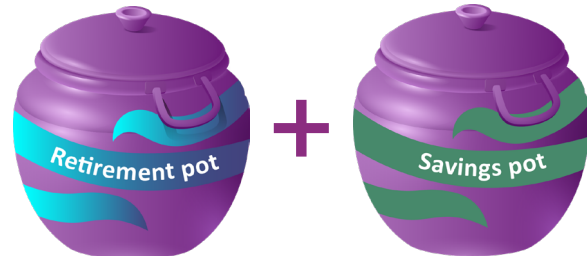


The 'Two-pot system'

National Treasury proposed the "Two-pot system"

August 2022



» Introduction

On 29 July 2022, National Treasury issued a media statement on the draft tax bills released for public comment.

The media statement set out National Treasury's proposal on promoting the preservation of retirement savings until retirement, coupled with access to a portion of retirement savings before retirement.

This proposed new system is called the 'Two-pot system' and is scheduled to come into effect on 1 March 2023. However, the implementation date is likely to be delayed, to allow sufficient time for fund rules, administration, and SARS systems to be aligned.

National Treasury has requested that public comments be submitted to them by no later than 29 August 2022. The draft bill may be revised dependent on the feedback received from the industry.

» The Two-pot system - basic construction

The Two-pot system introduces a 'retirement' and a 'savings' pot, with effect from 1 March 2023.

Retirement pot



Funds held are preserved until retirement.

Funded by a minimum of 2/3 of all future contributions made to a retirement fund.

Contributions in excess of 27.5% of pensionable salary or R350 000 p/a fall into this pot.

Contributions into this pot start from 1 March 2023.

Savings pot



Funds held may be accessed before retirement.

Access to funds once in 12 months, with a minimum draw-down of R2 000.

Funded by up to 1/3 of all future contributions made to a retirement fund.

Contributions into this pot start from 1 March 2023.

NOTE: It is important to note that the proposal of the Two-pot system does not mean that members will be able to access existing accumulated retirement benefits whilst still in service.



» The Two-pot system and existing funds

Existing funds as at 28 February 2023 will remain intact.

Contributions plus growth thereon remain protected and the conditions attached to those contributions, remain in place.

These conditions came into effect on T-Day, 1 March 2021.

The T-Day changes resulted in retirement funds holding the following accounts:

- Vested benefits
- Non-vested benefits
- Benefits in respect of members over age 55 on 1 March 2021.

Under the two-pot system, these (T-Day) funds are referred to collectively as the “vested-pot”.

Each member’s record from March 2023 may therefore have three pots:





NOTE: Members who were 55 years of age or older on 1 March 2021 will still be able to contribute to their provident funds in terms of their T-Day vested rights of exempted annuitisation - but, only until they leave the fund or retire.

The protection offered to such members continues to be provided under the Two-pot system. However, this concession is to be clarified.

» Pre-retirement withdrawals


The following depicts the options available on pre-retirement withdrawal for each of these three pots:

Pre-retirement withdrawals

Retirement pot


No pre-retirement withdrawal allowed.

Benefit must be preserved until retirement.



Savings pot

One withdrawal each 12 months rule will apply.


Cash withdrawals are included in taxable income. 

NOTE: The retirement fund withdrawal tax table does NOT apply to this pot.

Vested pot

Benefit may be fully withdrawn on termination of employment.

Cash withdrawals remain subject to the retirement fund withdrawal tax table.



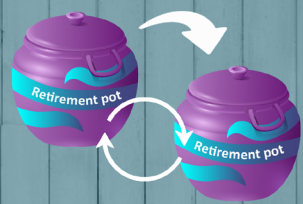
» Transfer between pots

Transfers between pots


Retirement pot

Transfers from one retirement pot to another allowed.

May receive transfers from other pots




Savings pot


Transfer into a retirement pot. 


Transfer into another savings pot

May only receive transfers from another savings pot.



Vested pot

May transfer into a retirement pot. 





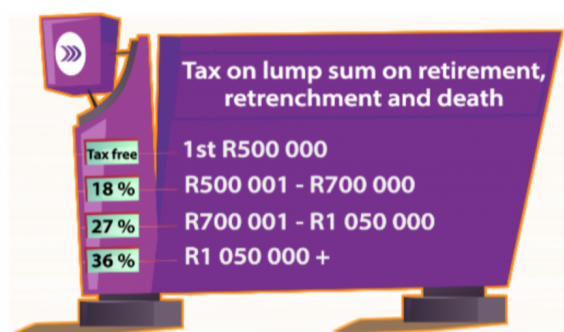
NOTE: Transfer to another retirement fund is allowed. The retirement and savings pot cannot be split and transferred into two different retirement funds i.e. these two pots must be transferred to the same fund.

» Retirement

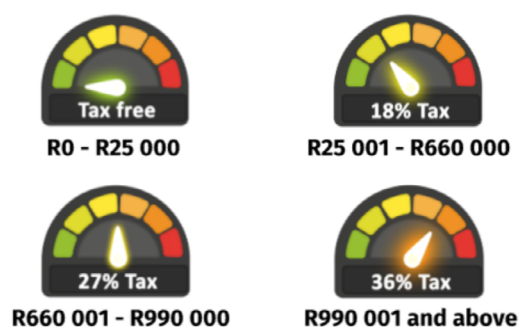
The following depicts the options available on retirement for each of these three pots:

Retirement		
Retirement pot	Savings pot	Vested pot
All funds in this pot will be used to purchase an annuity, including a living annuity. The de minimus rule applies - benefits of less than R247 500 may be encashed.	Funds in this pot may be withdrawn in full. Funds may be transferred into the retirement pot. The retirement tax table will apply if the benefit is encashed.	No change to current rules. Vested benefits may be taken in cash. Non-vested benefits are subject to the annuity rule of purchasing an annuity with at least 2/3 of the benefit and up to 1/3 may be taken in cash. The de minimus rule also applies. The retirement tax table will apply.

Retirement tax table



Withdrawal tax table



Contact your GTC advisor or one of our benefit consultants, for more information.

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