

Budget expected to address future of social security system

By [David Gluckman](#)

24 Feb 2015

For the 2015 National Budget speech, we will focus our attention on the expected future direction of social security and retirement fund reform.



© Dreaming Andy – [za.fotolia.com](#)

This is Finance Minister Nene's first Budget, and we need to see whether he will continue in the direction forged by his predecessor Pravin Gordhan or whether he will chart a new course.

Ambitious goals for retirement fund reform were announced with the 2014 Budget, not all of which have been met or delivered upon. The biggest was most probably the significant tax changes (better known as T-Day) that were announced to be implemented from 1 March 2015, which was later announced to be delayed to 1 March 2016 (at the earliest).

These reforms would have aligned the tax treatment of pension funds, provident funds and retirement annuities, as well as introduced more generous tax concessions for the average South African, albeit whilst introducing a rand cap of R350,000 per annum for the wealthy.

High on agenda

It has been high on National Treasury's agenda to solve the problem of South Africans cashing in on their retirement savings when changing jobs, in so doing paying tax and not having anything left for their retirement savings. It will be interesting to see if Minister Nene will continue the push by Pravin Gordhan to put tighter preservation legislation in place. Preservation remains a big issue in South Africa, especially when it comes to adequate saving for retirement.

Cosatu and other labour federations motivated for comprehensive social security and subsequently used political muscle to delay T-Day. The question is therefore, will we see the call for a National Social Security System (NSSS) back on the

table? Whilst former president Thabo Mbeki spoke a lot about putting the latter in place, Pravin Gordan opted for a more private sector-friendly reform. It also brings to mind the discussed NHI plans and whether this will be a topic of discussion in this budget address.

Radical changes to retirement funding rules would come as a surprise in the 2015 Budget, but we are hoping for much greater clarity as to government's future direction.

ABOUT THE AUTHOR

David Gluckman is Head of Special Projects at Sanlam Employee Benefits.

For more, visit: <https://www.bizcommunity.com>