



**Denver Keswell**  
Senior Legal Advisor

# Commuting your RA on emigration

Prior to March 2008, retirement annuity (RA) fund members who had emigrated from South Africa had to wait until retirement age (55) before they could commute their lump sum benefits.

The definition of "retirement annuity fund" was then amended to allow fund members who had stopped making contributions to their RAs before retirement to access the full fund value of the RA, provided the emigration was recognised as "formal emigration" by the South African Reserve Bank for purposes of exchange control.

## What qualifies as formal emigration?

Only South African residents can formally emigrate from South Africa. Merely living in South Africa for a few years and then returning to your country of citizenship is not considered formal emigration. It is imperative that non-resident clients are fully informed of this prior to investing in an RA.

## How do I go about formally emigrating?

Formal emigration is facilitated by your bank. They will make an application to the South African Reserve Bank on your behalf. Once you have received confirmation of formal emigration from the Reserve Bank, you need to send this proof of emigration to your RA fund administrators who will process the withdrawal.

## How are RA withdrawals on emigration taxed?

The lump sum commuted on "formal emigration" will be taxed in terms of the table below:

Amount	Tax rate
R0-R22 500	tax free
R22 501- R600 000	18%
R600 001 – R900 000	27%
R900 001 – above	36%

If a member elects to leave the benefit in South Africa and purchase an annuity at retirement then the annuity will be taxed at the member's marginal rate of tax.

## What happens if I have reached the age of 55 but not the contractual retirement age?

If a member is age 56, for example, and elects 60 as the retirement age on the RA contract, then the member will have the option to either retire from the fund\* or commute the full fund value on formal emigration. The benefit will be taxed according to the table above if the client elects to commute the full fund value on emigration.

## What happens if I have already reached the contractual retirement age?

In the latest Tax Directive Guide on Emigration 2013, Treasury clarified that members who have reached the contractual retirement age will not be able to commute the full fund value on formal emigration. These members only have the retirement option\* available to them.

This effectively means that if a member elects 60 as the retirement age on the RA contract and the member is now 62 years old, then the member will not have the option to fully commute their RA fund value on formal emigration.

One of the advantages of investing in the Nedgroup Investments Retirement Annuity Fund is that it is open ended. This means that members do not need to elect a retirement age and will therefore not be restricted by the changes above.

If you have any queries on this, please send an email to Nedgroup Investments Legal Services [nls@nedgroupinvestments.co.za](mailto:nls@nedgroupinvestments.co.za).

*\*Retirement from an RA fund allows a lump sum commutation of up to one third of the fund value. The remainder must be used to purchase an annuity. [BN](#)*