

ANNEXURE C: Data on provident fund members, retirement values and impact on net pay

Table 1: **SARS data on provident fund members (2012/13)**

| Income bracket | Number of people | Provident fund contributions | Average provident fund contribution |
|------------------------|------------------|------------------------------|-------------------------------------|
| 1. R0 - R63 556 | 1,260,375 | 2,112,439,711 | 1,676 |
| 2. R63 556 - R160 000 | 866,708 | 3,983,788,756 | 4,596 |
| 3. R160 000 - R250 000 | 207,231 | 1,679,515,405 | 8,105 |
| 4. R250 000 - R346 000 | 92,461 | 1,031,522,220 | 11,156 |
| 5. R346 000 - R484 000 | 59,819 | 887,405,540 | 14,835 |
| 6. R484 000 - R617 000 | 26,718 | 503,827,608 | 18,857 |
| 7. R617 000 + | 31,809 | 919,873,656 | 28,919 |
| Total | 2,545,121 | 11,118,372,896 | 4,369 |

- A majority (1.26 million) of provident fund members fall below the tax threshold
- There are over 2.5 million provident fund members who contribute to a provident fund.
- Around 1.25 million are likely to see an increase in their take home salaries

Table 2: Sample from one provident fund on provident fund assets at retirement

| Assets at retirement | Number | Percentage |
|----------------------|---------------|------------|
| 0 to 75000 | 5,228 | 51% |
| 75001 to 150000 | 628 | 57% |
| 150001 to 300000 | 891 | 66% |
| 300001 to 350000 | 369 | 69% |
| 350001 & Greater | 3,131 | 100% |
| | 10,247 | |

- From this sample more than 66% of retirement fund members would not need to annuitise.

Table 3: Impact on net pay for provident fund members

| | Current | Proposal | Current | Proposal | Current | Proposal | Current | Proposal |
|----------------------------------|---------------|----------|----------------|--------------|----------------|---------------|------------------|---------------|
| Employee basic salary | 70,000 | 70,000 | 150,000 | 150,000 | 750,000 | 750,000 | 2,000,000 | 2,000,000 |
| Employer contribution % | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 20.0% | 20.0% |
| Employee contribution % | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 7.5% | 7.5% |
| Employer contribution | 7,000 | 7,000 | 15,000 | 15,000 | 75,000 | 75,000 | 400,000 | 400,000 |
| Employee contribution | 3,500 | 3,500 | 7,500 | 7,500 | 37,500 | 37,500 | 150,000 | 150,000 |
| Fringe benefit | - | 7,000 | - | 15,000 | - | 75,000 | - | 400,000 |
| Total EE contribution (incl. FB) | 3,500 | 10,500 | 7,500 | 22,500 | 37,500 | 112,500 | 150,000 | 550,000 |
| Employees remuneration | 70,000 | 77,000 | 150,000 | 165,000 | 750,000 | 825,000 | 2,000,000 | 2,400,000 |
| Tax deduction on contribution | - | 10,500 | - | 22,500 | - | 112,500 | - | 350,000 |
| Taxable remuneration | 70,000 | 66,500 | 150,000 | 142,500 | 750,000 | 712,500 | 2,000,000 | 2,050,000 |
| Tax liability | - | - | 13,743 | 12,393 | 215,297 | 199,922 | 727,797 | 748,297 |
| Net pay | 66,500 | 66,500 | 128,757 | 130,107 | 497,203 | 512,578 | 1,122,203 | 1,101,703 |
| Annual difference | | - | | 1,350 | | 15,375 | - | 20,500 |
| Monthly difference | | - | | 113 | | 1,281 | - | 1,708 |

- These examples show the impact on net pay from the TLA, 2013 amendments to the tax treatment of contributions to provident funds
- The employer contribution is now a taxable fringe benefit, but a higher deduction of the lesser of: 27.5% of the greater of taxable income or remuneration; or R350 000 is allowed