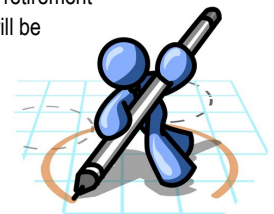


# FUSSELL UMBRELLA PENSION & PROVIDENT FUNDS



## NEWSLETTER TO MEMBERS & PARTICIPATING EMPLOYERS MAY 2010 TAX ON BENEFITS

The introduction of a table in terms of which a pre-retirement withdrawal benefit is taxed and one in terms of which a retirement and death benefit is taxed has simplified the manner in which the tax liability on a fund benefit is determined. The table in respect of pre-retirement withdrawals as reproduced below is applicable from **1 March 2009** and any benefits already paid in the 2009/2010 tax year will be adjusted on assessment.



### Pre-retirement withdrawals

The changed tax treatment on withdrawal before retirement is as follows:

Taxable income from lump sum benefits	Rate of tax
Not exceeding R22 500	0% of taxable income
Exceeding R22 500 but not exceeding R600 000	18% of taxable income exceeding R22 500
Exceeding R600 000 but not exceeding R900 000	R103 950 plus 27% of taxable income exceeding R600 000
Exceeding R900 000	R184 950 plus 36% of taxable income exceeding R900 000

Note that these amounts are cumulative.

### Benefits on retirement or death

Since the Taxation Laws Amendment Act No 8 of 2007 was passed, retirement and death benefits accruing after **1 October 2007** have been taxed on the following basis, with all retirement benefits received on or after 1 October 2007 being accumulated in order to determine the tax liability on a specific retirement benefit:



Taxable Income from lump sum benefits	Rate of tax
Not exceeding R300 000	0% of taxable income
Exceeding R300 000 but not exceeding R600 000	R0 plus 18% of taxable income exceeding R300 000
Exceeding R600 000 but not exceeding R900 000	R54 000 plus 27% of taxable income exceeding R600 000
Exceeding R900 000	R135 000 plus 36% of taxable income exceeding R900 000

An important change with the latest amendment is that all withdrawal benefits received on or after 1 March 2009 will now also be taken into account in determining the tax liability for any subsequent payment from any retirement fund (including retirement annuities). This means that every withdrawal benefit previously received by a member on or after 1 March 2009 will be accumulated in order to determine the rate applicable on a subsequent benefit at withdrawal, retirement or death

# TAX ON BENEFITS (Continued)

## Retrenchment Benefit

This latest amendment has also made provision for a lump sum withdrawal benefit from a fund to be taxed according to the retirement scale where a member\* has been retrenched from the employment of his employer. The accumulation principle will however still apply, with such payment being taken into account to determine the rate applicable on any subsequent lump sum payment.

**\*For the purpose of this provision, any member who is a director of the employer company or has a shareholding of more than 5% will not qualify.**

## Allowable Deductions

Deductions that will be allowed in respect of benefits due to withdrawal, retirement or death :

- a member's own contributions that were not previously deductible;
- divorce order amounts transferred to an approved retirement fund;
- fund-to-fund transfers from any retirement fund to any other approved retirement fund;

These deductions are allowed if not taken into account for previous lump sum benefits.  
The deductions may also not exceed the lump sum benefit itself.

## NOMINATION OF BENEFICIARIES : DEATH OF A MEMBER

It is very important for Members to complete a Nomination of Beneficiary form and to ensure that the information is correct and up to date. This information is of great value in the event of a Member's death

The Fund's Trustees are responsible for deciding the distribution of death benefits in terms of the Pension Funds Act, which contains the definition of "dependant". A full investigation is required in order to identify and trace all dependants of the deceased and to obtain official documents such as identity documents, marriage certificates and birth certificates. Once the Employer has completed the investigation, all the information and documents are forwarded to the Administrator for their attention. The claim will then be referred to the Principal Officer for submission to the Trustees, for their consideration.

## Beneficiary Funds

Where it is in the best interest of a minor beneficiary, payment of the benefit is made to a Beneficiary Fund. Monthly payments are then made from the Beneficiary Fund to the person responsible for caring for the minor child

## BOARD OF TRUSTEES

There are six Trustees on the Board and three of them are independent Trustees.

Jenny Phillips resigned recently and Colin Tomsett was appointed to replace her. Jenny Phillips has served as a Trustee since 01 June 2001 and her valuable services have been very much appreciated.

### The Trustees are:

AL Fussell	Fussell & Associates employed Trustee - Chairman
DK Roach	Fussell & Associates employed Trustee
JR Fussell	Fussell & Associates employed Trustee
G Le Grellier	Independent Trustee
JG Ditchfield	Independent Trustee
CR Tomsett	Independent Trustee

Sheila Proudfoot  
Principal Officer

