

**BINDING PRIVATE RULING: BPR 422**

DATE: 26 November 2025

**ACT : INCOME TAX ACT 58 OF 1962 (the Act)**  
**SECTION : PARAGRAPHS (c) AND (e) OF THE DEFINITION OF “GROSS INCOME” IN SECTION 1(1), SECTION 10(1)(gC)(ii); PARAGRAPH 1 - DEFINITION OF “LUMP SUM BENEFIT” - OF THE SECOND SCHEDULE AND PARAGRAPH 54(b) OF THE EIGHTH SCHEDULE TO THE ACT**  
**SUBJECT : LUMP SUM FROM A FOREIGN FUND**

***Preamble***

This binding private ruling is published with the consent of the Applicant to which it has been issued. It is binding between SARS and the Applicant only and published for general information. It does not constitute a practice generally prevailing.

**1. Summary**

This ruling determines the tax consequences in relation to the accrual of a lump sum payment to a resident from a foreign pension fund in respect of services rendered outside South Africa.

**2. Relevant tax laws**

In this ruling references to sections and paragraphs are to sections of the Act and paragraphs of the Second Schedule and the Eighth Schedule to the Act applicable as at 4 September 2025. Unless the context indicates otherwise any word or expression in this ruling bears the meaning ascribed to it in the Act.

This is a ruling on the interpretation and application of –

- paragraphs (c) and (e) of the definition of “gross income” in section 1(1);
- section 10(1)(gC)(ii);
- paragraph 1 – definition of “lump sum benefit” - of the Second Schedule; and
- paragraph 54(b) of the Eighth Schedule.

**3. Parties to the proposed transaction**

|                |                                 |
|----------------|---------------------------------|
| The Applicant: | A resident of South Africa      |
| Country X:     | A foreign country               |
| Company A:     | A company in Country X          |
| Fund A:        | The Pension Scheme of Company A |

Fund B: A pension scheme in Country X

#### **4. Description of the proposed transaction**

The Applicant is a foreign citizen who moved to South Africa on 28 December 2012. The Applicant became a resident by virtue of the physical presence test during the 2019 tax year, that is, resident from 1 March 2018.

Whilst living in Country X the Applicant was employed by Company A from 1987 to 2012. During this period, the Applicant was a member of Fund A and in terms of the scheme rules, both the Applicant and Company A made contributions to Fund A. All the services relating to the Applicant's employment with Company A were rendered in Country X.

Five years after the cessation of the Applicant's employment with Company A and having reached the required retirement age in terms of the rules of Fund A, the Applicant transferred an amount from Fund A to Fund B. Both funds are registered pension schemes in Country X. The amount transferred was the maximum amount allowed to be transferred or withdrawn by the Applicant from Fund A. In terms of the tax rules in Country X, there was no accrual for the Applicant as a result of the amount transferred. The Applicant retained a deferred annual pension benefit under Fund A, which is prohibited from being transferred.

The Applicant has made no further transfers or further additions to Fund B and any increase in value in Fund B is due to the growth within the fund after the transfer from Fund A. The Applicant proposes to make a full withdrawal in the form of a lump sum from Fund B.

#### **5. Conditions and assumptions**

This binding private ruling is not subject to any additional conditions and assumptions.

#### **6. Ruling**

The ruling made in connection with the proposed transaction is as follows:

- a) The lump sum from Fund B must be included in the Applicant's gross income in terms of paragraph (c) of the definition of "gross income" in section 1(1).
- b) The lump sum from Fund B does not comply with the definitions of "lump sum benefit" in section 1(1) and paragraph 1 of the Second Schedule to the Act and accordingly does not fall within the provisions of paragraph (e) of the definition of "gross income".
- c) The exemption provided for in section 10(1)(gC)(ii) will apply to the lump sum included in the Applicant's gross income.
- d) Paragraph 54(b) of the Eighth Schedule will apply to disregard any capital gain or loss determined in respect of the disposal resulting in the Applicant receiving the lump sum from Fund B.

**7. Period for which this ruling is valid**

This binding private ruling is valid in respect of the year of assessment ending 28 February 2026.

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