



## FURNITURE BARGAINING COUNCIL

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### CIRCULAR 04/21

## TO ALL EMPLOYERS AND EMPLOYEES

### FURNITURE BARGAINING COUNCIL PROVIDENT FUND – MEMBER UPDATE TAXATION LAWS AMENDMENT ACT: T-DAY CHANGES

This member update tells you about the changes in legislation with effect from 1 March 2021. The Taxation Law Amendment Act of 2020 was signed by the President on 20 January 2021. In terms of this amendment, provident funds will be annuitised from 1 March 2021 and onwards. However, the legislation protects your access to benefits that had accumulated in the provident fund as at 28 February 2021. This change is known as T-day.

#### When is T-Day?

T-Day came into effect on 1 March 2021.

#### What does it mean?

As a member of a provident fund on 1 March 2021, all your benefits in the Fund that you have saved until 28 February 2021, plus any growth (current and future) on these benefits, will not be impacted by the changes. These benefits will be given “vested rights”, meaning that you as a member will still be able to take up to 100% of these “vested benefits” in cash at retirement.

The annuitisation rules will apply to the benefits (contributions) that you will accumulate from 1 March 2021 going forward. Upon retirement should your accumulated savings from 1 March 2021 onwards be less than R247 500 you can take the whole amount in cash as a lump sum. However, if your accumulated savings are more than this amount then you will be required to take one third of your total benefit in cash as a lump sum and the other two thirds must be used to buy an annuity (pension).

#### Key things to note:

- All benefits accumulated up to 28 February 2021, can be taken as a lump sum.
- All benefits accumulated after 1 March 2021 if less than R247 500 can be taken as a lump sum.
- All benefits accumulated after 1 March 2021 more than R247 500, one third of the total accumulated amount can be taken as cash and two thirds must be used to buy an annuity.

#### Provident fund members older than 55 on 1 March 2021

Members aged 55 years and older as at 1 March 2021 will not be affected at all by the annuitisation of provident funds provided they remain on the same provident fund of which they were a member on 1 March 2021 until retirement.

Should a member, over the age of 55 change funds after 1 March 2021, they lose the right to take the benefits accumulated after the transfer date, (which could be after 1 March 2021) in cash, that will have to be annuitised, subject to the R247 500. In other words, all contributions and growth made in the previous fund, until date of transfer to the new Fund, for this group of members, can be taken as cash.

#### **Example:**

- A.** If you had accumulated a fund credit of R400 000 in the provident fund before 1 March 2021 and a further fund credit of R300 000 after 1 March 2021.
- The amount that may be taken as a lump sum is R400 000 plus R100 000 (1/3<sup>rd</sup> of R300 000),
  - R200 000 (2/3<sup>ds</sup> of R300 000) must be used to purchase an annuity/pension.
- B.** If you had accumulated a fund credit of R400 000 in the provident fund before 1 March 2021 and a further fund credit of R240 000 after 1 March 2021.
- The amount that may be taken as a lump sum is R400 000 plus R240 000,
  - The amount of R240 000 accumulated after 1 March 2021 is less than the minimum required amount of R247 500 (*de minimis threshold*) in order to buy an annuity, which means that you can take all your provident fund benefit as cash lump sum subject to Tax deduction.

#### **Benefit Statements**

The format of your benefit statement will be reviewed to reflect your two pots of savings. The first pot will be all your accumulated savings until 28 February 2021 and the second pot will be all your accumulated savings from 1 March 2021 and onwards.

#### **Can a member get their provident fund savings in cash when they withdraw from the fund due to resignation, retrenchment or dismissal prior to retirement?**

Yes, you can still take your benefit as a cash lump sum upon resignation, retrenchment or dismissal, subject to the tax implications. There is no change to this right.

#### **Enquiries**

It is very important for you to understand these changes in legislation as they are National Treasury's broader retirement reform and they are not only applicable to the Furniture Bargaining Council Provident Fund but to the entire retirement funds industry. We have tried to make this guide as understandable as possible. If after reading through this guide you still have questions on any matter related to your retirement benefits, you are welcome to contact the Fund.

**Kindly ensure that all provisions of this Circular are complied with. Please contact the Council's Inspectorate Department should you require any additional information or clarity regarding this Circular.**

**For any enquiries contact the Council's Provident Fund department. Please do not contact any junior staff members of the Council for any additional information or clarity regarding this Circular.**

**A COPY OF THIS CIRCULAR MUST BE DISPLAYED ON YOUR ESTABLISHMENT'S NOTICE BOARD**