

Adviser Notice 78

February 2022

Dear Adviser

Change in legislation affecting PAYE on income received from multiple sources

A legislative change affecting Pay-As-You-Earn tax (PAYE) on income received from multiple sources will come into effect on 1 March 2022. The aim of the amendment is to allow for a more accurate monthly PAYE amount to be deducted, thereby preventing situations where clients with more than one source of income end up with a large tax debt payable when submitting their annual tax returns.

What is the current situation?

- Where clients receive income from more than one source, the monthly PAYE deducted from each source may not be sufficient to cover their total tax liability at year-end.
- SARS determines the final tax liability by adding together all sources of income and applying a progressive tax rate to the total income.
- Where income is received from an annuity, clients can request the administrator of their annuity product to deduct a higher amount of PAYE to ensure their total annual tax liability is adequately covered, but not many clients make use of (or are aware of) this option.

How will the situation change from 1 March 2022?

To assist clients with more than one source of income, the recently introduced legislation makes provision for SARS to determine a more accurate PAYE deduction amount. For annuitants, this will be done by way of the process outlined below.

- SARS will use the latest data available to them to calculate an effective tax rate and will make this rate available to annuity product administrators by means of an annual tax directive. This will apply to annuity income payable from 1 March 2022.
- Clients may still instruct their annuity product administrator to apply the current PAYE rates (i.e. they may choose to opt out of the directive tax rate).
- If the administrator does not receive an instruction from SARS to apply a specific withholding rate, the current PAYE rates will continue to be applied.
- Clients may instruct their administrator to continue deducting PAYE at a rate higher than the rate provided by SARS.

Where we receive effective tax rate directives from SARS, we will inform you of the directive details provided to us. As noted above, your clients still have the option to opt out and remain on their existing PAYE rate. If no response is received from a client, the PAYE rates provided by SARS will be applied.

**Need more information?**

If you have any queries, please contact your investment specialist or your dedicated client service team.

Kind regards

Cindy Tshabalala

Head of Client Service