

**NATIONAL BUDGET 2026**  
**TAXATION LAWS AMENDMENT BILL 2025**  
**BASIC CONDITIONS OF EMPLOYMENT ACT**

## NATIONAL BUDGET 2026

Finance Minister Enoch Godongwana delivered his fifth National Budget to Parliament on 25 February 2026. This was a balanced budget which provided some relief to individuals and adjusted several monetary amount limits that have not been adjusted in several years. Notable issues in the Budget include the following:

### RETIREMENT SAVINGS: THRESHOLDS AND LIMITS EFFECTIVE 1 MARCH 2026

- ❖ Annual **tax-deductible retirement fund contributions** are currently limited to 27.5% of the greater of remuneration or taxable income, subject to a maximum of R350 000. The Rand limit will increase to R430 000.
- ❖ The **de-minimis limit for the annuitisation of benefits on retirement** from a retirement fund will increase from R247 500 to R360 000. This means that where a member's Retirement Component and two-thirds of any portion of the member's Vested Component subject to annuitisation requirements are less than R240 000 (previously R165 000), the member's full retirement benefit may be taken in cash.
- ❖ The threshold for the permissible **commutation of small balances in living annuities** for cash will increase from R125 000 to R150 000. However, the definition of living annuity will be amended so that the threshold must be applied cumulatively where an individual holds multiple living annuities with the same insurer or retirement fund.
- ❖ The annual limit for **contributions to tax free savings accounts** will increase from R36 000 to R46 000. However, the lifetime contribution limit remains R500 000. This means that an individual who has made the maximum contribution each year since the introduction of tax free savings accounts on 1 March 2015, will reach the lifetime limit during the tax year ending 28 February 2029.
- ❖ There are no proposed changes to the **taxation of lump sum benefits** paid by retirement funds (see the Annexure for the current scales).

### UNCLAIMED FINANCIAL ASSETS

National Treasury has proposed to centralise the management and investment of **unclaimed financial assets** (estimated to be over R88 billion). The intention is to ensure that the benefit of unclaimed assets accrue to the asset owners rather than to financial institutions, government or any other parties.

The proposal provides for the transfer of these assets to a central manager to lower costs and improve the likelihood of tracing asset owners. The intention is to start with the retirement fund sector and then to extend to other categories of unclaimed assets, such as bank accounts, investments and insurance payouts.

A discussion note will be released shortly for public consultation.

## PERSONAL TAXATION

- ❖ Tax relief for individual taxpayers of approximately 3.4% will be provided through adjustments to the **personal income tax** brackets and rebates.
- ❖ **Medical scheme tax credits** will increase by some 3.3% from R364 to R376 per month for the first two persons covered, and from R246 to R254 per month for additional dependants.
- ❖ The allowable **exclusions in respect of capital gains tax** will increase from R40 000 to R50 000 per year of assessment and from R300 000 to R440 000 in the year of death. The exclusion in relation to the sale of a primary residence has been increased from R2 million to R3 million.
- ❖ The annual **donations tax exemption** for individuals will increase from R100 000 to R150 000.
- ❖ The **annual allowance that can be taken offshore** by an individual without prior approval from the South African Reserve Bank will increase from R1 million to R2 million.
- ❖ There are no proposed changes to **interest exemptions, transfer duties and estate duty**.

## OTHER

- ❖ The **general fuel levy** will increase by 2.2% for petrol and 2.1% for diesel. The Road Accident Fund levy will increase by 3.2%.
- ❖ Excise **duties on alcohol and on certain tobacco products** will increase by 3.4%.
- ❖ The compulsory **registration threshold by small companies for VAT** will increase from turnover of R1 million per annum to turnover of R2.3 million per annum.
- ❖ The **VAT rate** will remain unchanged at 15%.

## SOCIAL GRANTS

The amounts payable in respect of various social grants are as follows:

Monthly grant	Up to 31 March 2026	From 1 April 2026	Percentage increase
State Old Age Grant (under age 75)	R2 320	R2 400	3.4%
State Old Age Grant (age 75 or older)	R2 340	R2 420	3.4%
Child Support Grant	R560	R580	3.6%
Disability Grant	R2 320	R2 400	3.4%
Foster Care Grant	R1 250	R1 290	3.2%
Social Relief of Distress Grant	R370	R370	0.0%

## TAXATION LAWS AMENDMENT BILL, 2025

The Taxation Laws Amendment Bill, 2025, when enacted, will correct various issues relating to the taxation of Two Pot benefits.

In addition to the above, a material change is the proposal to remove the R2 000 maximum for the payment of the member's Savings Component on the resignation of a member, if a member has previously taken a Savings Component withdrawal in the same tax year (failing which the member was required to preserve the Savings Component along with the member's Retirement Component).

Whilst this change is welcomed to reduce member confusion and unhappiness over the previous requirement, we note that most funds are experiencing a material increase in the number of (often very small) paid-up benefits left in the fund on the resignation of members, due to the compulsory preservation of the member's Retirement Component on resignation (or retrenchment or dismissal). These small paid-up benefits are likely to be eroded by administration fees and may become "unclaimed" over time if the member, or the member's family (on the death of the member), lose track of the benefit.

## RETIREMENT FUND CONTRIBUTIONS IN TERMS OF THE BASIC CONDITIONS OF EMPLOYMENT ACT

The payment of contributions by employers to retirement funds is governed by two different pieces of legislation, as follows:

- ❖ Section 13A(3) of the **Pension Funds Act** (the PFA) requires that member and employer contributions are paid to the fund within 7 days of the month end to which the contributions relate.
- ❖ Section 34A of the **Basic Conditions of Employment Act** (the BCEA) requires that member contributions are paid to the fund within 7 days of the date on which they are deducted from employees' salaries and that employer contributions are paid to the Fund within 7 days of the end of the period to which the contributions relate.

On 24 December 2003, the Minister of Employment and Labour exempted all retirement funds from the above BCEA requirements, so that only the requirements set out in the PFA applied. However, on 8 January 2026, the Minister published a Notice in the Government Gazette withdrawing the exemption with immediate effect.

All employers must, therefore, comply with both the PFA and the BCEA requirements with effect from 8 January 2026, i.e. for the payment of the January 2026 contributions onwards. The BCEA requirements are more onerous than the PFA requirements. Consequently, complying with the BCEA requirements means automatic compliance with the PFA requirements.

The late payment of contributions in terms of the PFA requirements impose an obligation on the fund to charge late payment interest to the relevant employer and to report the infringement to the Financial Sector Conduct Authority (the FSCA) and the affected members. The infringement must also be reported to SAPS if it is not corrected timeously.

The late payment of contributions in terms of the BCEA requirements does not impose any obligations on retirement funds. However, Labour Inspectors may impose compliance orders and administrative penalties (of between R300 and R1 500 per employee, depending on the number of previous infringements) on non-compliant employers.

A practical example is as follows:

If an employer pays monthly salaries on 25 March 2026, then in terms of the BCEA the member contributions must be paid to the fund within 7 days, i.e. on or before 1 April 2026. The employer contributions still only need to be paid by 7 April 2026 and the contribution schedules must be provided to the fund by 15 April 2026 (in terms of the PFA).

Administratively, it would be more efficient to pay member and employer contributions at the same time (as has previously been the case), but this does imply that both must then be paid by the earlier date.

The BCEA requirements also have more onerous implications in the following specific circumstances:

- ❖ Where December salaries are paid earlier in the month than for other months, the member contributions must be paid to the retirement fund commensurately earlier.
- ❖ Where employees are paid on a weekly basis, member and employer contributions must be paid to the retirement fund within 7 days of the end of each week.

Whilst the BCEA requirements are an employer issue and not a fund issue, we suggest that retirement funds notify the participating employers of the withdrawal of the exemption and to pay future contributions accordingly.

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**IF YOU HAVE ANY QUESTIONS OR WOULD LIKE MORE INFORMATION ON HOW THE ABOVE MAY AFFECT YOUR RETIREMENT FUND, PLEASE CONTACT YOUR KEYSTONE CONSULTANT DIRECTLY.**

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## ANNEXURE: TAXATION OF RETIREMENT BENEFITS

The taxation of benefits on exit from a retirement fund remains as follows:

### DEATH, RETIREMENT OR RETRENCHMENT

Value of lump sum (including any Savings Component)	Rate of tax
R0 to R550 000	0%
R550 001 to R770 000	18% of the amount above R550 000
R770 001 to R1 155 000	R39 600 plus 27% of the amount above R770 000
R1 155 001 and above	R143 550 plus 36% of the amount above R1 155 000

### WITHDRAWAL (RESIGNATION OR DISMISSAL)

Value of lump sum (excluding any Savings Component <sup>1)</sup> )	Rate of tax
R0 to R27 500	0%
R27 501 to R726 000	18% of the amount above R27 500
R726 001 to R1 089 000	R125 730 plus 27% of the amount above R726 000
R1 089 001 and above	R223 740 plus 36% of the amount above R1 089 000

The tax on a retirement lump sum or withdrawal lump sum benefit is equal to:

- ❖ the tax determined by the application of the tax table to the aggregate of the **retirement lump sum benefit** or **withdrawal lump sum benefit** and all *previous lump sum benefits*<sup>2</sup>; less
- ❖ the tax determined by the application of the tax table to the aggregate of all *previous lump sum benefits*.

1. Any portion of the Savings Component paid on withdrawal, will be taxed as income at the member's marginal rate.
2. *Previous lump sum benefits* include:
  - ❖ all retirement fund lump sum retirement benefits paid from October 2007;
  - ❖ all retirement fund lump sum withdrawal benefits paid from March 2009; and
  - ❖ all other severance benefits paid from March 2011.

Previous lump sum benefits will exclude savings pot withdrawals taxed at a member's marginal rate

Keystone Actuarial Solutions is an actuarial consultancy based in Johannesburg and Cape Town, South Africa. We specialise in providing high quality, genuinely independent advice and services to the Boards of retirement funds and to the sponsors of such funds. Our consulting actuaries share a common vision that independent, focussed consulting advice, provided by an experienced team, will result in better outcomes for retirement fund members and pensioners.

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