

bulletin

BUDGET 2010/2011: Tax Highlights

Personal Income Tax Relief

Limited tax relief was granted to individuals and partially compensates for the effects of inflation, commonly known as "bracket creep".

The new tax thresholds for:

- individuals younger than 65 will be R57 000; and
- individuals 65 or older will be R88 528.

The exemption for interest and dividend income has been amended:

- For individuals younger than 65 years, it was raised from R21 000 to R22 300.
- For individuals 65 years and older, it was raised from R30 000 to R32 000.
- The threshold for the tax-free portion of interest and dividends from foreign investment increases from R3 500 to R3 700.

Medical Expenses

From 1 March 2010 the tax deductible portion of monthly contributions to medical schemes is increased for each of the first two beneficiaries from R625 to R670 and for each additional beneficiary from R380 to R410. Taxpayers over the age of 65 can claim all medical expenses paid by themselves, including contributions, as a tax deduction.

Voluntary Disclosure Programme

In order for taxpayers to disclose their defaults (non-compliance) and regularise their tax affairs, a

voluntary disclosure programme will be implemented. The programme will be effective during a window period from 1 November 2010 until 31 October 2011.

The full amount of tax will remain due but relief with regard to interest and penalties will apply provided that the disclosure is complete and SARS was not aware of the default.

Taxes upon death

Both estate duty and capital gains tax are payable upon death, which is perceived as giving rise to double taxation. Estate duty raises limited revenue and is cumbersome to administer. Moreover, its efficacy is questionable as many wealthy individuals escape estate duty liability through trusts and other means. Taxes upon death will be reviewed during this year.

Fringe benefits & allowances

Travelling allowances gave rise to tax arbitrage as employees who do not travel for business purposes gained from claiming tax relief from a deemed kilometre method. This practice ceased on 1 March 2010. In future all claims for travelling expenses must be substantiated by a log book.

Tax on company cars will be reviewed during this year and adjusted if necessary.

Deferred compensation and employee insurance schemes will also be reviewed.



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MINE EMPLOYEES PENSION FUND

Client Service Centres are there to serve you

To ensure that members and pensioners of the Funds can obtain information and assistance through a convenient channel, the Client Service Centre network has been expanded.

The Funds provide this service directly to its members and pensioners and do not use the services of any outsiders. Please do not be misled by persons who are not employed by the Funds.

Our dedicated teams consist of experienced staff members who will go out of their way to assist you.

NEW CARLETONVILLE CENTRE OPENED

A Client Service Centre opened in Carletonville on 4 January 2010.

This centre is situated at shop 10 in the S Buys Business Park on the corner of Kaolin and Radium streets in Carletonville.

The S Buys Business Park was formerly known as the OK Bazaar building and is situated next to the Pick and Pay Centre.

The contact telephone number is: (018) 786 1118/9

WELKOM CENTRE RELOCATES

Our existing centre in Welkom has been serving members and pensioners for over ten years.

On 1 April 2010, this office will relocate to Shop 24, The Strip, 314 Stateway.

The Strip complex was formerly known as the Oranje Hotel and has recently been renovated.

It is situated across the street from the casino.

The contact telephone number is : (057) 352 2905/6

WITBANK CENTRE

Our Witbank Client Service Centre is situated in Pentagon House, 5 Neven Street, Model Park, Witbank.

The contact telephone number is: (013) 656 6963

JOHANNESBURG CENTRE

The Johannesburg Client Service Centre is situated on the ground floor, MPF House, 32 Sunnyside Drive, Parktown, Johannesburg.

The contact telephone number: (011) 481 8000

KLERKSDORP CENTRE

The Klerksdorp centre is situated at 85B Siddle Street, Klerksdorp.

The contact telephone number is: (018) 464 4700

OTHER WAYS TO CONTACT THE FUNDS

If you are not situated in these areas or cannot visit them, you are welcome to use any of the following channels to contact the Funds:

Our dedicated telephone call centre on (011) 481 8000

Our dedicated fax line on (011) 481 8111

Our e-mail address at sentinelinfo@mpf.co.za OR mepfinfo@mpf.co.za

Our web sites www.sentinelretirement.co.za OR www.minepensions.co.za

Providing for retirement IS YOUR RESPONSIBILITY



For most of us, retirement is something we will start thinking about when we are older.....something that only older people think, talk and dream about.

Unfortunately, this mind-set creates enormous problems the day we decide that we are old enough to start

thinking about retirement as we then realise that we have lost valuable planning time that could have been used to design and manage a proper financial, retirement and estate plan.

We should not think about retirement provision as something that will be needed when we get older, but rather view it as an income replacement that will deliver the day we can no longer work to earn an income. Your retirement fund will hopefully only start paying a lifelong income from the day you retire, but you might become permanently disabled to continue your career or die before you reach retirement and at that stage, your Fund will start paying an income either to yourself or your spouse. Your income requirement from your Fund might therefore start far earlier than expected.

To maximise your retirement savings, you will require:

- Discipline to handle your financial affairs in an organised manner and preserve your retirement savings throughout your working career,
- A savings career of more than 35 years, with accumulated growth over the entire period,
- Meaningful contributions throughout your career of more than 15% of your income per month towards your retirement provision,
- A reliable, compliant and properly structured flexible Fund that will earn the required investment returns of at least 5% per annum above inflation for you, without excessive costs.

Taking responsibility for your own retirement savings is perhaps one of the most critical aspects of retirement provision in the modern defined contribution retirement environment.

As a member, you have ownership of your retirement savings. This does not mean that it forms part of your estate, but it means that you can access it the day you leave the service of your employer.

It so often happens that a lack of personal financial discipline leads to over indebtedness, for which an almost automatic solution seems to be to access retirement savings to solve the short term problem. Cognisance of the long term effect is ignored and only at a later stage in life, the real impact of the action is realised, when it is, unfortunately, too late to change it.

To prevent this, a properly compiled financial, retirement and estate plan is required. These plans must be based on specific goals and the ultimate goal should be



1. TO LIVE A COMFORTABLE BUT AFFORDABLE LIFE,
2. TO ENSURE THAT MATTERS SUCH AS THE ACCUMULATION OF ASSETS, SUFFICIENT RETIREMENT, INSURANCE AND ASSURANCE PROVISION IS MADE TIMEOUSLY AND NOT POSTPONED UNTIL RETIREMENT,
3. NOT TO CONFUSE 1 AND 2 ABOVE.

A habit that will assist you in creating real wealth is to compile and manage a personal monthly household budget. By doing this, you will ensure that you address all relevant matters as defined in your financial, retirement and estate plans.

bits & tips

LUMP SUM PAYMENTS & TAX - R300,000 TAX FREE PACKAGE

Retirement fund lump sums benefit from a special rates table that includes a R300 000 exemption. This table mainly applies when a lump sum payout occurs upon a member's retirement. The succession of retirement fund lump sums from a deceased member benefits from the special rates table in the same manner as retirement payouts. This exemption has also been extended to **include withdrawal benefits in the event of involuntary retrenchments.**

Amounts exceeding the exemption are taxed in terms of a prescribed table (18% on the first R300,000 exceeding the exemption, 27% on the next R300,000 and 36% on the balance exceeding R900,000).

In the event of a person taking a **withdrawal benefit (not as a result of an involuntary retrenchment) prior to retirement, an exemption of R22,500 will apply** but will eventually reduce the retirement exemption.

In his Budget Speech earlier this year, the Minister of Finance admitted that the R30 000 tax exemption for retrenchment packages payable by an employer has not been adjusted in many years. He proposed to merge this exemption into the retirement lump sum tax exemption. In future, all retirement and retrenchment lump sum payments will be treated equally.

Members are cautioned that any tax relief on a lump sum payment prior to retirement will deplete the exemption which normally applies to lump sums at retirement (R300 000).

BEWARE OF RUMOURS!

A recent rumour has once again been circulated with regard to the "Nationalisation" of retirement fund assets.

There is no truth to this rumour!

Under discussion are proposed changes to Regulation 28, which governs the investments of all retirement funds in SA, that includes the percentages that can be invested in shares, property, derivatives, Socially Responsible Investments, etc.

These discussions are in an infancy stage and changes, if any, that have a material impact on the Funds' investments, will be communicated.

Your Fund is able to communicate with you using SMS technology. If you have a cell phone and you wish to receive short Fund related messages from us, please activate the service by sending a SMS to 34010.

Instructions

- SMS the word: OTHER
- followed by: a blank space
- followed by YOUR 13-digit: ID number
- followed by: a comma
- followed by the word: CELL
- followed by: a comma
- followed by YOUR: cell phone number

Send this sms to: 34010

**We need YOUR
cell phone number!**



EXAMPLE

OTHER 4010010009008,CELL,0821234567

A sms message will be sent back to your cell phone once you have activated the service confirming that your details have been successfully updated.