

Employees' tax (PAYE) on your pension or annuity

Question	Answer
1. What is the meaning of the letter titled, Employee's tax (PAYE) on your pension or annuity for tax period 1 March 2023?	<p>To ensure that the correct PAYE amount is deducted monthly and to avoid a significant tax debt to SARS at year-end.</p> <p>The letter is a directive issued by SARS to your employer or pension fund and it indicates the tax rate percentage which should be used in the calculation of PAYE which should be deducted from your income.</p>
2. Why am I receiving a special tax rate?	<p>You have been identified as a taxpayer/pensioner that receives more than one source of income of which at least one of the incomes is from a retirement annuity. A new legislation has been promulgated to ensure that the most accurate rate of tax is applied to your monthly income to avoid any debt you may incur on assessment.</p>
3. What is the impact of this legislation to my monthly or annual tax obligation?	<p>The application of this legislation ensures that the correct rate of tax is deducted from your PAYE to minimise the shortfall on assessment. Should you choose to opt out and use the PAYE calculated using the nominal tax rate, you may have a significant tax debt on assessment.</p>
4. How would SARS determine a more accurate monthly PAYE deduction?	<p>SARS will use the latest data available on our records to calculate the most accurate tax rate. Should your circumstance change during the tax year, you may choose to opt out.</p>
5. Do I have a choice regarding the use of this new tax rate?	<p>Yes, you have a choice. You can inform your fund administrator to opt out, by so doing, you will be taxed at the nominal tax rates. This also means that you may have a tax debt at</p>

	the end of the tax year which you will have to pay SARS.
6. What if I still owe SARS a substantial amount after this legislation, Para2(2B) of the 4th Schedule has been applied on my Pension or Annuity?	The debt must be paid by the stipulated due date. Should you be aware of other sources of income that you have not told SARS about, you may choose to opt out and instruct one of the employers to deduct a higher tax rate in order to cover the potential shortfall on assessment.
7. Can a taxpayer/pensioner choose to be excluded from the use of this tax rate?	Yes, the taxpayer/pensioner may choose not to use this tax rate. In this instance, you are required to inform your fund administrator in writing. Your fund administrator will then use the nominal tax rates to calculate the PAYE to be deducted from your income. Remember, the tax rate under this new legislation is calculated and valid for one tax year. This means you may opt to use the tax rate in one year and choose to opt out the following year. You are not obligated to use the tax rate generated by SARS under Para2(2B) of the 4th Schedule .
8. How does a pensioner confirm that they are not or are no longer on the fixed tax rate list calculated under the new legislation namely, Para2(2B) of the 4th Schedule ?	The fund will have the latest list of impacted taxpayers each year. You must contact the pension administrator to confirm if you have been included each year.
9. If I am a provisional taxpayer and I am in agreement with the new rate, must I still pay provisional tax?	As a provisional taxpayer, you are unlikely to be included in this process therefore, a tax rate calculated under Para2(2B) of the 4th Schedule will not be issued to you. You may inform your fund administrator in writing of your wish to be taxed monthly at the SARS fixed rate.
10. Is the new legislation only applicable to taxpayers with more than one annuity income?	The legislation applies to taxpayers who receive multiple sources of income, one of which is from a retirement fund.

	<p>Note, where a taxpayer receives a salary and an annuity, such taxpayers are also included under this legislation:</p> <p>Example</p> <p>A young widow that is employed as an educator by the dept of education and receives a salary. In addition, she receives a spousal pension payment from the departed spouse' pension fund.</p> <p>Such a person will be included under this legislation</p>
<p>11. Why would a taxpayer no longer be on the SARS fixed tax rate list if they were on it last year?</p>	<p>The calculated tax rate is valid for a tax year i.e., 12 months.</p> <p>Taxpayer circumstances may change therefore, we relook at the taxpayer inclusion each year to determine the most accurate tax rate in accordance with the taxpayer financial information we have on our records</p>