



South African Revenue Service

Dear Taxpayer

**EMPLOYEES' TAX (PAYE) ON YOUR PENSION OR ANNUITY FOR THE TAX PERIOD
1 MARCH 2023 TO 29 FEBRUARY 2024**

Where a pensioner has one source of income during a tax year, our employees' tax (PAYE) deduction system ensures the correct PAYE deductions from a pension.

However, where a pensioner is in receipt of more than one source of income, the different sources of income are combined at the end of the tax year to determine the correct amount of tax due. The sum of the income typically places the taxpayer into a higher tax bracket, which normally creates tax due to SARS at year-end.

This is not a new principle and it applies to everyone, not only pensioners.

As a service to pensioners with more than one source of income, legislation makes provision for SARS to determine a more accurate monthly PAYE deduction tax rate. We do this by using the latest data available to SARS and issuing that PAYE tax rate to your pension administrator. We refer to this as a fixed PAYE deduction rate. Your pension administrator will then deduct a more accurate amount of PAYE from your pension. The aim of the more accurate fixed PAYE deduction rate is to ensure that you are not faced with a significant tax debt to SARS at year end.

That said, it is ultimately your decision whether to make use of this service. If, for example, you are already saving towards a tax debt at year end, then you may wish to opt out of this service. You can opt out of this service by informing your pension administrator of your choice to opt out. If you opted-out in the previous tax year, your choice will remain unless you inform your pension administrator in writing that you wish to participate in this service.

In summary:

- Unless you wish to opt out, you do not have to do anything, because SARS will provide your pension administrator with a fixed PAYE deduction rate mentioned above that is applicable to you;

- SARS will calculate and provide the fixed PAYE deduction rate to your pension administrator during March this year;
- SARS calculates the fixed PAYE deduction rate by taking into account other pensions and/or other employment income;
- Unless you opt out, your pension administrator will use the fixed PAYE deduction rate to deduct PAYE from your pension;
- If you already opted out of the service in the previous tax year, your pension administrator will use the normal PAYE deduction rate to deduct PAYE from your pension, unless you inform them in writing that you wish to participate in this service;
- The fixed PAYE deduction rate provided by SARS will be valid for the whole tax year, but you may elect to opt-out during any time by informing your pension administrator of your choice to opt out in writing;
- The fixed PAYE deduction rate determined by SARS is likely to be higher than what you are used to, but in return you are likely to avoid a significant tax bill at the end of the tax year;
- If you participate in this service you may at any time request your pension administrator to deduct PAYE at a tax rate higher than the fixed PAYE deduction rate provided by SARS. Similarly, if you are not participating in this service you may at any time request your pension administrator to deduct PAYE at a rate that is higher than the normal PAYE deduction rates.

Sincerely,

ISSUED BY THE SOUTH AFRICAN REVENUE SERVICE