

# Pensions at a Glance 2023



# South Africa

## South Africa: Pension system in 2022

The public pension is flat rate based on a residency test. There is also many occupational schemes, though coverage is not high at lower-income levels.

### Key Indicators: South Africa

		South Africa	OECD
Average worker earnings (AW)	ZAR	150 000	645 391
	USD	9 106	39 178
Public pension spending	% of GDP		7.7
Life expectancy	at birth	63.7	80.6
	at age 65	13.1	19.7
Population over age 65	% of working-age population	9.6	30.4

## Qualifying conditions

The pension age is 60 for both men and women.

## Benefit calculation

### *Old-age pension*

The pension is means-tested with individuals having an income of under ZAR 86 280 for singles and ZAR 172 560 for couples and no more than ZAR 1 227 600 in assets for a single person and ZAR 2 455 200 for a couple. The benefit amount is up to ZAR 1 990 per month for singles and ZAR 3 980 for couples. The benefit is increased to ZAR 2 000 for those aged over 75.

### *Voluntary private pension*

The average contribution rate for occupational schemes is around 15% of earnings, divided between employers and employees.

## Variant careers

### *Early retirement*

It is not possible to claim the public pension before the normal eligibility age of 60.

### *Late retirement*

Receipt of the old-age pension is not dependent on retirement. It is therefore possible to combine pension and employment as long as the recipient's income does not exceed the means test threshold.

While people are not obliged to claim the public pension on reaching the qualifying age, there is no advantage in deferring a claim.

### ***Childcare***

Eventual public pension entitlement is not affected by periods out of paid work for caring purposes.

### ***Unemployment***

Eventual public pension entitlement is not affected by periods of unemployment.

### ***Self-employed***

Certain categories of self-employed workers are covered in the same schemes as workers.

## **Personal income tax and social security contributions**

### ***Taxation of workers***

Workers have a tax threshold of ZAR 91 250 effectively giving a tax rebate of up to ZAR 16 425. Beyond this tax is paid at the following rates:

Annual income from all sources (ZAR)	Income tax Rates
Up to 226 000	18%
226 001 – 353 100	26%
353 101 – 488 700	31%
488 701 – 641 400	36%
641 401 – 817 600	39%
817 601 – 1 731 600	41%
1 731 601 and above	45%

### ***Taxation of pensioners***

Pensioners have a higher tax threshold of ZAR 141 250 from age 65 and ZAR 157 900 upon reaching age 75, giving maximum rebates of ZAR 25 425 and ZAR 28 442 respectively.

### ***Taxation of pension income***

Pension income is taxed at the following rates:

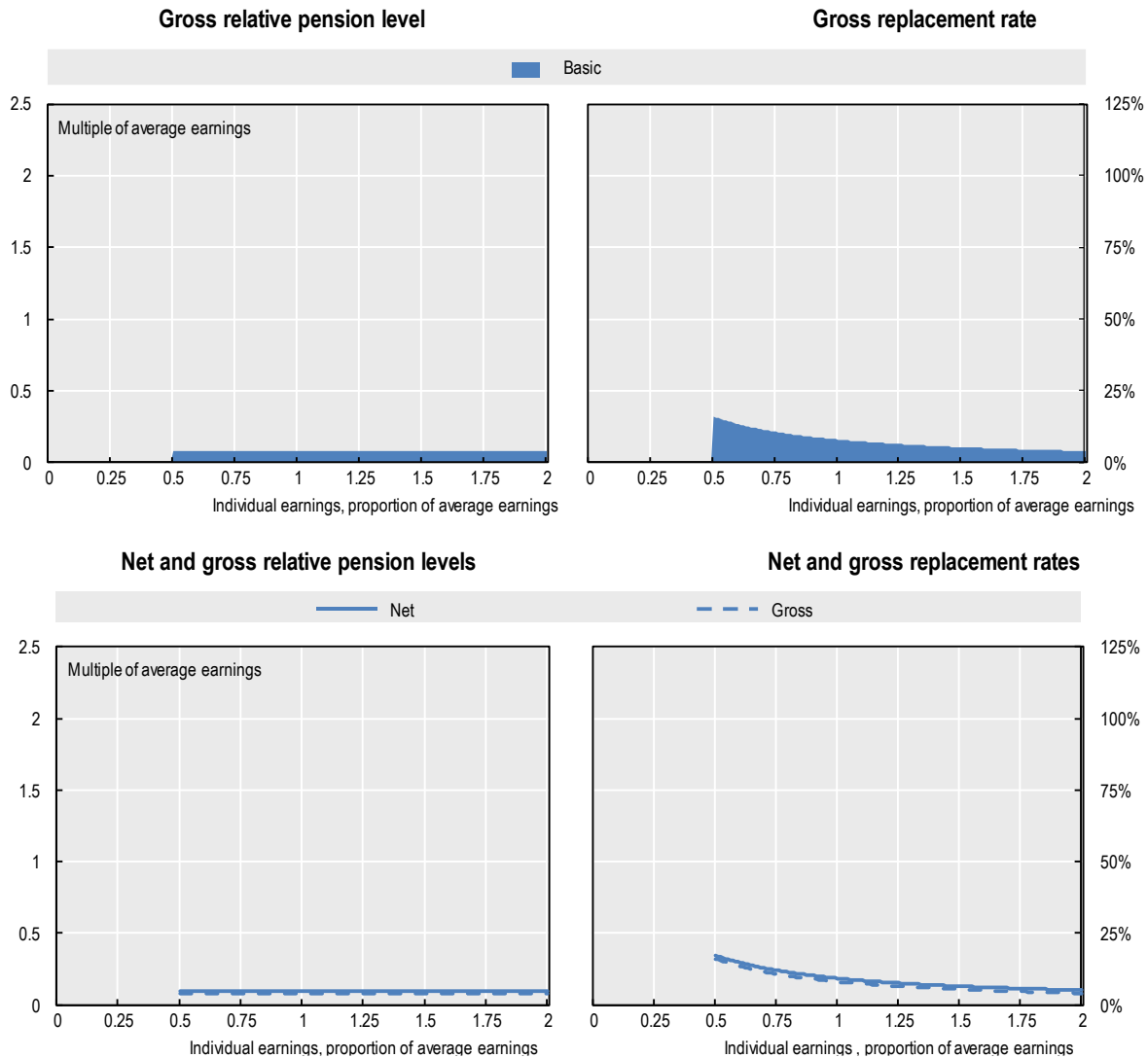
Annual income from all sources (ZAR)	Income tax Rates
Up to 500 000	18%
500 001 – 700 000	27%
700 001 – 1 050 000	36%

### ***Social security contributions paid by pensioners***

The South African system is funded through general taxation and there are no specific social security contributions.

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### Pension modelling results: South Africa in 2060 retirement at age 60



Men Women (where different)	Individual earnings, multiple of average					
	0.5	0.75	1	1.5	2	3
Gross relative pension level (% average gross earnings)	8.0	8.0	8.0	8.0	8.0	8.0
Net relative pension level (% net average earnings)	9.2	9.2	9.2	9.2	9.2	9.2
Gross replacement rate (% individual gross earnings)	16.0	10.7	8.0	5.3	4.0	2.7
Net replacement rate (% individual net earnings)	17.2	12.0	9.2	6.4	5.0	3.6
Gross pension wealth (multiple of individual gross earnings)	2.8	1.9	1.4	0.9	0.7	0.5
Net pension wealth (multiple of individual net earnings)	3.0	2.1	1.6	1.1	0.9	0.6
	3.7	2.6	2.0	1.4	1.1	0.8

Assumptions: Real rate of return 2.5%, real earnings growth 1.25%, inflation 2%, and real discount rate 1.5%. All systems are modelled and indexed according to what is legislated. Transitional rules apply where relevant. DC conversion rate equals 90%. Labour market entry occurs at age 22 in 2022. Tax system latest available: 2022.