SENTINEL
retirement fund

# TAXATION IN SOUTH AFRICA - 2027 TAX YEAR

Brochure - August 2026

Your Future Preserved

# INCOME TAX

**Residence Basis of Taxation**

Residents are taxed on their worldwide income, subject to certain exclusions. The general principle is that foreign taxes on foreign sourced income are allowed as a credit against South African tax payable.

Taxation of retirement provision in South Africa is based on the **E – E – T principle** that implies the following:

- Contributions are tax deductible **(Exempt),**
- Growth earned on investments in a retirement fund is tax-free **(Exempt)** and
- Benefits are taxed **(Taxable)** when these become payable.

**Tax Deduction on Retirement Fund Contributions**

Changes to the tax deductibility of retirement fund contributions took effect on 1 March 2016.

The deductibility of retirement funding contributions is summarised in the following table.

| DESCRIPTION | EFFECTIVE 1 MARCH 2016 |
|---|---|
| Employer Contributions | Employer contributions are treated as a fringe benefit in the hands of an employee. |
| Member Contributions | The fringe benefit value of the employer contribution PLUS employee (member) contributions qualify for a tax deduction in the hands of the employee, up to a maximum of 27.5% of the greater of remuneration or taxable income, limited to a maximum of R430,000. Please note that this deduction applies to total contributions made during a tax year to all retirement fund types, i.e. pension-, provident and retirement annuity funds. |
| Excess Contributions | Any contributions exceeding the 27.5% or R430,000 limit can be carried forward to the next year. |
| Tax-Free Investment | The annual limit for tax-free savings accounts is R46,000. |

**Other important matters regarding the tax deduction dispensation:**

- **Non-deductible contributions will enjoy roll-over tax relief**

  In the event that contributions exceed the maximum allowable tax deduction in any specific tax year, the non-deductible portion will roll-over to following tax years, until it has been deducted in full. This means that this can roll-over into tax years post-retirement.

- **The de minimis provision**

  A member may elect to receive the **full retirement benefit as a lump sum** where the amount subject to compulsory annuitisation does not exceed the prescribed **de minimis threshold of R240,000**.
  For purposes of this assessment:

  - **Where the member has a Vested Component**: the relevant amount is **two-thirds of the Vested Component plus the full Retirement Component**.
  - **Where the member has no Vested Component**: the relevant amount is the **full Retirement Component**.

  The **Savings Component** is payable separately as a lump sum at retirement and is not included in determining whether the compulsory-annuitisation threshold has been exceeded.

  If the relevant amount exceeds **R240,000**, the portion required by legislation must generally be used to provide an annuity, subject to applicable vested rights and other legal exceptions.

**Tax on Lump Sum Benefits**

Benefits become payable when members leave the service of their employer, either due to resignation, dismissal, retrenchment, retirement or death and an application for benefits has been submitted to the Fund.

**Withdrawal benefit lump sums** are taxed in terms of the following accumulative tax table:

**WITHDRAWAL LUMP SUMS**

| LUMP SUM VALUE | RATES OF TAX |
|---|---|
| R1 – R27,500 | 0% |
| R27,501 – R726,000 | 18% of the amount above R27,500 |
| R726,001 – R1,089,000 | R125,730 + 27% of the amount above R726,000 |
| R1,089,001 + | R223,740 + 36% of the amount above R1,089,000 |

**Retirement, severance and death benefit lump sums** are taxed in terms of the following accumulative tax table:

**RETIREMENT, DEATH & RETRENCHMENT LUMP SUMS**

| LUMP SUM VALUE | RATES OF TAX |
|---|---|
| R1 to R550,000 | 0% |
| R550,001 to R770,000 | 18% of amount above R550,000 |
| R770,001 to R1,155,000 | R39,600 + 27% of amount above R770,000 |
| R1,155,001 and above | R143,550 + 36% of amount above R1,155,000 |

**Important:** Both the above tax tables are applied on a cumulative basis on the aggregate of retirement fund lump sum benefits accruing from October 2007, all retirement fund lump sum withdrawal benefits accruing from March 2009 as well as employer severance benefits accruing from March 2011.

**Tax on monthly income (PAYE)**

Employees' tax (PAYE) is levied on remuneration earned by employees. Members' remuneration will be subject to PAYE through their employers and the Fund acts as employer for pensioners. Any monthly pension paid by the Fund, is taxable. The following Income Tax Table applies from 1 March 2026 to 28 February 2027.

**TAX ON MONTHLY INCOME (PAYE)**

| TAXABLE INCOME | RATES OF TAX |
|---|---|
| R1 – R245,100 | 18% of taxable income |
| R245,101 – R383,100 | R44,118 + 26% of taxable income above R245,100 |
| R383,101 – R530,200 | R79,998 + 31% of taxable income above R383,100 |
| R530,201 – R695,800 | R125,599 + 36% of taxable income above R530,200 |
| R695,801 – R887,000 | R185,215 + 39% of taxable income above R695,800 |
| R887,001 – R1,878,600 | R259,783 + 41% of taxable income above R887,000 |
| R1,878,601 and above | R666,339 + 45% of taxable income above R1,878,600 |

**These tax table adjustments and increased rebates give effect to increased tax thresholds:**

| AGE CATEGORY | TOTAL REBATE VALUE | ANNUAL TAX THRESHOLD |
|---|---|---|
| Below 65 | R17,820 | R99,000 |
| 65 to 74 | R27,585 | R153,250 |
| 75 and older | R30,834 | R171,300 |

**Medical tax credits** on monthly medical aid contributions are allowed as a tax rebate:

| PER MONTH (R) | 2027 |
|---|---|
| For the taxpayer; or for a dependant who is a member of a medical scheme or fund, where the taxpayer him- or herself is not a member of a medical scheme or fund. | R376 |
| For the taxpayer and one dependant; or in respect of two dependants where the taxpayer him- or herself is not a member of a medical scheme or fund. | R752 |
| For each additional dependant. | R254 |

**Qualifying medical expenses not covered by a medical scheme, as well as expenses related to a disability may qualify for additional relief.**

**Provisional Tax**

A provisional taxpayer is any person who earns income other than remuneration from a registered employer or an allowance or advance payable by the person's principal. An individual is exempt from the payment of provisional tax if the individual does not carry on any business and the individual's taxable income:

- Will not exceed the tax threshold for the tax year; or
- From interest, dividends, foreign dividends, rental from the letting of fixed property and remuneration from an unregistered employer will be R30,000 or less for the tax year.

Provisional tax returns showing an estimation of total taxable income for the year of assessment are required from provisional taxpayers at 6-month intervals (i.e. at the end of August and February in a specific tax year) and top-up payments can be made at the end of September following the end of the specific tax year.

**Exemption on Interest Earned**

The following exemptions apply to interest earned on investments:

- Individuals below the age of 65: R23,800 p.a.
- Individuals aged 65 and older: R34,500 p.a.

**Tax-free savings accounts** were introduced on 1 March 2015 to encourage personal savings. Individuals are able to contribute a maximum of R46,000 per tax year from 1 March 2020, with a lifetime limit of R500,000 and returns earned in these accounts will not be subject to any taxation.

## OTHER TAXES

The following table provides information about different taxes, thresholds and rates that are levied in South Africa.

| DESCRIPTION | THRESHOLD AND RATE |
|---|---|
| **Estate Duty** | |
| Exemption at death Tax rate | R3,5 million per person<br>20% on the first R30 million<br>25% on the value above R30 million |
| **Donations Tax** | |
| Annual Exemption Tax Rate<br><br>Donations between Spouses | R150,000 per taxpayer<br>20% on the first R30 million<br>25% on the value above R30 million<br>Exempt |
| **Capital Gains Tax** | |
| Annual Exclusion<br>Primary Residence Exclusion<br>Exclusion on Death<br>Exclusion on disposal of small business Maximum effective tax rate for individuals | R50,000<br>R3 million<br>R440,000<br>R2,7 million (individual aged 55 plus) 18% |

**Transfer Duty** is payable on the purchase of property in terms of following table:

| PROPERTY VALUE | TRANSFER DUTY |
|---|---|
| R0 – R1,210,000 | 0% |
| R1,210,001 - R1,663,800 | 3% of the value above R1,210,000 |
| R1,663,801 – R2,329,300 | R13,614 + 6% of the value above R1,663,800 |
| R2,329,301 – R2,994,800 | R53,544 + 8% of the value above R2,329,300 |
| R2,994,801 – R13,310,000 | R106,784 + 11% of the value above R2,994,800 |
| R13,310,001 + | R1,241,456 + 13% of the value above R13,310,000 |

**SARS website address: www.sars.gov.za**

**This brochure provides information with regard to different taxes levied into South Africa. It does not give rise to any rights or obligations. In the event of errors, current legislation and regulations will prevail and the Fund cannot be held liable for any damage or loss.**

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