BIZCOMMUNITY

Delays in retirement reform may harm South Africa's economic stability

By Rob Cooper 16 Feb 2016

The Payroll Authors Group of South Africa (PAGSA) has expressed concern about recent reports that indicate t the implementation of the new tax harmonisation and preservation rules for retirement funds may be once again postponed.

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The organisation says that it believes these portions of the Taxation Laws Amendment Act should be introduced from 1 March 2016, as planned, to create an environment of economic certainty and to encourage a culture of saving. These amendments were introduced following rigorous, democratic consultation with all stakeholders.

PAGSA furthermore warns that many of the country's largest employers face an administrative nightmare if they need to r back the changes they have already made to their payroll systems to cater for retirement reform. This could also complica tax administration for SARS.

The implementation of the Act is the culmination of years of transparent and in-depth discussion between the National Treasury and its stakeholders including the labour organisations. The legislation was initially enacted in December 2013, b implementation was delayed to allow for further consultation.

PAGSA is a non-profit organisation that represents suppliers of computerised payroll systems in South Africa. It was one the stakeholders involved in the retirement reform discussions, particularly towards the end of the process.

Its members' payroll systems have been changed, tested and mostly implemented at employers around the country to mee the 1 March 2016 deadline. Depending on special payroll run dates, some payrolls are already implementing the new legislation.

At this stage, it will be impossible for all payroll authors and large companies to change payroll systems back to the old law before 1 March 2016. Payroll calculations and employment tax withholdings will be done according to the new law from 1 March 2016, resulting in a tax and administrative nightmare if the old law is reinstated.

PAGSA notes that the reforms are beneficial for most employers and employees that contribute to a retirement fund of any kind. The only people who may be disadvantaged are provident fund members who will – in limited cases – no longer be p out their benefit on retirement in full as a lump sum. They will receive only one third and the remaining portion will be re-invested for growth and to provide them with monthly annuity income.

PAGSA urges government to allay the ungrounded fears and rumours surrounding the reforms. It should communicate clearly to labour and retirement fund members that law protects their rights to their investments in retirement funds.

PAGSA remains in full support of the implementation of the Taxation Laws Amendment Act on 1 March 2016. Reversals of law of this nature could impact negatively on our economy at a sensitive time in our country - we need policy stability and economic growth, not the opposite.

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