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Dipping into your pension

Unfortunately, you can only withdraw your full fund after three years of non-tax residency. Here's why.

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▶ The three years before you can access the full value of your fund are counted from the date you cease to be a tax resident, not necessarily your departure date from SA.

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The question: I plan to quit my current job and move overseas permanently sometime next year. I have a pension built up with my current employer (currently around R1.2 million). Can I withdraw it all and leave with whatever is left after being taxed, or are there other limitations?

The answer: There are a few key considerations when it comes to withdrawing retirement funds after emigrating from South Africa. Let's break it down, especially in the context of pension funds, the three-year lock-in rule, and the living annuity restriction.

1. The three-year lock-in rule (Section 10cB of the Income Tax Act)

As of 1 March 2021, South African tax laws were amended to include a three-year lock-in rule for members of preservation and retirement annuity funds (including pension funds not yet converted to annuities).

This means:

▶ You must be a non-tax resident for three consecutive years before you're allowed to access your full fund value as a lump sum withdrawal on emigration;

▶ The tax residency status must be ceased with Sars, and this cessation must be recognised officially; and

▶ The three years are counted from the date you cease to be a tax resident, not necessarily your departure date from SA.

2. No withdrawal allowed after conversion to a living annuity

It's important to note that once your pension fund is converted into a living annuity, you can no longer make a full lump sum withdrawal, even if you emigrate.

At this point, your only access to funds is via regulated income drawdowns (between 2.5% and 17.5% annually), and this restriction applies regardless of your tax residency status. So, if you're planning to emigrate and want access to your full fund, it must happen before converting to a living annuity and after satisfying the three-year lock-in rule.

3. Example: withdrawal of R1.2m pension fund

Assuming you meet the three-year lock-in requirement and you have not yet moved the pension into a living annuity, here's how the tax would apply on a lump sum withdrawal of R1.2 million (as of the 2025-2026 tax tables for withdrawal lump sum benefits):

Calculation:

▶ Total tax = (R1 200 000 – R1 089 000) x 36% + 223 740 = R263 700

Net lump sum after tax = R1 200 000 – R263 700 = R936 300

▶ (Based on the assumption that no previous withdrawals have been made. Subject totax directive from Sars.)

Summary

▶ You can only withdraw your full pension fund after three years of non-tax residency (lock-in rule).

▶ Once converted into a living annuity, full withdrawal is no longer an option, regardless of your emigration.

▶ On a R1.2 million withdrawal, expect to pay R263 700 in tax, leaving you with approximately R936 300.

▶ *Beukes is a certified financial planner at Brenthurst Wealth Management*

R263 700

The tax you'll pay on a R1.2m withdrawal

Sars withdrawal lump sum tax table

Taxable income	Rate of tax
0 – R27 500	0% of taxable income
R27 501 – R726 000	18% of taxable income above R27 500
R726 001 – R1 089 000	R125 730 + 27% of taxable income above R726 000
R1 089 000 and above	R223 740 + 36% of taxable income above R1 089 000