

**General Notes**  
**Second Schedule to the Income Tax Act, 1962**  
**General Note 18A**  
**(Issue 2 with effect from 1 September 2008)**

**GENERAL SUBJECT:** DEFINITION OF RETIREMENT ANNUITY FUND

**SPECIFIC ASPECT:** PROVIDING ANNUITIES ON RETIREMENT FROM EMPLOYMENT

**STATUS:** DECISION

**BACKGROUND:** Following discussions with representatives of the pensions industry, certain aspects relating to the contents of GN18 need to be clarified.

**DECISION:**

1. Concern was expressed that the wording "full value of the retiring member's benefit" in the first paragraph of the second page of GN18 could be interpreted to mean that no commutation of an annuity at all will be permitted. The wording is, however, followed by the wording "which is available for the provision of an annuity" which means that the remaining capital, that is, after commutation must be used to purchase the annuity.
2. Subject to the consent of the Registrar of Pension Funds this office has no objection should a pensioner wish to change his or her existing annuity to one contemplated by GN18.
3. The references to "retirement funds" in GN18 include an approved retirement annuity fund.

Reviewed by the  
**Legal and Policy Division**  
**SOUTH AFRICAN REVENUE SERVICE**  
Date: 1 September 2008