Incentives proposed to reward saving taxpayers

National Treasury wants people to look into taking up non-retirement savings products as the current household savings study paints a bleak picture of the future...

Incentives have been proposed to reward taxpayers who make a habit of putting their hard-earned cash in different piggy banks to ensure that they will retire comfortably when the fat lady sings on their working years.

Encouraging taxpayers to save is all very well, but SA's taxpayers are heavily taxed, and now Finance Minister Nhlanhla Nene has said taxes may be raised yet again. Combine that with an ever-increasing cost of living, and there is precious little left over at the end of the month. (Image: Rod Baker)

National Treasury said this when briefing the Standing Committee on Finance in Parliament on Tuesday on the progress of retirement reforms.

"Another important milestone was the release of draft regulations on tax-free savings account on 14 November," said Olano Makhubela, the Chief Director for Financial Investments and Savings at National Treasury.

Encouraging people to save

"...[There is a] need for South Africans to try to save beyond their retirement because the reality out there is that people tend to treat their retirement savings as an all-encompassing savings vehicle.

"The tax-free savings account is meant to try to see if we can't encourage South Africans to save beyond just their retirement savings," he said.

The briefing comes at the back of recent concerns that most South Africans were withdrawing their pensions at an alarming rate and that a majority had not put enough away to enable them to retire.

Finance Minister Nhlanhla Nene recently told the National Assembly that only around 6% of the current working South Africans would manage to retire comfortably.

According to Old Mutual, at least 90% of those who resigned or changed jobs in 2013 cashed in their retirement savings.

Gross Household Savings currently stood at 1.7% of the Gross Domestic Product (GDP), Makhubela said.

"All of this is done to try to help South Africans to save and improve our savings rate," Makhubela said.

New tax law postponed

The Taxation Laws Amendment Act No. 31 of 2013, meanwhile, has been postponed to March 2016.

Makhubela said in this regard, the amendment of the act would allow the same tax dispensation for all contributions into retirement funds - retirement annuity, pension or provident funds.

Other reforms that were proposed as part of the 2014 Budget aimed at bolstering savings include increasing the tax-free lump sum at retirement from R315,000 to R500,000.

National Treasury also updated the committee on the progress of the amendment of the Pension Funds Act aimed at strengthening the governance of retirement funds.

The amendment was meant to, among others, allow for whistle-blowing protection for board members, valuators and employees who disclosed material information to the Registrar of the Financial Services Board.