

Tax planning (UCTRF)

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Why invest in a retirement fund?

- Much cheaper
- Protected against creditors
- Access to skills
- Tax advantages



Tax advantages

- Pay less tax when putting money in
- Pay no tax on returns
- Pay limited tax when taking money out



Why R1 million is not as much as you might think

- R1 million buys +/- R5 000 monthly income
- Earning R15 000 per month and saving maximum into UCTRF – R1 million after ten years
- Second R1 million only takes another 5 years
- Third R1 million only takes another 3 years



Tax implications of putting money into UCTRF

INCOME TAX: INDIVIDUALS AND TRUSTS

Tax rates for the period 1 March 2018 to 28 February 2019

Individuals and special trusts

Taxable Income (R)	Rate of Tax (R)
0 – 195 850	18% of taxable income
195 851 – 305 850	35 253 + 26% of taxable income above 195 850
305 851 – 423 300	63 853 + 31% of taxable income above 305 850
423 301 – 555 600	100 263 + 36% of taxable income above 423 300
555 601 – 708 310	147 891 + 39% of taxable income above 555 600
708 311 – 1 500 000	207 448 + 41% of taxable income above 708 310
1 500 001 and above	532 041 + 45% of taxable income above 1 500 000

Trusts other than special trusts: rate of tax 45%

Rebates

Primary	R14 067
Secondary (Persons 65 and older)	R7 713
Tertiary (Persons 75 and older)	R2 574

Age

Below age 65
Age 65 to below 75
Age 75 and over

Tax Threshold

R78 150
R121 000
R135 300



Examples

- R15 000 per month gives R180 000 per year:

$$(R180\ 000 * 18\%) - R14\ 067 = R18\ 333$$

and marginal tax rate is 18%

- R30 000 per month gives R360 000 per year:

$$(R360\ 000 - R305\ 850) * 31\% + R63\ 853 - R14\ 067 = R66\ 573$$

and marginal tax rate is 31%



Conclusion for now

- With a few years to go to retirement for every R100 you save into UCTRF you only “pay” a maximum of R82 and a minimum of R55



Retirement!

- Take a monthly pension
- Take a lump sum
- Combination of the above



Monthly pension

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Please remember
this is before
medical expenses



Take a lump sum

Retirement fund lump sum benefits or severance benefits

Taxable Income (R)	Rate of Tax (R)
0 – 500 000	0% of taxable income
500 001 - 700 000	18% of taxable income above 500 000
700 001 – 1 050 000	36 000 + 27% of taxable income above 700 000
1 050 001 and above	130 500 + 36% of taxable income above 1 050 000

Example: R2 000 000:

$$(R2\ 000\ 000 - R1\ 050\ 000) * 36\% + R130\ 500 = R472\ 500$$



Conclusion for now

- Flexibility is important thus most people should take out the “free” R500 000
- Tables are structured to discourage taking out further amounts except very large amounts



Further considerations

- Medical expenses
- City of Cape Town rates relief
- Government old age grant



Medical expenses

Medical and disability expenses

In determining tax payable, individuals are allowed to deduct –

- monthly contributions to medical schemes (a tax rebate referred to as a medical scheme fees tax credit) up to R310 each for the individual who paid the contributions and the first dependant on the medical scheme and R209 for each additional dependant; and
- in the case of –
 - an individual who is 65 and older, or if an individual, his or her spouse, or his or her child is a person with a disability, 33.3% of the sum of qualifying medical expenses paid and borne by the individual and an amount by which medical scheme contributions paid by the individual exceed 3 times the medical scheme fees tax credits for the tax year; or

6% to 15% of R100 spent will be recovered by reduced tax payable

City of Cape Town reduced rates

- Pensioners 60 years or older
- Earning up to R15 000 per month (form speaks of individual but my mother says couple's income)
- Sliding scale where under R4 000 per month is 95% reduction and R15 000 per month is 10% reduction
- No question about asset values



Government old age grant – R1 700

- 60 years or older
- Means tested
- Sliding scale

Asset And Income Threshold

Asset threshold:	Amount as of 01 April 2018
(Grants for older persons, disabled and war veterans only)	
Single person	R 1 115 400
Married person	R 2 230 800
Income threshold: (Annual amounts)	
Single person	R 78 120
Married person	R156 240



Conclusion

- Complicated
- Try and equalise income between spouses for maximum tax relief
- One tax paying spouse should pay all medical expenses
- Life happens thus flexibility is important
- Good approach to risk is diversification

