - Where a member of the fund requested that the contributions (excess fund 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 11, must be taken into account when a lump sum is payable. The fund should **not** submit a directive application electronically.
    - The fund administrator must complete a manual application form and submits it at the nearest SARS branch. The SARS branch will forward the directive application to the assessment centre to ensure the amount claimed as excess fund contribution is correct before capturing the directive application.

### 3.3.4 Form E

The Form E application form is to be used for commutation of annuities 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 application must be in the name of the member and not the dependants or nominees.

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

Particulars of gross lump sum due

Reason for directive:	<input type="checkbox"/> Death - Next Generation Annuitant	<input type="checkbox"/> Next Generation Annuitant Commutation
	<input type="checkbox"/> Par. (c) Living Annuity Commutation	<input type="checkbox"/> Gn16: Existing Annuity
	<input type="checkbox"/> Death Member / Former Member After Retirement	

- **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.
- 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.
- 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 be paid as a lump sum and to avoid the rejection of the application:
  - - Indicate 'Yes' or 'No' next to 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)'*.
    - If 'Yes' is selected, at least one set of the following fields must also be completed:
      - Full name(s) of nominee (Not applicable if application is submitted electronically);
      - Identity number (ID of the dependant/nominee).
      - Amount (portion of the amount to provide an annuity to the dependant/nominee).

- **Next Generation Annuitant Commutation**

- To be used for a commutation by a person not a member or former member of pension fund, pension preservation fund, provident fund, provident preservation fund or retirement annuity fund.
- The following fields must also be completed:
  - Identity number / Passport number of original member;
  - Full name(s) of original member ;
  - Was any value of the annuity or retirement interest previously commuted for a single payment?
  - Benefit payable to Next Generation Annuitant. Indicate 'Yes' or 'No'

- **Par. (c) Living annuity Commutation**

- Paragraph (c) of the definition of 'Living annuity' determines that where "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 member can commute.
        - The value prescribed in Notice 1164 in Government Gazette 31554 of 30 October 2008 is currently:
          - R50 000 previously commuted for a single payment; or
          - R75 000 in any other case.
      - If the reason for 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?; and
        - Benefit payable to Member / Former Member selects 'Yes'.
          - If the application is submitted electronically the Member / Former Member indicator must be '1'.
- **GN16: Existing Annuity**
  - 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 provide) can now commute annuities under the following conditions:
    - Did not commute previously and the member's "retirement interest" on the "retirement date" did not exceed R75 000.
      - If the fund or 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 directive application is 'GN16: Existing Annuity Commutation' the following information must also be completed to avoid the rejection of the application:
      - Retirement interest at retirement date;
      - Was any value or part of the retirement interest commuted before?; and
      - Benefit payable to Member / Former Member select 'Yes'
        - If the application is submitted electronically the Member / Former Member indicator must be '1'.
- **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 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.
  - 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 be paid as a lump sum and to avoid the rejection of the application:
    - Indicate 'Yes' or 'No' next to 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)'*.
    - If 'Yes' is selected, at least one of the following must also be completed:
      - Full name(s) of nominee (Not applicable if application is submitted electronically);
      - Identity number (ID of the dependant/nominee).
      - Amount (portion of the amount to provide an annuity to the dependant/nominee).



- **Date of accrual**
  - The date of accrual will be the date:
    - the annuitant elect to commute the annuities; or
    - the date of death of the member/former member or next generation annuitant.
  
- **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.
  - 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 of the following fields must also be completed:
    - Full name(s) of nominee (Not applicable if application is submitted electronically);
    - Identity number (ID of the dependant/nominee).
    - Amount (portion of the amount to provide an annuity to the dependant/nominee).
  
- **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 system will validate that the following fields are completed:
    - '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 of the following fields must also be completed:
      - Full name(s) of nominee (Not applicable if application is submitted electronically);
      - Identity number (ID of the dependant/nominee).
      - Amount (portion of the amount to provide an annuity to the dependant/nominee).
  
- **Retirement interest at retirement date (only applicable for reason "Gn16 Existing Annuity communication").**
  - Mandatory if the reason for the directive is 'GN16: Existing Annuity'.
  
- **Identity number / Passport number of original member**
  - Mandatory if the reason for the directive is:
    - Next Generation Annuitant Commutation; or
    - Death- Next Generation Annuitant.
  
- **Full name(s) of original member**
  - Mandatory if the reason for the directive is:
    - Next Generation Annuitant Commutation; or
    - Death- Next Generation Annuitant.
  
- **Was any value of the annuity or retirement interest previously commuted for a single payment?**
  - Mandatory if the reason for the directive is:
    - Par. (c) Living annuity Commutation;

- GN16: Existing Annuity; or
  - Next Generation Annuitant Commutation.
- **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 directive is:
      - Death Member / Former Member after Retirement;
      - GN16: Existing Annuity; or
      - Par. (c) Living annuity Commutation.
- **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 directive is:
      - Next Generation Annuitant Commutation; or
      - Death - Next Generation Annuitant.
- **Member's own contributions that did not rank for a deduction against the taxpayer's income in terms of section 11 (k) or (n) of the Income tax Act.**
    - This field is only available on the manual application form and refer to the excess fund contribution not allowed previously as a deduction on assessment.
      - Where a member of the fund requested that the 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 11, must be taken into account when a lump sum is payable. The fund should **not** submit a directive application electronically.
      - The fund administrator must complete a manual Form E application form and submit it at the nearest SARS branch. The SARS branch will forward the directive application to the assessment centre to ensure the amount claimed as excess fund contribution is correct before capturing the directive application.
- **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)**
    - 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:
      - **Full name(s) of nominee;**
      - **Identity number** (ID of the dependant/nominee); and
      - **Amount** (the amount uses to provide an annuity to the dependant/nominee).
- **Service outside Republic (on the Form A&D and Form B).**
    - The service outside the republic will only be taken into account if the directive reason is: (on assessment the taxpayer must be able to provide SARS with the history of employment on the letter form the employer)
      - Death Member / Former Member after retirement
      - Par. (c) Living annuity Commutation’
      - GN16: Existing Annuity
    - If the answer is ‘Yes’ to the question ‘*Were any service rendered outside the Republic during the period of membership of the fund?*’ these fields must be completed:
      - Total number of months service were rendered while contributing to the fund, and
      - Total number of months service was rendered outside the Republic while

- contributing to the fund.
- The system will calculate the exempt portion in terms of section 10(1)(gC) on the amount in the 'Gross amount of lump sum payment' field.

### 3.4 DECLARATION AND SIGNATURE

- The fund administrator completed the directive application confirms to SARS that the information specific on the directive application form is true and correct.
- This declaration is also applicable to fund administrator submitting the applications electronically.

## 4 PROCESS TAX DIRECTIVE APPLICATION

- The tax directive system will validate that the minimum information is captured on the directive system or the minimum information was provide on the electronically submitted applications information and the information is correct according to the rules built on the system.
- Where the directive could not be issued due to errors on the application form or other validation the fund will be notified as follows:
  - Application submitted electronically will get the error response electronically.
  - Where a manual application was submitted or the fund has selected 'paper response' when submit the application electronically the system will generate an IT 110 and IT 110(a) notices of the errors.
    - The IT 110 notice will be issued to the fund administrator where the minimum information on the application form was not supplied. The notice will list all the reasons for the declined application.
    - A notice IT 110(a) will be issued to the taxpayer indicating that a directive application was submitted on his / her behalf and also indicating the reasons why the application was declined.

### 4.1 Minimum Information Required on an Application Form (summary)

- Tax Year
  - Type of directive application (Form A&D, Form B, Form C, Form E) - The correct 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 is 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 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*')
- Name of fund

- Administrator's valid email address in the correct format
- FSB 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 directive (retirement, resignation, transfer, etc.)
- Date of accrual
- Commencement date
- Gross amount of lump sum amount payment

## 5 DIRECTIVE

- When the directive application was successfully captured and processed a directive (IRP 3) will be issued to the fund administrator who requested the directive:
  - For directive applications that were submitted electronically, the directive issued response will be sent electronically. The Interface agent will generate the directive. The tax directive may only be reproduced by registered interface agents and only in respect of electronic certificates approved to that particular interface agent.
  - If the fund has indicated they require a 'paper response' a printed version will be send via the SA Postal services to the fund by the external printer.
  - Directive applications submitted manually and captured by a SARS user on the system the directive will be send via the SA Postal Services to the fund by the external printer.

### 5.1 IT88L (Notice attached to the directive)

- The IT88L attached to the directive will contain all outstanding tax amounts to be paid over to SARS (per IT88L) Taxes outstanding can be for Assessed Tax, Provisional Tax, Value-Added Tax (VAT) or PAYE if the taxpayer is registered for VAT and PAYE.
  - The 'Tax amount' (PAYE) to be withheld regarding the lump sum will be on the directive. If the amount on the 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) if no tax is to be withheld and an IRP5 certificate where tax 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 directive was deducted. This amount must not be reflected on the IRP 5 certificate.
  - The amounts indicated on the IT88L deducted must be paid to SARS under the relevant reference numbers indicated (taxpayers account) 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. Refer to the External Guide South African Revenue Service Payment Rules Gen-Paym-01-G01.

## 6 ADDITIONAL DETAILS OF APPLICATION

### 6.1 CANCELLATION OF DIRECTIVES

- Once a tax directive has been issued, it must not be cancelled. 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 become unconditionally entitled to a lump sum benefit.
- The cancellation of a tax directive can only be considered in the following instances.
  - The taxpayer requested that the amount on the carry-over folder must be taken into account as excess fund contributions. Where the fund administrator has submitted an electronic directive the fund must first cancel the electronic 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 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 '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 is a duplicate of the original tax directive submitted, the duplicate tax directive 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 number that was code as 'insolvent estate' and submit the 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 then as a taxpayer and submits a return with the IRP5 certificate without a tax reference number the return will be rejected. The return can only be finalised if the directive is submitted with correct income tax reference number.

### 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. To avoid the 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 FOR THE 2015 YEAR OF ASSESSMENT

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 2014, 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:

<b>Taxable income from lump sum benefits</b>	<b>Rate of tax</b>
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 2014, 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 2014, 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:

<b>Taxable income from lump sum benefits</b>	<b>Rate of tax</b>
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](http://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 guide 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 guide should refer to the relevant legislation, or seek a formal opinion from a suitably qualified individual.

#### For more information about the contents of this publication you may:

- Visit the SARS website at [www.sars.gov.za](http://www.sars.gov.za)
- Visit your nearest SARS branch
- Contact your Legal advisor
- If calling from within South Africa, contact the SARS Contact Centre on 0800 00 7277
- If calling from outside South Africa, contact the SARS Contact Centre on +27 11 602 2093 (only between 8am and 4pm South African time).