



MARCH 2022

Dear CRF Member,

While January was a rocky start to the year for financial markets, this unfortunately continued in February 2022. Russia invaded Ukraine leading to a spike in gas, oil, wheat and most other commodity prices that continued to perpetuate fears that inflation will remain high as global supply chains remain disrupted after Covid-19's devastating impact. Locally, the equity market performed well as Resource Stocks rallied significantly. All local asset classes except listed property delivered positive returns during the month.

The returns of the major asset classes ended February 2022 were as follows:

	1 month	3 months	6 Months	1 year
SA Equity (Capped SWIX)	1.9%	9.1%	11.3%	15.0%
SA Bonds (ALBI)	0.5%	4.1%	2.1%	9.0%
SA Property (ALPI)	-3.3%	1.4%	1.0%	22.4%
SA Cash (STeFI)	0.3%	1.0%	2.0%	3.9%
SA Inflation Linked Bonds (CILI)	2.1%	5.5%	6.4%	12.2%
Global Equity (MSCI World (\$))	-2.5%	-3.7%	-4.6%	10.7%
Global Equity (MSCI World (R))	-2.6%	-7.2%	1.9%	13.0%
Global Bonds (WGBI (\$))	-1.1%	-3.7%	-6.4%	-6.5%
Global Bonds (WGBI (R))	-1.2%	-7.2%	0.0%	-4.6%

The returns of the CRF portfolios (net of all fees) to the end of February 2022 were as follows:

Portfolio	1 month	3 months	6 months	1 year
CRF Aggressive Portfolio	0.9%	3.9%	8.7%	15.4%
CRF Growth Portfolio	0.8%	3.6%	7.7%	14.6%
CRF Moderate Portfolio	0.5%	2.3%	5.3%	11.3%
CRF In-Fund Pension Portfolio	1.6%	5.2%	5.8%	13.5%
CRF Money Market Portfolio	0.3%	1.2%	2.1%	4.5%
CRF Shari'ah Portfolio	1.4%	2.0%	7.6%	14.6%
CRF Children's Benefit Portfolio	0.5%	2.8%	4.9%	10.4%

February is Budget month in South Africa and while this was overshadowed by war in Europe, it is an important event for most South Africans. We have therefore decided to focus on the BudgetSpeech in this financial bulletin and the impact of Russia's invasion of Ukraine in more detail in the next financial bulletin.

Finance Minister Enoch Godongwana had to perform a delicate balancing act when he tabled his first budget for South Africa in Parliament in February. Despite additional pressure emanating from the Covid-19 overhang culminating in weak underlying economic growth momentum, he did manage to render some breathing space to struggling taxpayers – salient aspects highlighted below. Besides some alleviation on personal income tax, CRF members should also take note of the retirement reform measures announced.

Whilst the usual increase in “sin-taxes” (i.e. tax on alcohol and cigarettes) could not be avoided, there was a reduction in the corporate income tax rate to 27% (from 28%), and additional personal income tax relief was granted by adjusting tax brackets and rebates by 4.5% to compensate for higher inflation. The relief from these adjustments will predominantly be felt by lower- and middle-income households. The tables below illustrate the adjusted personal income tax rates and brackets, adjusted tax rebates, tax thresholds and the tax impact for individuals younger than 65, respectively.

Tax rates for natural persons and special trusts 2022/2023 tax year*

Taxable Income (R)	Rate of tax (R)
0 – 226 000	18% of taxable income
226 001 – 353 100	R40 680 + 26% of the amount above R226 000
353 101 – 488 700	R73 726 + 31% of the amount above R353 100
448 701 – 641 400	R115 762 + 36% of the amount above R488 700
641 401 – 817 600	R170 734 + 39% of the amount above R641 400
817 601 – 1 731 600	R239 452 + 41% of the amount above R817 600
1 731 601 and above	R614 192 + 45% of the amount above R1 731 600

Tax rebates*

	2021/2022 Tax Year (R)	2022/2023 Tax Year (R)
Primary rebate	15 714	16 425
Secondary rebate (Age 65 to below 75)	8 613	9 000
Tertiary rebate (Age 75 and older)	2 871	2 997

Tax thresholds*

	2021/2022 Tax Year (R)	2022/2023 Tax Year (R)
Below age 65	87 300	91 250
Age 65 to below 75	135 150	141 250
Age 75 and older	151 100	157 900

Tax impact for individuals younger than 65*

Taxable Income (R)	2021/2022 Rates (R)	2022/2023 Rates (R)	Change (R)	Change (%)
150 000	11 286	10 575	-711	-6.3%
300 000	44 990	43 495	-1 495	-3.3%
500 000	106 725	103 405	-3 320	-3.1%
750 000	200 817	196 663	-4 154	-2.1%
1 000 000	302 673	297 811	-4 862	-1.6%
1 500 000	507 673	502 811	-4 862	-1%
2 000 000	726 409	718 547	-7 862	-1.1%

*Source: Budget 22 Budget Review, National Treasury

Other taxes were essentially left unchanged. The Interest Exemption thresholds were not increased (R 23 800 and R 34 500 per annum for taxpayers under the age of 65 and 65 years and older, respectively) and the annual limit (R 36 000) and lifetime limit (R 500 000) for contributions to Tax-Free Savings Accounts were also retained. The Medical Tax Credits were increased for the initial monthly tax credit (for contributions to medical schemes) for all taxpayers to

R347 for a taxpayer, R694 for a taxpayer and their first dependant and to R234 for each additional dependant, respectively.

Significant income tax collection overruns during the course of the 2021/2022 fiscal year (circa R 200 billion) mainly attributable to company profits from soaring commodity prices, allowed the Minister some breathing space to avoid additional tax increases and even to grant some alleviation to taxpayers. The underlying fiscal situation remains challenging though, and conditions may not allow for such an accommodative stance at next year's budget.

Key retirement reform measures announced include the following:

- Reviewing the requirement to transfer the total amount invested in a retirement annuity fund

Currently there exists an anomaly as regards the transfer rights of preservation fund and retirement annuity fund members;

- If retirement fund annuity members wish to transfer their savings in a particular retirement annuity fund to another retirement annuity fund, they must transfer their entire amount in the transferor fund into the transferee fund, however
- this restriction does not apply to preservation fund members who have the flexibility to partially transfer their savings (with reference to the amounts transferred into the preservation fund) to other preservation funds.

It is proposed to also allow retirement annuity fund members the same flexibility, subject to certain minimum thresholds. This is expected to equate the de minimus annuitisation upon retirement from the fund threshold of R 247 500.

- Provident fund annuitisation – additional proposals to protect vested rights and harmonise the regulatory regime

Currently, lump sums payable to provident fund members who are allowed to retire from their fund prior to the age of 55 (in circumstances other than in case of ill-health) must be taxed as per the less favourable taxation scales prescribed for withdrawals from the fund. Since provident fund members, with effect from 1 March 2021, are subject to the same annuitisation requirements upon retirement from the fund as pension fund members are, it is proposed to scrap this requirement.

- Cross-border tax treatment of retirement funds

Consultation on last year's proposal regarding the tax treatment of retirement interest when changing tax residence showed that multiple tax treaties need to be revised to ensure South Africa retains taxing rights on payments from local retirement funds. Government intends to initiate these negotiations this year.

- Two-pot retirement system

The discussion paper "Encouraging South African Households to Save More for Retirement" was published in December 2021. It outlines a set of reforms to enable pre-retirement access to a portion of one's retirement assets, while ensuring that the remainder is preserved for retirement. Public comments on the tax treatment of contributions to the two pots are being reviewed in preparation for public workshops, to be followed by legislative amendments.

- Increasing and harmonising offshore investment limits

There is a disparity between the offshore investments limits imposed on different types of investors. The current offshore investment limits for retirement funds stand at 30%, but this excludes investments in African countries for which a further 10% of total fund assets is allowed. The offshore limit for all insurance, retirement and savings funds is harmonised at 45% inclusive of the 10% African allowance.

The CRF will assess the changes to the retirement fund legislation as and when they come into law, as well as the new offshore limits and the suitability of an increased offshore allowance for the risk tolerance of different members. While many investors are always looking to take their maximum allowed assets offshore because of the perceived reduction in risk, we have seen in 2022 that the local environment has seen a reduction in volatility whereas globally risks have escalated significantly. The CRF member portfolios have continued to be well diversified and resilient in a number of market environments.

Kind regards,



Mr Raymond Wentworth
Principal Executive Officer

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Consolidated Retirement Fund for Local Government Registration Number 12/8/32689/2