

# Legal Update

February 2026

**Legal Update** is a publication by Go Benefits that aims to explain key components of the legislative and regulatory changes that affect retirement funds in South Africa.



*In this publication, we discuss the National Budget as it relates to retirement funds.*

*Please call (011 258 8852) or email us at [info@gobenefits.co.za](mailto:info@gobenefits.co.za) if you require clarity on any part of this publication.*

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## National Budget 2026 – some welcome news

On 25 February 2026, the Finance Minister, Enoch Godongwana, delivered his Budget Speech. As always, our attention at Go Benefits turns to what it means for employee benefits, with a particular focus on retirement funds.

On a positive note, there is some encouraging news. Government has proposed adjustments to a number of long-standing tax thresholds and limits, offering some relief.



**GO** Benefits



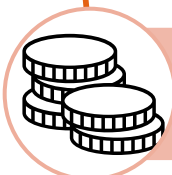
Increasing the retirement fund contribution deduction limit: annual cap of R350,000 to rise to R430,000 from 1 March 2026



Increasing the de minimis amount on retirement from a retirement fund: it is proposed to increase the de minimis threshold amount effective from 1 March 2026 from R247,500 to R360,000.



This effectively means raising the threshold for the annuitisable portion of a retirement benefit from R165,000 to R240,000 (since  $R360,000 \times 2/3 = R240,000$ ).



Living annuities - the living annuity de minimis limit: this threshold is currently R125,000. It was announced that this limit is set to rise to R150,000 from 1 March 2026.



Living annuities - determining the application of the de minimis limit for multiple living annuities held with the same insurer or fund: the prescribed de minimis limit must be determined cumulatively where an annuitant holds multiple living annuities with the same insurer or fund.



Tax-free savings accounts (TFSA) - increase in the contribution limit: from 1 March 2026 the annual contribution limit to a TFSA will increase from R36,000 to R46,000 per tax year.



Unclaimed financial assets (including unclaimed benefits): Government has proposed changes to centralise the management and investment of unclaimed financial assets, which include retirement fund benefits, bank accounts, investments and insurance payouts.

## Threshold and limit adjustments

Government states that to promote entrepreneurship, savings and a fairer tax regime for those receiving employment benefits the thresholds set out in the following table (related to retirement provision) will be adjusted for inflation.

Description (R)	Last amended	Current monetary amount	Proposed monetary amount
<b>Savings and retirement</b>			
Tax-free investments: annual limit	2021	36,000	46,000
Retirement fund contribution deduction limit	2016	350,000	430,000
Retirement interest de minimis threshold for annuitisation	2016	247,500	360,000
Living annuity commutation	2020	125,000	150,000

Source: National Treasury – however, own reduced version.

## Increasing the retirement fund contribution deduction limit

To encourage retirement savings, if one contributes to a retirement fund (approved pension/ provident/ retirement annuity fund) one can claim a tax deduction for contributions you make to these retirement funds. The allowable deduction one can have in any tax year (which runs from 1 March to the end of February) is limited to the lowest of these amounts:

1. The actual contributions you made during the year (across all your retirement funds combined).
2. 27.5% of the greater of:
  - Your remuneration (basically your salary/wages for employees' tax/PAYE purposes, excluding any retirement lump sums or severance benefits), or
  - Your taxable income (before deducting the retirement contributions themselves, donations, or foreign tax credits, and excluding retirement lump sums/severance benefits).
3. An overall annual cap of R350,000 (this is the hard ceiling applied across everything).

It is proposed in the Budget that the annual cap of R350,000 will rise to **R430,000** from 1 March 2026 (i.e. for the 2027 tax year onward). This is very welcome and was last increased in 2016. The 27.5% percentage remains unchanged.

## Increasing the de minimis amount on retirement from a retirement fund

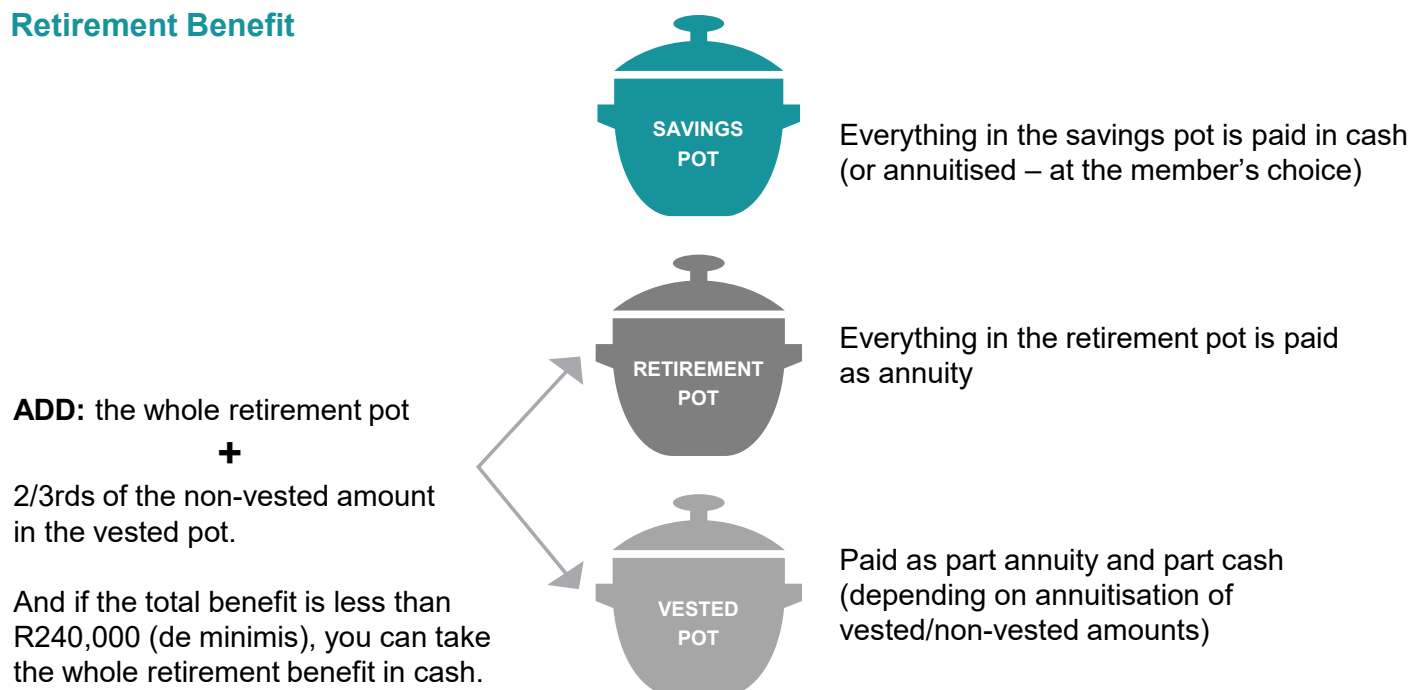
One of the limits that has also been raised is the *de minimis* amount that applies on retirement from a fund and determines when a member can take their whole retirement benefit in cash. It is proposed to increase the *de minimis* threshold amount effective from 1 March 2026 from R247,500 to **R360,000**.

This effectively means raising the threshold for the annuitisable portion of a retirement benefit from R165,000 to **R240,000** (since  $R360,000 \times 2/3 = R240,000$ ).

This can be a bit confusing, so let's explain it better. When one is working out when a retirement benefit can be taken all in cash, the following calculation is done:

Add the whole amount in the retirement pot to two-thirds of the vested portion in the vested pot. If the Rand amount of these two amounts added together is less than R240,000, then the whole retirement benefit can be taken in cash. This is illustrated in this picture:

## Retirement Benefit



## Living annuities

### 1. The living annuity de minimis

The Income Tax Act permits you to cash out (commute) a living annuity as a single lump-sum payment if the total value of its underlying investments (assets) drops below a specified small-amount threshold, known as the *de minimis* limit. This threshold is currently R125,000. It was announced that this limit is set to rise to **R150,000** from 1 March 2026. This amount was last increased in 2020.

This rule avoids a low ongoing income from small annuities.

### 2. Determining the application of the *de minimis* limit for multiple living annuities held with the same insurer or fund

In addition to an increase to this *de minimis*<sup>1</sup> limit, Treasury clarified how the *de minimis* limit must be applied where the annuitant (in a retirement fund or at an insurer) has more than one living annuity with the same fund or insurer. There has been some debate about this whether the *de minimis* applies per policy or cumulatively across the insurer or fund, which is why the Budget proposals aim to clarify and confirm the cumulative approach.

If you have multiple living annuities with the same insurer or the same fund, their values are added together (aggregated) to see if the combined total falls below the limit.

Only once the aggregated amount with that particular fund or insurer dips under the *de minimis* threshold (R150,000 from 1 March 2026) can you commute (cash out) those annuities as a lump sum.

This aggregation prevents people from splitting small balances across many small policies with the same provider to bypass the rule and take multiple lump sums.

Government states that it is of the view that applying the limit on a per-policy basis could undermine retirement income security by enabling the early commutation of multiple small annuities and facilitating tax-driven restructuring of retirement assets.

In short: if your living annuity (or all your living annuities with one fund or one insurance provider) shrinks to below R125,000 (R150,000 from 1 March 2026), you can take the whole remaining amount as cash in one go, rather than keeping it as a small ongoing income stream. Tax implications on the lump sum would still apply under normal rules.

Thus, the proposal is that the definition of “living annuity” in section 1 of the Income Tax Act be amended to explicitly provide that the prescribed *de minimis limit* must be determined cumulatively where an annuitant holds multiple living annuities with the same insurer or fund.

## **Tax-free savings accounts (TFSA): increase in the contribution limit**

A key proposal to encourage higher personal savings and investment is an increase to the annual contribution limit for TFSA’s (also referred to as tax-free investments).

By law there is a limit on how much an investor can contribute to a TFSA. Currently, an investor can contribute up to R36,000 per tax year to a qualifying TFSA. This limit has been static since 2021. From 1 March 2026 (i.e. for the 2027 tax year onward) the annual contribution limit to a TFSA will increase from R36,000 to **R46,000** per tax year (about a 28% increase).

The lifetime limit on contributions (across all an investor’s TFSAs) remains at R500 000.

## **Reform: unclaimed benefits**

Continuing in its efforts to reform retirement funding in the country, Government proposed changes to centralise the management and investment of over R88 billion in unclaimed financial assets, which include retirement fund benefits, bank accounts, investments and insurance payouts. This has been on the cards for some time now. It goes on to state that this reform aims to ensure that the benefits of these assets accrue to the asset owners rather than to financial institutions, government or any other parties.

The proposed framework provides for the transfer of these assets to a central manager to drive down costs and improve payouts with appropriate governance for investment, alongside the appointment of a central administrator responsible for administration, record-keeping and tracing.

Government stated that this reform will be rolled out in phases, starting with the retirement fund sector, given its established identification and monitoring systems. Over time, the framework will be extended to other categories of unclaimed financial assets.

Government claims that the centralisation of unclaimed financial assets seeks to address challenges associated with fragmented administration, inconsistent definitions and the erosion of value through fees. A unified system, supported by a central database and an administrator, is intended to strengthen tracing processes and enhance transparency. It is also expected to provide beneficiaries with a clearer and more streamlined claims process. A discussion note will be released shortly for public consultation.

The discussions on unclaimed financial assets in South Africa, including unclaimed retirement fund benefits, trace back to ongoing efforts by the National Treasury and the Financial Sector Conduct Authority (FSCA) to manage these assets.

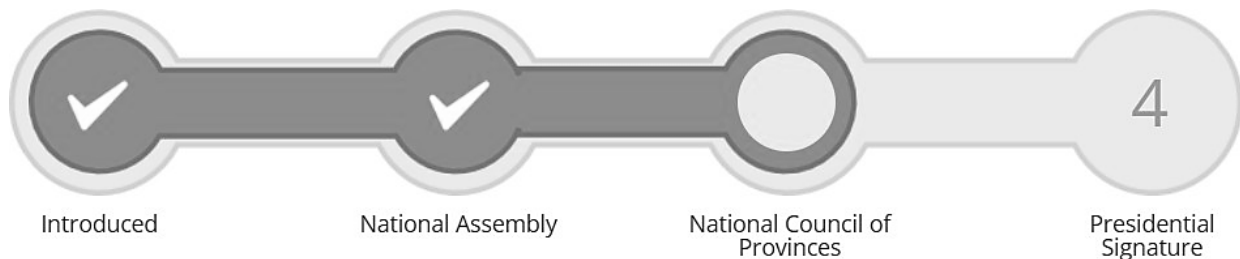
In September 2022, the FSCA published a discussion paper titled “A Framework for Unclaimed Financial Assets in South Africa,” which built on prior National Treasury work focused specifically on unclaimed retirement benefits. The paper estimated billions in unclaimed assets across sectors like retirement funds, bank deposits, insurance policies, and investments, disproportionately affecting vulnerable groups, and proposed a broader framework for definitions, management, tracing, and eventual handling of such assets. It highlighted options for centralising these assets, including transfer to a National Unclaimed Benefit Fund (or a similar central unclaimed assets fund) or the National Revenue Fund.

Following stakeholder consultations on the FSCA's recommendations throughout 2023, the FSCA released a response document in March 2024 summarising feedback and refining proposals. This paved the way for collaborative work between National Treasury, the FSCA, and the financial services industry to develop a comprehensive framework, including the establishment of a central mechanism for record-keeping, beneficiary tracing, and asset management to ensure benefits accrue to rightful owners rather than institutions or the state.

Further consultation and legislative steps are expected to formalise this centralised approach in the coming period. We will have to see the extent to which Government gains control over these assets in this centralised model and how transparently and efficiently these funds will be managed.

## Taxation Laws Amendment Bill

This Bill has not been enacted yet and its status is indicated as follows on the Parliamentary Monitoring Group website:



## Summary

Retirement fund members and savers will benefit from the above-mentioned increases in limits and thresholds

Go Benefits will continue to closely monitor developments around retirement reform, as well as the progress and finalisation of the Taxation Laws Amendment Bill.

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