

# PARLAMENT VAN FINANSIES DEPARTMENT OF FINANCE



Binnelandse Inkomste • Inland Revenue

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REF. 18/20/2

• DATUM  
DATE

1990-09-22  
11:35

ALL RECEIVERS OF REVENUE  
SECTION HEADS: HEAD OFFICE  
INSPECTORS  
TUTORS

INCOME TAX: STOP-ORDERS AGAINST BENEFITS TRANSFERRED FROM  
PENSION TO PROVIDENT FUND  
: CONVERSION ARRANGEMENTS ON 14 SEPTEMBER 1990  
: "FORMULA B" AS DEFINED IN THE SECOND SCHEDULE  
TO THE INCOME TAX ACT

1. As you are aware, this office introduced arrangements on 14 September 1990 to accommodate members of a pension fund who wish to transfer their benefits to a provident fund established by the same employer.

Where moneys are transferred in accordance with the aforementioned arrangement, the provisions of section 99 of the Income Tax Act must not be applied as the pension fund cannot at the moment of transfer be regarded as holding any moneys for or due to the transferring member.

2. In terms of the arrangements the benefits that are to be transferred will normally consist of two components, the one being the member's accumulated contributions to which he will in terms of the rules of the fund become entitled on withdrawing (which may also include a portion or all of the employer's contributions), and the other that portion of the employer's contributions which is not included in the first-mentioned component.

Two components  
1) withdrawn benefit  
2) balance

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The withdrawal benefits (the first-mentioned component) are subject to tax in terms of paragraph 6 of the Second Schedule to the Act on transfer to the provident fund. The second component is, however, not subject to tax in the member's hands as it is not regarded as a "lump sum benefit" as defined in the Second Schedule and does not accrue to the taxpayer when the transfer takes place.

On the actual withdrawal or death or retirement of the provident fund member, the first-mentioned component should be included in factor "E" as defined in "formula" in the Second Schedule.

*and part b of 2nd Schedule*

*NS!*

for COMMISSIONER FOR INLAND REVENUE

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