



TWO-POT SYSTEM UPDATE: ARE WE BACK TO 1 MARCH 2024?

WHAT HAPPENED AT THE STANDING COMMITTEE ON FINANCE (SCOF) ON 21 NOVEMBER?

It was an interesting day at the Standing Committee on Finance (SCOF) on 21 November, with SCOF not accepting Treasury's proposal to move the two-pot implementation date from 1 March 2024 to 1 March 2025 and retaining the 1 March 2024 date.

IS THIS DECISION NOW FINAL?

This decision is still not final. It will go to the Minister of Finance for 14 days for comment. The Minister of Finance does not have the power to make a different decision. Then the Bill (including the date) will go back to SCOF for a final decision. After this, the National Assembly and then the National Council of Provinces will vote on the legislation.

WHEN WILL THE TWO-POT LEGISLATION BE FINALISED?

We still do not know when we will see the final version of the two-pot legislation (Revenue Laws Amendment Bill) and we still do not know when we will see the final version of the Bill which contains the changes to the Pension Fund Act necessary to implement the two-pot system.

TREASURY'S OTHER PROPOSALS WERE ACCEPTED

All Treasury's other proposals (barring the date) were accepted by SCOF. We discussed these changes in a previous publication, for example:

- The cap on the 10% seeded amount proposed to be increased from R25 000 to R30 000.

- Provident fund members who were 55 or older on 1 March 2021 (and still in the same fund) proposed to be automatically out of the two-pot system and can decide to opt in;
- Proposed exemptions from the two-pot system for: older members (as referred to above), legacy retirement annuity funds (as approved by the Financial Sector Conduct Authority), beneficiary funds, unclaimed benefit funds and pensioners.

Other discussions at SCOF on 21 November, included:

- The mechanism for the taxation of savings withdrawals (which are taxed at marginal rates), including a fixed nominal rate and a tax directive process; and
- The taxation mechanism for inter and intra fund transfers between pots.

THERE COULD STILL BE CHANGES

The 1 March 2024 implementation date decision is not yet final. The Income Tax Act and Pension Funds Act amendments for the two-pot system have not been finalised. Uncertainty still prevails. This makes preparation for administrators, funds and others fraught with difficulty, uncertainty and risk. In addition, the very necessary communication required about the two-pot system cannot be finalised.