There are three types of tax that apply when investing: income tax on interest, dividends tax and capital gains tax.[13] These apply differently to the various types of investment vehicles that can be used as an emergency savings plan, as we see in Table 4.4.3.

	Potential emergency savings vehicles			Retirement fund
	Bank accounts and money market funds	Unit trusts	Tax-free savings accounts	
Contributions	**After tax:** Contributions are paid from your salary, which has already been taxed according to the PAYE tax table.			**Before tax:** Tax deductions for the contributions are allowed for up to 27.5% of taxable income or pay (whichever is higher), subject to a R350 000 deductible limit.
Growth	**Income tax on interest applies:** Interest earned is added to your gross income. If you are under 65, you don't pay tax on the first R23 800 of interest earned in a year. If you are 65 or older, you don't pay tax on the first R34 500 of interest earned in a year.	**Income tax on interest applies:** Interest earned is added to your gross income. If you are under 65, you don't pay tax on the first R23 800 of interest earned in a year. If you are 65 or older, you don't pay tax on the first R34 500 of interest earned in a year. Any interest earned above these amounts is taxed at your marginal tax rate. Dividends are exempt from income tax, but dividends tax applies. The dividends tax rate is 20% and is withheld by the entities paying the dividends, even if the dividends are reinvested and not withdrawn.	**All interest and growth earned is free of tax.** This includes income tax on interest, dividends tax and capital gains tax.	**All interest and growth earned while in the fund is free of tax.** This includes income tax on interest, dividends tax and capital gains tax.

Key tax implications for emergency savings vehicles and retirement funds (continued)

	Potential emergency savings vehicles			Retirement fund
	Bank accounts and money market funds	Unit trusts	Tax-free savings accounts	
Withdrawal	Capital gains tax does not apply to cash investments.	Capital gains tax does apply when you sell your units. 40% of any capital gain (or loss) is treated as part of your gross income. You don't pay capital gains tax on gains of up to R40 000 in a year. Any gains made above R40 000 are taxed at your marginal tax rate.	Capital gains tax does not apply.	Capital gains tax does not apply. However, the withdrawal tax table applies to any lump sums taken as cash. Tax can be deferred to retirement, if your retirement savings are preserved in a retirement fund.
Retirement	–	–	–	Capital gains tax does not apply. However, the retirement tax table applies to any lump sums taken as cash. Tax is deferred on any amount used from your retirement fund to buy an annuity. The personal income tax tables then apply to the annuity income received from a registered insurer or the retirement fund.

Sources: SARS (2018)[14]; Allan Gray (2018)[15]