



**national treasury**

Department:  
National Treasury  
**REPUBLIC OF SOUTH AFRICA**

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## MEDIA STATEMENT

### PUBLICATION OF THE DRAFT LEGISLATION FOR THE “TWO POT” RETIREMENT SYSTEM FOR PUBLIC COMMENT

The National Treasury and SARS today, publish for public comment the revised 2023 Draft Revenue Laws Amendment Bill and 2023 Draft Revenue Administration and Pension Laws Amendment Bill. These draft bills provide the necessary legislative amendments required to implement the first phase of the “two-pot” retirement system, they also take into account public comments received on the 2022 Draft Revenue Laws Amendment Bill published on 29 July 2022, and make provision for the name change from the word “pot” to the word “component” in the bills to be introduced formally by the Minister in Parliament. However, the word “pot” is still used in the colloquial form to describe the reform itself.

The revised 2023 Draft Revenue Laws Amendment Bill incorporates the following key tax proposals that were mentioned in Chapter 4 of the 2023 Budget Review:

- **Implementation date of the “two pot” retirement system:** It is proposed that the legislative amendments to the “two-pot” retirement system should take effect on 1 March 2024.
- **Proposal for seed capital:** This makes provision for access by the member of the retirement fund to a portion of the available balance in the retirement fund on implementation date of the “two-pot” retirement system, i.e., 1 March 2024. In order to limit the adverse effect on liquidity, it is proposed that seed capital should be calculated as ten percent of the benefit accumulated in the “vested component” as at 29 February 2024, limited to R25 000, whichever is the lesser. It is important to note that when the member of the retirement fund withdraws the seed capital, it will be subject to the normal tax rates in the hands of the member.
- **Legislative amendments to include defined benefit funds in an equitable manner:** Defined benefit funds do not refer to contributions made by a member to the defined benefit fund to determine benefits, but rather uses a defined formula to calculate benefits due to a member on retirement. To treat defined benefit funds equitably, it is proposed that changes be made in the revised draft bill to allow defined benefit funds to calculate the one third contributions to the “savings component” based on one-third of the member’s pensionable service increase, and two-thirds contributions to the “retirement component” based on two-thirds of the member’s pensionable service increase with effect from 1 March 2024.



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- **Treatment of legacy retirement annuity funds:** It is proposed that changes be made in the revised draft bill to make provision for the exemption of legacy retirement annuity fund policies from the provisions of the “two-pot” retirement system, as the inclusion of the legacy retirement annuity fund policies in the “two-pot” retirement system would require a re-design of these historically acquired legacy retirement annuity fund policies.

As indicated in Chapter 4 of the 2023 Budget review, legislative amendments dealing with withdrawals from the retirement component if a member of the retirement fund is retrenched and has no alternative source of income will be considered in the second phase of the implementation of the “two-pot” retirement system. Further complementary measures may also be considered in the second phase, to ensure that the primary objectives for saving for retirement is not compromised, and to protect the liquidity of such funds at all stages. Members of funds should be encouraged to only exercise the withdrawal option as a last resort, and to try and preserve their savings for retirement for when they retire.

The 2023 Draft Revenue Administration and Pension Laws Amendment Bill contains consequential legislative amendments to the Pension Funds Act, 1956 (Act No. 24 of 1956) to ensure the smooth implementation and administration of the “two pot” retirement system.

### ***The due date for public comments***

National Treasury hereby invites comments in writing on the revised 2023 Draft Revenue Laws Amendment Bill, the Draft Explanatory Memorandum on the Draft Revenue Laws Amendment Bill, 2023 Draft Revenue Administration and Pension Laws Amendment Bill and the Draft Memorandum on the objects of the Draft Revenue Administration and Pension Laws Amendment Bill. Please forward written comments to the National Treasury’s depository at [2023AnnexCProp@treasury.gov.za](mailto:2023AnnexCProp@treasury.gov.za) and SARS at [acollins@sars.gov.za](mailto:acollins@sars.gov.za) by close of business on **15 July 2023**.

### ***The process to enact Bills following public comments***

After receipt of written comments, National Treasury and SARS will engage relevant stakeholders through public workshops to discuss the written comments on the draft bills. The Standing Committee on Finance (SCoF) and the Select Committee on Finance (SeCoF) in Parliament are expected to make a similar call for public comment later in the year, and convene public hearings on the revised 2023 Draft Revenue Laws Amendment Bill and 2023 Draft Revenue Administration and Pension Laws Amendment Bill, before their formal introduction in Parliament. Thereafter, a response document on the comments received will be presented at the Parliamentary committee hearings,



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after which the bills will then be revised, considering public comments and recommendations made during committee hearings before they are introduced formally in Parliament for its consideration.

The revised 2023 Draft Revenue Laws Amendment Bill, the Draft Explanatory Memorandum on the Draft Revenue Laws Amendment Bill, 2023 Draft Revenue Administration and Pension Laws Amendment Bill and the Draft Memorandum on the objects of the Draft Revenue Administration and Pension Laws Amendment Bill can be found on the National Treasury ([www.treasury.gov.za](http://www.treasury.gov.za)) and SARS ([www.sars.gov.za](http://www.sars.gov.za)) websites.

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