

A decorative graphic in the top left corner consisting of several overlapping, stylized arrow shapes pointing to the right. The arrows are in shades of grey and red.

Legal update

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Withdrawn SARS General Notes

The following SARS General Notes (GN) have been withdrawn to date.

1. **General Note 3 - Preservation funds and the “N-factor”**

Issued: 15 February 1995.

The Second Schedule to the Income Tax Act sets out the formulae used in calculating gross income derived by way of lump sum benefits. The “N-factor” represented the years of service or years of membership. The question addressed by this GN was whether “N” will continue to grow for as long as the member remains a member of a preservation fund.

It was decided that since a preservation fund can never receive contributions from either members or employers, “N” will never be greater than the value transferred into the preservation fund.

Status: Withdrawn - 29 March 2012.

Reason for withdrawal: GN became obsolete due to legislative changes.

2. **General Note 3 – Addendum A – Legislative changes affecting the “N-Factor”**

Issued: 28 September 2007.

This addendum clarified certain provisions relating to the “N-factor” and specified with that effect from 1 October 2007, the number of years of employment was no longer a factor when determining the deduction afforded in the case of lump sum benefits payable on retirement or death.

Status: Withdrawn - 29 March 2012.

Reason for withdrawal: GN became obsolete due to legislative changes.

3. **General Note 5 – Determination of death benefits**

Issued: 20 February 1995.

This GN clarified that where benefits are payable on the death of a member, SARS would only take into account the number of years of membership to the fund from which the benefit is payable in respect of a deceased member for the purposes of formulae A and B of the Second Schedule to the Income Tax Act. The number of years of service or employment was irrelevant.

Status: Withdrawn - 29 March 2012.

Reason for withdrawal: GN became obsolete due to legislative changes.

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4. General Note 5 – Addendum A – Determination of death benefits

Issued: 27 November 2007.

This GN replaced GN 5 with effect from 1 October 2007 and specified that the number of years of membership to a retirement fund was no longer a parameter in determining the deduction afforded where lump sum benefit were payable on death.

Status: Withdrawn - 29 March 2012.

Reason for withdrawal: GN became obsolete due to legislative changes.

5. General Note 6 – Formula B: Maximums

Issued: 20 July 1995

This GN provided consistency on how symbol “C” in the definition of formula B in the Second Schedule to the Income Tax Act was interpreted.

Status: Withdrawn - 29 March 2012.

Reason for withdrawal: GN became obsolete due to legislative changes.

6. General Note 6 – Addendum A – Formula B

Issued: 28 September 2007.

Replaced GN 6 in respect of benefits accruing on or after 1 October 2007.

Status: Withdrawn - 29 March 2012.

Reason for withdrawal: GN became obsolete due to legislative changes.

7. General Note 7 – Source of Income

Issued: 20 July 1995.

This GN confirmed that the provisions of section 9(1)(g) of the Income Tax Act will be applied on the taxable portion of the lump sum benefit, after allowing the deductions determined in accordance with the Second Schedule.

Status: Withdrawn - 5 November 2012.

8. General Note 8 – Purchase of annuities at retirement

Issued: 20 July 1995.

This GN made it possible for a pension or provident fund to purchase a life annuity from a registered insurer on a member’s retirement. The fund may not pay more than one pension per member.

Status: Withdrawn: 29 March 2014.

Reason for withdrawal: GN became obsolete due to legislative changes.

9. General Note 1- Source of Income

Issued: 20 July 1995.

This GN dealt with the application of section 9(1)(g)(ii) of the Income Tax Act to a paid up member of a pension or provident fund, where there member claims his benefit, but was not a South African citizen for at least 2 years of the last 10 years in which the benefit was accumulated.

Status: Withdrawn 05 November 2012

Reason for withdrawal: Retracted from 5 November 2012.

10. General Note 14 – Housing loans and guarantees

Issued: 24 April 1995.

A retirement fund granting a housing loan or guarantee in terms of section 19(5) of the Pension Funds Act will not be considered to hold moneys on behalf of a member for the purposes of section 99 of the Income Tax Act.

Status: Replaced with issue 2, 12 September 2007.

11. General Note 15 – Approval of fund registered in former TBVC states

Issued: 20 February 1995.

This GN sets out the criterion that the Commissioner must use when considering the approval of funds registered in the former TBVC states. It provided that the Commissioner must look at whether or not the fund in question complies with the definitions of either “benefit fund”, “pension fund”, or “provident fund”. If the fund does not comply with the requirements of one of the relevant definitions, the deemed approval will be withdrawn.

Status: Replaced with issue 2, 12 September 2007.

12. General Note 16 – Commutation of small annuities

Issue 2: 15 September 1995.

This GN replaced the original GN 16 and confirmed that not more than one-third of a member’s interest in the fund may be commuted for a lump sum unless the full benefit does not exceed R75 000. Where a member or former member commuted before, or where the administrator is unable to determine whether a previous commutation occurred, the annuitant may commute the remaining annuity for a lump sum if two-thirds of the retirement interest does not exceed R50 000.

Status: Replaced with issue 2, 31 March 2010.

13. General Note 17 – Standard Rules

Issued: 15 February 1995.

This GN made provisions for institutions submitting rules for approval to the Commissioner, to submit a model set of rules, together with standard variations to SARS. This submission should follow the normal procedure.

Status: Replaced with issue 2, 12 September 2007.

14. General Note 24 – Retirement from employment

Issued: 6 October 2000.

This GN served as a reminder that the distinction between the age of a female member and a male member of a provident fund was removed with effect from 1 March 2000. Paragraph 4(3) of the Second Schedule to the Income Tax Act now applies to all lump sum benefits paid to a member who is under the age of 55, regardless of whether the member is male or female.

Status: Withdrawn – 29 March 2012

Reason for withdrawal: GN became obsolete due to legislative changes.

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