OLDMUTUAL

TWO-POT RETIREMENT SYSTEM TAX IMPLICATIONS

TAXATION OF THE SAVINGS POT PRINCIPLES:

Extracted from the proposed legislation

Retirement product tax principles
- No tax payable on contributions and growth
- Tax payable on withdrawals of benefits

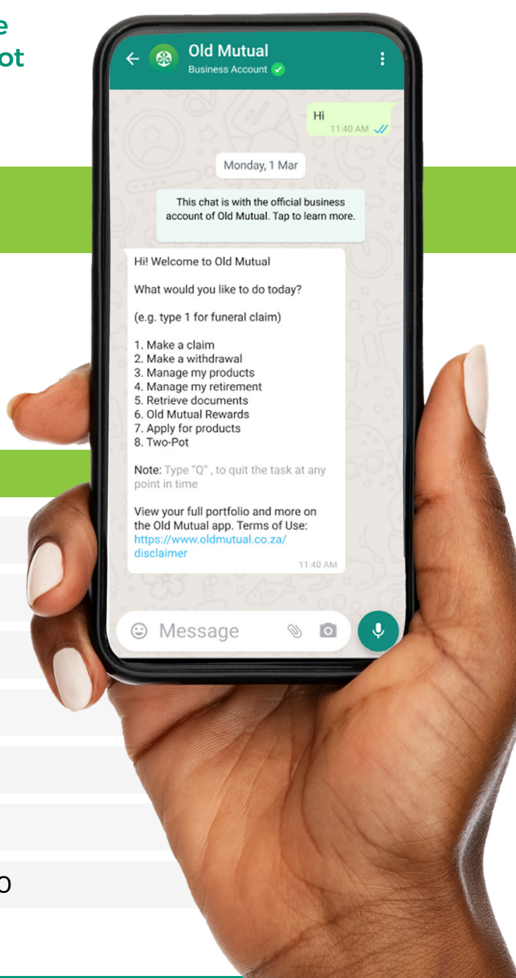
Savings Pot taxation
- Taxed when you withdraw pre-retirement (marginal tax rate) OR
- Taxed when you withdraw at retirement (retirement tax rate)

Savings Pot withdrawals are considered income
- Marginal income tax rate applies

KEY THINGS FOR CUSTOMERS/ADVISERS TO KNOW ABOUT TAX FOR SAVINGS POTS WITHDRAWALS:

1. Savings Pot withdrawals are seen as income by SARS.
2. SARS will tax Savings Pot withdrawals as income. This will be done by applying the marginal tax rate determined by the customer's current annual income at the time of making the withdrawal.
3. If a customer withdraws from their Savings Pot, Old Mutual will apply to SARS for a tax directive to obtain the tax that must be deducted for the withdrawal. To do this, Old Mutual and SARS will need the following customer Information - name, date of birth, ID number, physical and postal address, tax number and annual salary (before tax and deductions).
4. SARS has the right to accept or reject the automated request for a tax directive. This could be due to a mismatch of the customer's tax data e.g. ID number and tax number don't correspond with what SARS has on record.
5. SARS will require a customer to pay any additional outstanding taxes (referred to as an IT88). These outstanding taxes include outstanding administrative penalties and arrear assessed tax owing to SARS.
6. Old Mutual will withhold the tax provided by SARS and pay out the net value to the customer. The customer will receive their requested withdrawal amount (gross amount) less the tax less the Old Mutual transaction fees, and less any outstanding taxes (if applicable).
7. Old Mutual will provide the customer with a payment breakdown once the final amount has been paid to the customer (to show the gross amount, tax deducted (marginal income tax + IT88 if applicable), fees deducted and net amount paid).
8. Old Mutual will issue a tax certificate shortly after the customer has been paid.
9. Two Pot Retirement System applies per qualifying policy. Savings Pot withdrawal rules will also apply per qualifying policy.

The tax tables below show the difference between the marginal tax rate (which is what you will be charged if you withdraw from your Savings Pot before you retire) and the retirement tax rate, which is the rate that you will be taxed on your lump sum withdrawal at retirement.



MARGINAL TAX TABLE

The tax rate in the personal income tax table below may be shown as an amount, a percentage rate, or a combination of both. For example, an individual that earns R23 000 a month or R276 000 a year would have a marginal tax rate of 26%. The marginal tax rate is the amount after the +

Taxable income (R)	Rate of tax
1 - 237 000	18% of taxable income
237 101 - 370 500	42 678 + 26% of taxable income above 237 100
370 501 - 512 800	77 362 + 31% of taxable income above 370 500
512 801 - 673 000	121 475 + 36% of taxable income above 512 800
673 001 - 857 900	179 147 + 39% of taxable income above 673 000
857 901 - 1 817 000	251 258 + 41% of taxable income above 857 900
1 817 001 and above	644 489 + 45% of taxable income above 1 817 000

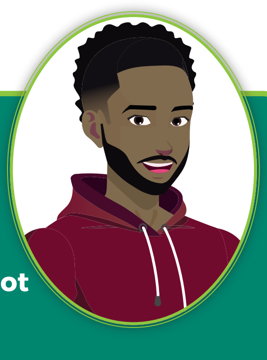
RETIREMENT TAX TABLE

2025 TAX YEAR (1 MARCH 2024 - 28 FEBRUARY 2025):

Taxable income (R)	Rate of tax
1 - 550 000	0% of taxable income
550 001 - 770 000	18% of taxable income above 550 000
770 001 - 1 155 000	39 600 + 27% of taxable income above 770 000
1 155 001 and above	143 550 + 36% of taxable income above 1 155 000

Jameel

Meet Jameel, he is 28 years old and earns R34 000 a month or R408 000 a year.



Jameel has R350 000 in his Vested Pot; R30,000 in his Savings Pot and R0 in his Retirement Pot as at 1 October 2024.

Vested Pot **R350 000**

Savings Pot **R30 000**

Retirement Pot **R0**

Jameel decides to withdraw from his Savings Pot on the on 1 October. Using the personal income tax table above, we see that Jameel's marginal tax rate is 31%.

370 501 - 512 800	77 362 + 31% of taxable income above 370 500

Therefore, the marginal tax rate applied to the Saving Pot withdrawal would be as follows:

30 000 * 31% = **R9 300 tax payable on the R30 000**

Linda

Linda is planning on retiring and has R950 000 in her Savings Pot. This R950 000 becomes Linda's lump sum or cash portion at retirement. The retirement tax table will apply to this withdrawal and as Linda has not made any previous withdrawals from her retirement fund; she has the full R550 000 available as a tax free amount.

Using the retirement table above, and applying the R950 000 to the table, we can see that: Linda benefits from R550 000 tax free at retirement.

Tax payable on the Retirement Benefit: **39 600 + [27% * (950 000 – 770 000)] = R88 200**

770 001 - 1 155 000	39 600 + 27% of taxable income above 770 000

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For more information on the new Two-Pot Retirement System, scan the QR code or speak to your financial adviser.

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TWO-POT RETIREMENT SYSTEM