

Group insurance did you know?

Retirement TAX table

Approved and unapproved benefits

Employers can opt to provide employees with group insurance benefits by purchasing group insurance through their retirement fund (approved insurance benefit) or outside their retirement fund (unapproved insurance benefit).

For unapproved benefits, the insurance premium is taxed as a fringe benefit in the hands of the employee. When the employee receives the benefit, it is tax free.

For approved benefits the insurance premiums are part of an employee's retirement contributions and the employee is allowed a tax deduction up to 27.5% of the higher of the member's remuneration and taxable income, subject to a maximum of R350 000 per year. Benefits are considered a retirement benefit and taxed according to the retirement tax table.

R0 to R500 000: 0%
R500 001 to R700 000: 18%
R700 001 to R1 050 000: R36 000 + 27%
of the amount above **R700 000**
R1 050 001: R130 500 + 36%
of the amount above **R1 050 000**

Any amounts received on previous retirement fund withdrawals will be taken into account when applying these tax rates. No estate duty is applicable.

The Pension Funds Act allows for the provision of death and lump sum disability benefits as approved benefits. These benefits can also be provided as unapproved benefits.

Any other type of benefits, such as the temporary or permanent income disability benefit or critical illness benefit has to be provided as unapproved benefits.

	Approved	Unapproved
Benefits allowed	Death and lump sum disability	All group insurance benefits
Benefit payment	Benefits paid to dependants / nominees as deemed fair by board of trustees and Pension Funds Act	Benefits are paid in terms of the insurance policy
Premium: tax for employer	Part of contributions and allowed as an expense	Allowed as an expense
Premium: tax for employee	Part of contributions and tax deductible up to 27.5% of income or R350 000 per year	Taxed as fringe benefit at employee's income tax rates. No tax deduction allowed
Benefit: tax for beneficiary	Taxed at retirement tax rates	Tax-free in hands of beneficiary

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