



*South African Revenue Service*

Dear Valued Stakeholder

## **IMPLEMENTATION OF TAX DIRECTIVES ENHANCEMENTS**

In cases where a pensioner has one source of income during a tax year, our PAYE system typically ensures that the tax due at year-end is sufficiently covered by way of monthly PAYE withholdings. However, where a pensioner is in receipt of more than one source of income, a tax debt may arise at year-end when we combine all the sources of income together for purposes of determining taxable income and tax due. While the PAYE system permits a pensioner to request that a higher amount of PAYE be deducted so that any tax due at year-end is adequately covered, not many pensioners are making use of this option, which then leaves them with a tax debt at year-end, which they did not budget for. In turn, this has a significant negative impact on the outstanding debt book of SARS.

In response to this, recently introduced legislation makes provision for SARS to determine the effective rate of tax in respect of the combined employment and/or pension sources of income of a taxpayer, with reference to the latest data available to SARS, and to provide that rate to the retirement fund administrators for purposes of withholding PAYE. It is the intention to introduce this service with effect from 1 March 2022.

In practice, this will mean the following:

1. Prior to 1 March 2022, SARS will, where it deems necessary, provide retirement fund administrators with the PAYE withholding percentage for each of the pensioners on its payroll that qualify;
2. This means that retirement fund administrators will be required to use the rate

provided by SARS in respect of remuneration paid or payable with effect from 1 March 2022;

3. SARS will provide the PAYE withholding rates by way of an electronic file in CSV format. This file will be issued via e@syFile™;
4. Where a PAYE withholding rate has not been provided by SARS in respect of a particular pensioner, retirement fund administrators must continue to apply the normal PAYE withholding rates;
5. Where SARS provides a PAYE withholding rate, it will be by way of an annual directive. Where a pensioner's circumstances change during the year (for example other employment income ceases, or death and so on), the retirement fund administrator may apply the normal PAYE withholding rate as opposed to the withholding rate provide by SARS with effect from the month in which the it becomes aware of the change of circumstances;
6. Notwithstanding the PAYE withholding rate provided by SARS, a pensioner may at any time, request his or her retirement fund administrator to withhold PAYE at a rate higher than the rate provided by SARS. The Voluntary over deduction indicator in the code 3195 field on the IRP5/IT3(a) certificate must be set to "Y" for yes, if applicable, as per the normal procedure; otherwise it must be "N" for no - this field is mandatory from the 2020 year of assessment. However, all PAYE amounts withheld and paid over to SARS must be declared under code 4102 on the IRP5/IT3(a), including any voluntary over-deducted amounts.
7. Notwithstanding the PAYE withholding rate provided by SARS, a pensioner may request his or her retirement fund administrator to withhold PAYE at a rate that is equal to the PAYE withholding rate under the normal PAYE withholding tables. In such a case, the retirement fund administrator is required to inform the pensioner of the possibility that the PAYE withholding rate will be insufficient to cover the tax liability of the taxpayer on assessment;
8. The rates of PAYE withholding provided by SARS apply in respect of the following source codes only:
  - a. 3603 - Pension
  - b. 3610 - Annuity from a Retirement Annuity Fund
  - c. 3611 - Purchased Annuity

d. 3618 - Annuity from a Provident Fund or a Provident Preservation Fund.

Sincerely,

**ISSUED ON BEHALF OF THE COMMISSIONER FOR THE SOUTH AFRICAN  
REVENUE  
SERVICE**

**November 2021**