



JLAW IC 1 of 2026: Revenue Laws Amendment Act No. 6 of 2025

Introduction

The Revenue Laws Amendment Act No 6 of 2025 (RLAA) was promulgated in Government Gazette No. 53916 on 24 December 2025. It introduces the following four key amendments.

1. Seeding amount calculation date

A member of a provident or provident preservation fund who was 55 years or older on 1 March 2021 could decide not to participate in the two-pot system and only have a vested component. If such a member wanted to participate in the two-pot system, they had to elect to do so before 1 September 2025.

If the member elected to opt in, a one-time seeding amount of 10% of the value of the vested component had to be calculated at the seeding date. The Revenue Laws Amendment Act No. 12 of 2024 determined that the seeding amount had to be calculated as at 31 August 2024, while the Revenue Laws Second Amendment, Act No. 44 of 2024 sets the seeding date at the last day of the month in which the election was made.

Both these dates have found their way into funds' rules and their administrators have done their development according to the registered and approved rules. Members have also been advised of the seeding calculation date as stipulated in the fund's rules. The suggestion was accordingly that the definition of "savings component" be amended to accommodate both these dates, depending on the rules of the fund. The *Report of the Standing Committee on Finance on the Revenue Laws Amendment Bill [B5 - 2025] (National Assembly - section 77)*, dated 16 July 2025 confirms that NT clarified that *only these two dates will be recognised for administrative consistency and alignment with the two-pot retirement system.*

The intention was therefore for the RLAA to resolve this conflict by confirming that, depending on the rules of the fund, the seeding date and the calculation of the seeding amount is either 31 August 2024 or the last day of the month in which the over 55-member elected to opt into the two-pot system as was again confirmed in the *Report of the Select Committee on Finance on the Revenue Laws Amendment Bill [B5 - 2025] (National Assembly- section 77)*, dated 16 September 2025. The RLAA amends the definition of "savings component" to state that the seeding amount must be calculated based on *the value of the member's vested component as at 31 August 2024 or the last day of the month in which the election was made, or as may be determined by the rules of the fund.* (the underlined words were added).

Note: Unfortunately, the amendment creates even more confusion, as the word “or” suggests that there are three possible dates on which the seeding should be calculated: 1) 31 August 2024; 2) the last day of the month in which the member opted in, or 3) another date determined by the rules of the fund. This has been pointed out to National Treasury and it was suggested that “or” be deleted, but the required change has not been made. However, most if not all funds that were required to make rule changes to accommodate the two-pot system have already done so. It is highly unlikely that a fund that attempts to bring in a rule amendment now to cater for the third option will be successful in getting that amendment approved.

The definition of “savings component” is also changed to make it clear that it is not a requirement for provident preservation members who were 55 or older on 1 March 2021 to stay in the same fund in order not to be subject to the two-pot system. The wording now specifies that the criteria is firstly that a person must be a member or a provident preservation fund and secondly, that they must have been 55 years of age or older on 1 March 2021.

Effective date: Deemed to have come into operation on 1 September 2024.

2. Proportionate deduction of maintenance, interim maintenance payments and tax on tax

The definitions of “member’s interest in the retirement component”, “member’s interest in the savings component” and “member’s interest in the vested component” provide for the proportionate deduction of an amount payable under section 37D of the Pension Funds Act, or a similar provision in the Government Employees Pension Law, the Post and Telecommunication-Related Matters Act or the Transnet Pension Fund Act that is a retirement fund lump sum withdrawal benefit. It also includes a similar provision relating to maintenance and interim maintenance deductions and the tax payable on it, which constitutes income in the hands of the member.

However, only the definition of “member’s interest in the retirement component” includes all the deductions under section 37D, [(1)(a), (b), (c), (d)(i), (d)(iA), (d)(iB) and (e)] where it refers to the proportionate deduction and only the definition of “member’s interest in the vested component” refers to maintenance [(d)(ia)], interim maintenance [(d)(iB)] and tax on deductions [(e)] as income in the member’s hands.

The RLAA corrects these omissions by adding the references to sections 37D(1)(d)(iB) and (e) as proportionate deductions to the definitions of “member’s interest in the savings component” and “member’s interest in the vested component” and including the references to sections 37D(1)(d)(iB) and (e) as income in the member’s hands in the deductions to the definitions of “member’s interest in the retirement component” and “member’s interest in the savings component”.

This technical correction clarifies that all deductions permitted under section 37D of the Pension Funds Act, including associated taxes—whether classified as a withdrawal benefit or included in the member’s income—are to be done proportionately among all three components.

Effective date: Deemed to have come into operation on 1 September 2024.

3. Alignment of definition of “retirement annuity fund”

- A. The RLAA aligns paragraph (b)(ii) of the proviso to the definition of “retirement annuity fund” to ensure consistency with the intended objectives of the two-pot system by explicitly including the total member’s interest in his retirement component in the calculation of the *de minimis* on retirement. The new proviso now makes it clear that on retirement, a member must annuitise* at least two-thirds of their non-vested benefit** in their vested component and their total retirement component, unless the value of those two amounts, added together, is R165,000 or less, in which case the member may take their total retirement benefit as a lump sum.

* The member must purchase an annuity (including a living annuity), a combination of annuities (including a combination of methods of paying the annuity) or a combination of types of annuities. There is no limit on the number of annuities that can be purchased, as long as the amount used to purchase each annuity is more than R165,000. A member can, for example choose a life annuity provided by the retirement annuity fund and a living annuity purchased in his name from a registered insurer.

** That part of a provident fund member’s benefit prior to the implementation of the two-pot system that is subject to annuitisation. Refer to paragraph 1 of [JLAW IC1 of 2024: Revenue Laws Amendment Act No. 12 of 2024](#) for a detailed explanation of the difference between vested and non-vested benefits.

Effective date: Deemed to have come into operation on 1 March 2025 and applies in respect of years of assessment commencing on or after that date.

- B. The RLAA amends subparagraph (ii) of paragraph (b) of the proviso to the definition of “retirement annuity fund” by changing the value of the member’s vested component on which the *de minimis* calculation on retirement must be based from the full value to two-thirds thereof. The proviso now reads as follows:

“: Provided that in determining the value of two-thirds of the member’s retirement interest in the vested component an amount calculated as follows must not be taken into account:”

However, the words “two thirds of” should be deleted because when determining the one-third that can be taken as a lump sum on retirement, the vested benefit is determined from the full vested component as opposed to only two-thirds thereof. This was pointed out to National Treasury as part of IRFA’s Annexure C-submission in November 2025. The expectation is that this will be corrected in the next round of legislation, and that the correction will be done across the definitions of all the different types of retirement funds.

Note: The calculation of the retirement *de minimis* is correctly applied by SARS.

Effective date: Deemed to have come into operation on 1 September 2024.

4. Provident preservation fund members exempted from two-pot

Provident fund annuitisation was implemented from 1 March 2021. Members who were 55 or older on 1 March 2021 were not subject to annuitisation, as long as they remained in the same provident fund.

Before 1 March 2021, only provident fund members could transfer their withdrawal benefits into a provident preservation fund. All benefits transferred into a provident preservation fund before 1 March 2021 were therefore not subject to annuitisation.

With the implementation of the two pot system, the members referred to above were not automatically included under that system; they had to opt-in to the two-pot system by no later than 31 August 2025.

Paragraph (iii) of the proviso to paragraph (a) of the definition of “retirement component”, which deals with this exclusion, stated that “any person who is or was a member of a provident fund or provident preservation fund and who was 55 years of age or older on 1 March 2021 and is still a member of the same provident fund or provident preservation fund” was excluded from the two-pot system unless they opted into the system. The rationale behind the requirement that an over-55 provident fund member still had to be a member of that same fund aligns with the 2021 annuitisation requirement. However, it is not clear why continued membership of a provident preservation fund member was required.

The RLAA corrects this by only requiring continued membership for an over 55-provident fund member. The amended paragraph (iii) of the proviso to paragraph (a) of the definition of “retirement component” now refers to “any person who is or was a member of a provident fund and who was 55 years of age or older on 1 March 2021 and is still a member of the same provident fund, or any person who is a member of a provident preservation fund and who was 55 years of age or older on 1 March 2021, unless such person has elected to contribute to this component within 12 months of 1 September 2024;”.

The implication of this is that a provident preservation fund member who meets the following two criteria is not subject to the two-pot system, unless he opted into that system before 1 September 2025:

- Was 55 or older on 1 March 2021.
- Was a member of a provident preservation on 1 September 2024.

Effective date: Deemed to have come into operation on 1 September 2024.

Note: The amendment aligns with the way in which some administrators implemented this proviso. It is debatable whether those administrators who did not implement it in this way will now go back to change their systems to align with the amendment.

5. Savings component on death and retirement

Before the amendment, paragraph (g) of the proviso to the definition of “savings component” provided for the way in which a member’s savings component should be dealt with on retirement. It allowed the member to take his savings component as a lump sum, taxable on the retirement fund lump sum benefit tax table, or to add any part of it to his retirement component and use it to purchase an annuity. There was no provision for how the savings component should be dealt with upon the member’s death.

The RLAA amends this paragraph by distinguishing between the member’s retirement and his death and the way in which his savings component should be dealt with on those occasions.

Upon the member’s death, his nominee or dependant (beneficiary) can choose to have the savings component paid to them as a lump sum benefit. It should be noted that the different components are

not paid separately on the member's death; all three components together comprise the death benefit. A beneficiary has the option to take that part of the deceased member's death benefit allocated to them as a lump sum, an annuity (including a living annuity) purchased or provided by the fund, or a combination of the two (i.e. part lump sum, part annuity). That part of the benefit taken as a lump sum will be deemed to have accrued to the member immediately prior to his death and will be taxed in the member's hands on the retirement fund lump sum benefit tax table. The tax payable will then be deducted from the lump sum payable to the beneficiary.

On the member's retirement, the member can choose to either receive the savings component as a lump sum, taxed on the retirement fund lump sum benefit tax table, or to add any part of it to his retirement component and use it to purchase an annuity.

Despite requests to allow for direct annuitisation from the savings component, National Treasury confirmed in the October 2024 *Draft Response Document on the 2024 Draft Revenue Laws Amendment Bill, 2024 Draft Rates and Monetary Amounts and Amendment of Revenue Laws Bill, 2024 Draft Taxation Laws Amendment Bill, 2024 Draft Tax Administration Laws Amendment Bill, Global Minimum Tax Bill and Global Minimum Tax Administration Bill*. (Based on hearings by the Standing Committee on Finance in Parliament) that their "current policy is that no direct purchase / payment of annuities on retirement from the savings component will be permitted."

Effective date: Deemed to have come into operation on 1 September 2024.

6. Technical corrections

- a. Delete the reference to *savings withdrawal benefit* from paragraph (c)(iii) of the definition of "provident preservation fund"

Paragraph (c) of the "provident preservation fund" definition permits only one pre-retirement withdrawal from a member's vested component, with certain exceptions. Paragraph (iii) of the proviso addresses withdrawals under paragraph 2(1)(b)(ii) of the Second Schedule, which in turn refers to lump sum benefits to be included in a member's gross income, to be taxed on the retirement fund lump sum benefit tax table. These lump sum benefits do not include a savings withdrawal benefit, which is taxed at a member's marginal rate. Therefore, the reference to "or a savings withdrawal benefit" at the end of paragraph (c)(iii) is deleted to match the definition in paragraph (c)(iii) of "pension preservation fund."

- b. Transfer of savings component and vested component in one fund to retirement component in another

Paragraph (c) of the definition of "retirement component" allows for the transfer of a member's retirement component in one fund to his retirement component in another. The RLAA inserts a new paragraph (cA) in the definition of "retirement component" to also allow for the transfer of amounts from a member's savings component or vested component from a transferring fund into their retirement component in the receiving fund. This aligns with most fund rules which include provisions to this effect to cater for the implementation of the two-pot system and also with the practice followed by SARS.

Effective date: Deemed to have come into operation on 1 September 2024.

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