

# FINANCIAL SERVICES BOARD

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(To all self-administered funds, all fund administrators, and the administering insurers of funds exempted in terms of section 2(3)(a) of the Pension Funds Act, 1956)

## CIRCULAR PF NO. 118

### **Disposition of amounts payable to former members in terms of an apportionment scheme approved by the Registrar**

1. Even though the employer, existing members and former members of a fund acquire a right to be considered by the board of that fund for inclusion in the surplus apportionment, provided there is actuarial surplus to be apportioned at the surplus apportionment date in terms of section 15B of the Pension Funds Act, any amount due to the employer, an existing member, or a former member, in terms of that apportionment scheme, accrues only when the Registrar has issued a certificate approving the apportionment scheme in terms of section 15B(9)(i).
2. Any benefit that becomes payable in terms of an approved surplus apportionment scheme is regarded by SARS (General Note GN 29) not to be in consequence of/or following upon retirement, death or withdrawal from a fund and will therefore be taxed as an accrual in the tax year within which the Registrar approves the section 15B apportionment.
3. Section 15B(5)(e) gives the board the right to determine how the portion of the fund allocated to a former member is applied. The board can elect to pay the amount in cash, or -
  - 3.1. where the former member has remained in employment with the same employer by whom he or she was employed immediately prior to the effective date upon which the former member left the fund and an amount was previously transferred from the fund to another fund in which that employer participates, the board may transfer the amount, without the consent of the former member and net of any tax payable on the transfer, from the fund to the fund to which the former member currently belongs;

- 3.2. at the request of the former member,
  - 3.2.1. subject to the approval of the fund to which the former member currently belongs, the amount may be transferred, net of any tax payable on the transfer, to that fund to be used for the benefit of the former member;
  - 3.2.2. transfer the amount, net of any tax, to a retirement annuity fund to be used for the benefit of the former member.
- 4. In terms of RF1/98 SARS it is not possible to transfer the amount payable to the former member to a preservation fund.

## **REGISTRAR OF PENSION FUNDS**