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REPUBLIC OF SOUTH AFRICA

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**DRAFT  
TAXATION LAWS  
AMENDMENT BILL**

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*(As introduced in the National Assembly (proposed section 77))  
(The English text is the official text of the Bill)*

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(MINISTER OF FINANCE)

19 July 2017

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**GENERAL EXPLANATORY NOTE:**

- [     ]     Words in bold type in square brackets indicate omissions from existing enactments.
- \_\_\_\_\_     Words underlined with a solid line indicate insertions in existing enactments.
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**BILL**

**To amend the Income Tax Act, 1962, to amend certain provisions; to make new provision; to repeal certain provisions; to amend the Customs and Excise Act, 1964, so as to make new provision; and to make provision for continuations; to amend the Value-Added Tax Act, 1991, so as to amend certain provisions; to amend the Skills Development Levies Act, 1999, so as to amend a provision; to amend the Unemployment Insurance Contributions Act, 2002, so as to amend a provision; to amend the Securities Transfer Tax Act, 2007, so as to amend certain provisions; to amend the Taxation Laws Amendment Act, 2013; to amend the Taxation Laws Amendment Act, 2014, so as to amend a provision; to amend the Taxation Laws Amendment Act, 2015, so as to amend a provision; to amend the Revenue Laws Amendment Bill, 2016, so as to amend a provision, to amend the Taxation Laws Amendment Act, 2016 so as to amend a provision; and to provide for matters connected therewith.**

**B** E IT ENACTED by the Parliament of the Republic of South Africa, as follows:—

*Part I**Taxation Laws Amendments*

**Amendment of section 1 of Act 58 of 1962, as amended by section 3 of Act 90 of 1962, section 1 of Act 6 of 1963, section 4 of Act 72 of 1963, section 4 of Act 90 of 1964, section 5 of Act 88 of 1965, section 5 of Act 55 of 1966, section 5 of Act 76 of 1968, section 6 of Act 89 of 1969, section 6 of Act 52 of 1970, section 4 of Act 88 of 1971, section 4 of Act 90 of 1972, section 4 of Act 65 of 1973, section 4 of Act 85 of 1974, section 4 of Act 69 of 1975, section 4 of Act 103 of 1976, section 4 of Act 113 of 1977, section 3 of Act 101 of**

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1978, section 3 of Act 104 of 1979, section 2 of Act 104 of 1980, section 2 of Act 96 of 1981, section 3 of Act 91 of 1982, section 2 of Act 94 of 1983, section 1 of Act 30 of 1984, section 2 of Act 121 of 1984, section 2 of Act 96 of 1985, section 2 of Act 65 of 1986, section 1 of Act 108 of 1986, section 2 of Act 85 of 1987, section 2 of Act 90 of 1988, section 1 of Act 99 of 1988, Government Notice R780 of 1989, section 2 of Act 70 of 1989, section 2 of Act 101 of 1990, section 2 of Act 129 of 1991, section 2 of Act 141 of 1992, section 2 of Act 113 of 1993, section 2 of Act 21 of 1994, Government Notice 46 of 1994, section 2 of Act 21 of 1995, section 2 of Act 36 of 1996, section 2 of Act 28 of 1997, section 19 of Act 30 of 1998, Government Notice 1503 of 1998, section 10 of Act 53 of 1999, section 13 of Act 30 of 2000, section 2 of Act 59 of 2000, section 5 of Act 5 of 2001, section 3 of Act 19 of 2001, section 17 of Act 60 of 2001, section 9 of Act 30 of 2002, section 6 of Act 74 of 2002, section 33 of Act 12 of 2003, section 12 of Act 45 of 2003, section 3 of Act 16 of 2004, section 3 of Act 32 of 2004, section 3 of Act 32 of 2005, section 19 of Act 9 of 2006, section 3 of Act 20 of 2006, section 3 of Act 8 of 2007, section 5 of Act 35 of 2007, section 2 of Act 3 of 2008, section 4 of Act 60 of 2008, section 7 of Act 17 of 2009, section 6 of Act 7 of 2010, section 7 of Act 24 of 2011, section 271 of Act 28 of 2011, read with item 23 of Schedule 1 to that Act, section 2 of Act 22 of 2012, section 4 of Act 31 of 2013, section 1 of Act 43 of 2014, section 3 of Act 25 of 2015 and section 5 of Act 15 of 2016

1. (1) Section 1 of the Income Tax Act, 1962, is hereby amended—

- (a) by the substitution in subsection (1) in the definition of “connected person” for the proviso of the following proviso:
- “: Provided that for the purposes of this definition, a company includes a portfolio of a collective investment scheme **[in securities]**”;
- (b) by the substitution in subsection (1) in the definition of “dividend” for paragraph (iii) of the following paragraph:
- “(iii) constitutes an acquisition by the company of its own securities by way of a general repurchase of securities as contemplated in subparagraph (b) of paragraph 5.67(B) of section 5 of the JSE Limited Listings Requirements, where that acquisition complies with any applicable requirements prescribed by paragraphs 5.68 and 5.72 to **[5.84]** 5.81 of section 5 of the JSE Limited Listings Requirements”;
- (c) by the deletion in subsection (1) in the definition of “domestic treasury management company” of paragraph (a);
- (d) by the substitution in subsection (1) in paragraph (m) of the definition of “gross income” for the words preceding the proviso of the following words:
- “(m) any amount received or accrued in respect of a policy of insurance of which the taxpayer is the policyholder, where the policy relates to the death,

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disablement or **[severe]** illness of an employee or director (or former employee or director) of the taxpayer, including by way of any loan or advance.”;

- (e) by the substitution in subsection (1) in the proviso to paragraph (c) of the definition of “pension fund” for subparagraph (i) of the following word subparagraph:

“(i) that the fund is a permanent fund *bona fide* established for the purpose of providing annuities for employees on retirement **[from employment]** date or for the dependants or nominees of deceased employees, or mainly for the said purpose and also for the purpose of providing benefits other than annuities for the persons aforesaid or for the purpose of providing any benefit contemplated in paragraph 2C of the Second Schedule or section 15A or 15E of the Pension Funds Act; and”;

- (f) by the deletion in subsection (1) in paragraph (c)(ii) of the proviso to the definition of “pension fund” of item (cc);

- (g) by the substitution in subsection (1) in the proviso to the definition of “provident fund” for paragraph (a) of the following paragraph:

“(a) that the fund is a permanent fund *bona fide* established solely for the purpose of providing benefits for employees on retirement **[from employment]** date or solely for the purpose of providing benefits for the dependants or nominees of deceased employees or deceased former employees or solely for a combination of such purposes or mainly for the said purpose and also for the purpose of providing any benefit contemplated in paragraph 2C of the Second Schedule or section 15A or 15E of the Pension Funds Act; and”;

- (h) by the deletion in subsection (1) in paragraph (b) of the proviso to the definition of “provident fund” of subparagraph (iii);

- (i) by the insertion in subsection (1) after the definition of “qualifying investor” of the following definition:

“**“reduction amount”**, in relation to a debt owed by a person, means any amount by which that debt is reduced less any amount applied by that person as consideration for that reduction.”;

- (j) by the substitution in subsection (1) for the definition of “retirement fund lump sum benefit” of the following definition:

“**“retirement fund lump sum benefit”** means an amount determined in terms of paragraph 2(1)(a) or (c) of the Second Schedule;”;

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(k) by the substitution in subsection (1) in the definition of “return of capital” for paragraph (ii) of the following paragraph:

“(ii) an acquisition by the company of its own securities by way of a general repurchase of securities as contemplated in subparagraph (b) of paragraph 5.67(B) of section 5 of the JSE Limited Listings Requirements, where that acquisition complies with any applicable requirements prescribed by paragraphs 5.68 and 5.72 to [5.84] 5.81 of section 5 of the JSE Limited Listings Requirements;”.

(2) Paragraphs (f) and (h) of subsection (1) come into operation on 1 March 2018 and apply in respect of years of assessment commencing on or after that date

(3) Paragraph (i) of subsection (1) subsection (1) comes into operation on 1 January 2018 and applies in respect of years of assessment commencing on or after that date.

**Amendment of section 5 of Act 58 of 1962, as substituted by section 2 of Act 6 of 1963 and amended by section 5 of Act 90 of 1964, section 5 of Act 88 of 1971, section 5 of Act 90 of 1972, section 5 of Act 65 of 1973, section 5 of Act 103 of 1976, section 5 of Act 113 of 1977, section 3 of Act 104 of 1980, section 4 of Act 96 of 1981, section 4 of Act 91 of 1982, section 3 of Act 94 of 1983, section 3 of Act 121 of 1984, section 3 of Act 90 of 1988, section 5 of Act 21 of 1994, section 4 of Act 21 of 1995, section 7 of Act 5 of 2001, section 10 of Act 30 of 2002, section 15 of Act 45 of 2003, section 4 of Act 20 of 2006, section 4 of Act 8 of 2007, section 3 of Act 3 of 2008, section 6 of Act 60 of 2008, section 8 of Act 17 of 2009, section 7 of Act 7 of 2010, section 8 of Act 24 of 2011, section 271 of Act 28 of 2011, read with item 28 of Schedule 1 to that Act, section 5 of Act 31 of 2013 and section 6 of Act 15 of 2016**

2. (1) Section 5 of the Income Tax Act, 1962, is hereby amended by the substitution in subsection (10) for paragraph (e) of the following paragraph:

“(e) ‘D’ represents an amount equal to so much of any current contribution to a pension fund, provident fund or retirement annuity fund as is allowable as a deduction in terms of section [11(k)] 11F solely by reason of the inclusion in the taxpayer’s income of any amount contemplated in paragraph (d)(i), (ii), (iii) or (iv):”.

(2) Subsection (1) is deemed to have come into operation on 1 March 2016.

**Amendment of section 6quat of Act 58 of 1962, as inserted by section 9 of Act 89 of 1969 and amended by section 5 of Act 94 of 1983, section 5 of Act 85 of 1987, section 5 of Act 28 of 1997, section 12 of Act 53 of 1999, section 16 of Act 30 of 2000, section 4 of Act 59 of 2000, section 8 of Act 5 of 2001, section 20 of Act 60 of 2001, section 9 of Act 74 of 2002, section 16 of Act 45 of 2003, section 4 of Act 32 of 2004, section 8 of Act 31 of 2005,**

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**section 7 of Act 35 of 2007, section 9 of Act 17 of 2009, section 7 of Act 18 of 2009, section 11 of Act 24 of 2011, section 3 of Act 22 of 2012, section 6 of Act 25 of 2015 and section 10 of Act 15 of 2016**

**3.** Section 6*quat* of the Income Tax Act, 1962, is hereby amended—

(a) by the substitution in subsection (1B)(a) for subparagraph (i) of the following subparagraph:

“(i) in determining the amount of the taxable income that is attributable to that income, proportional amount, taxable capital gain or amount, any allowable deductions contemplated in [**sections 11(n), 18 and**] section 18A must be deemed to have been incurred proportionately in respect of income derived from sources within and outside the Republic;”;

(b) by the substitution for subsection (1D) of the following subsection:

“(1D) Notwithstanding the provisions of subsection (1C), the deduction of any tax paid or proved to be payable as contemplated in that subsection shall not in aggregate exceed the total taxable income (before taking into account any such deduction) attributable to income which is subject to taxes as contemplated in that subsection, provided that in determining the amount of the taxable income that is attributable to that income, any allowable deductions contemplated in [**sections 11(n), 18 and**] section 18A must be deemed to have been incurred proportionately in the ratio that that income bears to total income.”.

**Amendment of section 7C of Act 58 of 1962 as inserted by section 12 of Act 15 of 2016**

**4.** (1) Section 7C of the Income Tax Act, 1962, is hereby amended—

(a) by the substitution for subsection (1) of the following subsections:

“(1) This section applies in respect of any loan, advance or credit that—

(a) a natural person; or

(b) at the instance of that person, a company in relation to which that person is a connected person in terms of paragraph (d)(iv) of the definition of connected person,

directly or indirectly provides to—

(i) a trust in relation to which—

(aa) that person or company, or

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- (bb) any person that is a connected person in relation to the person or company referred to in item (aa),  
is a connected person; or
- (ii) a company that is a connected person in relation to the trust referred to in subparagraph (i).”;
- (b) by the insertion after subsection (1) of the following subsection:
- “(1A) If a natural person acquires a claim to an amount owing by a trust or a company in respect of a loan, advance or credit referred to in subsection (1), that person must for purposes of this section be treated as having provided a loan, advance or credit to that trust or company—
- (a) on the date on which that person acquired that claim; or
- (b) if that person was not a connected person on that date in relation to—
- (i) that trust; or
- (ii) the person who provided that loan, advance or credit to that trust or company,  
on the date on which that person became a connected person in relation to that trust or person,  
that is equal to the amount of the claim so acquired.”;
- (c) by the substitution in subsection (2) for the words following paragraph (b) of the following words:
- “of any amount owing in respect of a loan, advance or credit referred to in subsection (1) or subsection (1A).”;
- (d) by the substitution for subsections (3) and (4) of the following subsections:
- “(3) If a trust or company incurs—
- (a) no interest in respect of a loan, advance or credit referred to in subsection (1) or subsection (1A); or
- (b) interest at a rate lower than the official rate of interest as defined in paragraph 1 of the Seventh Schedule,  
 an amount equal to the difference between the amount incurred by that trust or company during a year of assessment as interest in respect of that loan, advance or credit and the amount that would have been incurred by that trust or company at the official rate of interest must, for purposes of Part V of Chapter II, be treated as a donation made to that trust by the person referred to in subsection (1)(a) or subsection (1A) on the last day of that year of assessment of that trust.

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(4) If a loan, advance or credit was provided by a company to a trust or another company at the instance of more than one person that is a connected person in relation to that company as referred to in paragraph (b) of subsection (1), each of those persons must be treated as having donated, to that trust, the part of that amount that bears to that amount the same ratio as the equity shares or voting rights in that company that were held by that person during that year of assessment bears to the equity shares or voting rights in that company held in aggregate by those persons during that year of assessment.”;

(e) by the substitution in subsection (5) for the words preceding paragraph (a) of the following words:

“Subsections (2) and (3) do not apply in respect of any amount owing by a trust or company during a year of assessment in respect of a loan, advance or credit referred to in subsection (1) if—”; and

(f) by the deletion in subsection (5) of the word “or” at the end of paragraph (f), the insertion of the word “or” at the end of paragraph (i) and the addition after that paragraph of the following paragraph:

“(h) that trust was created solely for purposes of giving effect to an employee share incentive scheme in terms of which—

(i) that loan, advance or credit was provided—

(aa) by a company to that trust;

(bb) for purposes of funding the acquisition, by that trust, of shares in that company or in any other company forming part of the same group of companies as that company (hereinafter referred to as a “scheme company”);

(ii) equity instruments, as defined in section 8C, that relate to or derive their value from shares in a scheme company may be offered by that trust to a person solely by virtue of that person—

(aa) being in employment on a full-time basis with; or

(bb) holding the office of director of, a scheme company; and

(iii) a person that is a connected person in terms of paragraph (d)(iv) of the definition of connected person in relation to any scheme company is not entitled to participate in that scheme.”.



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(2) Paragraphs (a), (b), (c), (d) and (e) of subsection (1) are deemed to have come into operation on 19 July 2017 and apply in respect of any amount owed by a trust or a company in respect of a loan, advance or credit provided to that trust or that company before, on or after that date.

(3) Paragraph (f) of subsection (1) is deemed to have come into operation on 1 March 2017 and applies in respect any amount owed by a trust in respect of a loan, advance or credit provided to that trust before, on or after that date.

### **Insertion of section 7D in Act 58 of 1962**

5. (1) The following section is hereby inserted in the Income Tax Act, 1962, after section 7C:

#### **“Calculation of amount of interest at official rate of interest**

**7D.** Where it must be determined what amount would have been incurred as interest in respect of any loan, debt, advance or amount of credit provided to a person or an amount owed by a person had that interest been incurred at the official rate of interest, that amount must be determined without regard to any rule of the common law or provision of any act in terms of which—

- (a)** the amount of any interest, fee or similar finance charge that accrues or is incurred in respect of a debt may not in aggregate exceed the amount of that debt; or
- (b)** no interest may accrue or be incurred in respect of a debt once the amount that has accrued or been incurred as interest is equal to the amount of that debt.”.

(2) Subsection (1) comes into operation on 1 January 2018 and applies in respect of years of assessment ending on or after that date.

**Amendment of section 8 of Act 58 of 1962, as amended by section 6 of Act 90 of 1962, section 6 of Act 90 of 1964, section 9 of Act 88 of 1965, section 10 of Act 55 of 1966, section 10 of Act 89 of 1969, section 6 of Act 90 of 1972, section 8 of Act 85 of 1974, section 7 of Act 69 of 1975, section 7 of Act 113 of 1977, section 8 of Act 94 of 1983, section 5 of Act 121 of 1984, section 4 of Act 96 of 1985, section 5 of Act 65 of 1986, section 6 of Act 85 of 1987, section 6 of Act 90 of 1988, section 5 of Act 101 of 1990, section 9 of Act 129 of 1991, section 6 of Act 141 of 1992, section 4 of Act 113 of 1993, section 6 of Act 21 of 1994, section 8 of Act 21 of 1995, section 6 of Act 36 of 1996, section 6 of Act 28 of 1997, section 24 of Act 30 of 1998, section 14 of Act 53 of 1999, section 17 of Act 30 of 2000, section 6 of Act 59 of 2000, section 7 of Act 19 of 2001,**

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**section 21 of Act 60 of 2001, section 12 of Act 30 of 2002, section 11 of Act 74 of 2002, section 18 of Act 45 of 2003, section 6 of Act 32 of 2004, section 4 of Act 9 of 2005, section 21 of Act 9 of 2006, section 5 of Act 20 of 2006, section 6 of Act 8 of 2007, section 9 of Act 35 of 2007, sections 1 and 5 of Act 3 of 2008, section 9 of Act 60 of 2008, section 11 of Act 17 of 2009, section 10 of Act 7 of 2010, section 16 of Act 24 of 2011, section 271 of Act 28 of 2011, read with paragraph 30 of Schedule 1 to that Act, section 9 of Act 22 of 2012, section 9 of Act 31 of 2013, section 5 of Act 42 of 2014, section 5 of Act 43 of 2014 and section 8 of Act 25 of 2015**

6. (1) Section 8 of the Income Tax Act, 1962, is hereby amended by the substitution in subsection (4)(a) for the words preceding the proviso of the following words:

“There shall be included in the taxpayer’s income all amounts allowed to be deducted or set off under the provisions of sections 11 to 20, inclusive, section 24D, section 24F, section 24G, section 24I, section 24J, section 27(2)(b) and section 37B(2) of this Act, except section 11(k), 11(n), 11(p) and (q), section 11F, section 12(2) or section 12(2) as applied by section 12(3), section 12A(3), section 13(5), or section 13(5) as applied by section 13(8), or section 13bis(7), section 15(a) or section 15A, or under the corresponding provisions of any previous Income Tax Act, whether in the current or any previous year of assessment which have been recovered or recouped during the current year of assessment:” .

(2) Subsection (1) is deemed to have come into operation on 1 March 2016.

**Amendment of section 8B of Act 58 of 1962, as inserted by section 6 of Act 104 of 1980 and amended by section 6 of Act 121 of 1984, section 6 of Act 101 of 1990, section 8 of Act 32 of 2004, section 11 of Act 31 of 2005, section 6 of Act 20 of 2006, section 10 of Act 35 of 2007, section 10 of Act 60 of 2008, section 11 of Act 7 of 2010 and section 18 of Act 24 of 2011**

7. (1) Section 8B of the Income Tax Act, 1962, is hereby amended by the substitution in subsection (3) for paragraph (a) of the following paragraph:

“(a) equity shares in that employer, or in a company that is an associated institution as defined in the Seventh Schedule in relation to the employer are acquired by employees of that employer, for consideration which does not exceed the minimum consideration required by the Companies Act[, 1973 (Act No. 61 of 1973)];” .

**Amendment of section 8EA of Act 58 of 1962, as inserted by section 12 of Act 22 of 2012 and amended by section 11 of Act 31 of 2013, section 7 of Act 43 of 2014 and section 15 of Act 15 of 2016**

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8. (1) Section 8EA of the Income Tax Act, 1962, is hereby amended by the substitution in subsection (3)(b) for subparagraph (vii) of the following subparagraph:

“(vii) any person that holds equity shares in an issuer contemplated in subparagraph (ii) if the enforcement right exercisable or enforcement obligation enforceable against that person is limited to any rights in and claims against that issuer that are held by that person.”.

(2) Subsection (1) comes into operation on 1 January 2018 and applies in respect of dividends or foreign dividends received or accrued during years of assessment commencing on or after that date.

**Amendment of section 8F of Act 58 of 1962, as substituted by section 12 of Act 31 of 2013 and amended by section 8 of Act 43 of 2014, section 9 of Act 25 of 2015 and section 16 of Act 15 of 2016**

9. (1) Section 8F of the Income Tax Act, 1962, is hereby amended by the substitution for subsection (2) of the following subsection:

“(2) Any amount that is incurred by a company in respect of interest on or after the date that the instrument becomes a hybrid debt instrument is—  
(a) deemed to be a dividend in specie in respect of a share that is declared and paid by that company to the person to whom that amount accrued on the last day of the year of assessment of that company during which it was incurred; and  
(b) not deductible.”.

**Amendment of section 8FA of Act 58 of 1962, as inserted by section 14 of Act 31 of 2013 and amended by section 15 of that Act, section 9 of Act 43 of 2014, section 10 of Act 25 of 2015 and section 17 of Act 15 of 2016**

10. (1) Section 8FA of the Income Tax Act, 1962, is hereby amended by the substitution for subsection (2) of the following subsection:

“(2) Any amount that is incurred by a company in respect of interest on or after the date that the instrument becomes a hybrid debt instrument is—  
(a) deemed to be a dividend in specie in respect of a share that is declared and paid by that company to the person to whom that amount accrued on the last day of the year of assessment of that company during which it was incurred; and  
(b) not deductible.”.

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**Insertion of section 8G in Act 58 of 1962**

11. (1) The following section is hereby inserted in the Income Tax Act, 1962, after section 8FA:

**“Determination of contributed tax capital in respect of shares issued to a group company.**

**8G.** (1) For the purposes of this section—

‘group of companies’ means two or more companies in which one company (hereinafter referred to as the ‘controlling group company’) directly or indirectly holds shares or voting rights in at least one other company (hereinafter referred to as the ‘controlled group company’), to the extent that—

- (a) at least 50 per cent of the equity shares or voting rights in each controlled group company are directly held by the controlling group company, one or more other controlled group companies or any combination thereof; and
- (b) the controlling group company directly holds at least 50 per cent of the equity shares or voting rights in at least one controlled group company.

(2) Where a company issues shares to any company (hereinafter referred to as the ‘subscribing company’) that forms, after that transaction, part of the same group of companies as that company, the amount of the contributed tax capital in relation to those shares must, to the extent that the consideration for those shares—

- (a) consists of; or
- (b) is used, directly or indirectly to acquire,

any shares in another company that forms part of the same group of companies as those companies, be equal to so much of the total contributed tax capital attributable to shares of that class in that other company so acquired, determined in terms of subsection (3), as bears the same ratio that the number of shares so acquired bears to the total number of shares of that class.

(3) The contributed tax capital in relation to the shares in that other company must be—

- (a) determined in terms of paragraph (b) of the definition of ‘contributed tax capital’ in section 1; and

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(b) calculated as at the date from which that other company formed part of the same group of companies irrespective of whether that subscribing company formed part of that group on that date.”.

(2) Subsection (1) is deemed to have come into operation on 19 July 2017 and applies in respect of any share issued on or after that date.

**Amendment of section 9C of Act 58 of 1962, as inserted by section 14 of Act 35 of 2007 and amended by section 7 of Act 3 of 2008, section 12 of Act 60 of 2008, section 15 of Act 7 of 2010, section 24 of Act 24 of 2011, section 13 of Act 22 of 2012, section 18 of Act 31 of 2013, section 11 of Act 43 of 2014, section 12 of Act 25 of 2015 and section 19 of Act 15 of 2016**

12. Section 9C of the Income Tax Act, 1962, is hereby amended by the substitution in subsection (5) for paragraph (b) of the proviso of the following paragraph:

“(b) to equity shares in a REIT or a controlled company, as defined in section 25BB (1), that is a resident except to the extent that such amount was taken into account in determining the cost price or value of trading stock under section 11(a) or 22(1) or (2).”.

**Amendment of section 9D of Act 58 of 1962, as inserted by section 9 of Act 28 of 1997 and amended by section 28 of Act 30 of 1998, section 17 of Act 53 of 1999, section 19 of Act 30 of 2000, section 10 of Act 59 of 2000, section 9 of Act 5 of 2001, section 22 of Act 60 of 2001, section 14 of Act 74 of 2002, section 22 of Act 45 of 2003, section 13 of Act 32 of 2004, section 14 of Act 31 of 2005, section 9 of Act 20 of 2006, sections 9 and 96 of Act 8 of 2007, section 15 of Act 35 of 2007, section 8 of Act 3 of 2008, section 13 of Act 60 of 2008, section 12 of Act 17 of 2009, sections 16 and 146 of Act 7 of 2010, section 25 of Act 24 of 2011, sections 14 and 156 of Act 22 of 2012, section 19 of Act 31 of 2013, section 12 of Act 43 of 2014, section 13 of Act 25 of 2015 and section 20 of Act 15 of 2016**

13. (1) Section 9D of the Income Tax Act, 1962, is hereby amended—

(a) by the substitution in subsection (1) for the definition of “controlled foreign company” of the following definition:

“**“controlled foreign company’ means—**

(a) any foreign company where more than 50 per cent of the total participation rights in that foreign company are directly or indirectly held, or more than 50 per cent of the voting rights in that foreign company are directly or indirectly exercisable, by one or more persons that are residents other than persons that are headquarter companies:

Provided that—

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- (a) no regard must be had to any voting rights in any foreign company—
- (i) which is a listed company; or
  - (ii) if the voting rights in that foreign company are exercisable indirectly through a listed company;
- (b) any voting rights in a foreign company which can be exercised directly by any other controlled foreign company in which that resident (together with any connected person in relation to that resident) can directly or indirectly exercise more than 50 per cent of the voting rights are deemed for purposes of this definition to be exercisable directly by that resident; and
- (c) a person is deemed not to be a resident for purposes of determining whether residents directly or indirectly hold more than 50 per cent of the participation rights or voting rights in a foreign company, if—
- (i) in the case of a listed company or a foreign company the participation rights of which are held by that person indirectly through a listed company, that person holds less than five per cent of the participation rights of that listed company; or
  - (ii) in the case of a scheme or arrangement contemplated in paragraph (e)(ii) of the definition of “company” in section 1 or a foreign company the participation rights of which are held and the voting rights of which may be exercised by that person indirectly through such a scheme or arrangement, that person—
    - (aa) holds less than five per cent of the participation rights of that scheme or arrangement; and
    - (bb) may not exercise at least five per cent of the voting rights in that scheme or arrangement,unless more than 50 per cent of the participation rights or voting rights of that foreign company or other foreign company are held by persons who are connected persons in relation to each other; and
- (b)(i) any foreign company, where one or more persons that are residents hold an interest in a trust that is not a resident or in a foreign foundation and that trust or that foundation directly or indirectly holds more than 50 per cent of the total participation rights in that foreign company or may directly or indirectly exercise more than 50 per cent of the voting rights in that foreign company;
- or

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- (ii) any foreign company where the financial results of that foreign company are reflected in the consolidated financial statements, as contemplated in IFRS 10, of any company that is a resident.”; and
- (b) by the addition in subsection (2) the proviso of the following further proviso:

“: Provided further that for purposes of applying this subsection the percentage of the participation rights of a resident in relation to a controlled foreign company is equal to the percentage of the financial results of that foreign company that are reflected in the consolidated financial statements, as contemplated in IFRS 10, for the year of assessment of the holding company, as defined in the Companies Act, that is a resident;”.

(2) Subsection (1) comes into operation on 1 January 2018 and applies in respect of any year of assessment commencing on or after that date.

**Amendment of section 10 of Act 58 of 1962, as amended by section 8 of Act 90 of 1962, section 7 of Act 72 of 1963, section 8 of Act 90 of 1964, section 10 of Act 88 of 1965, section 11 of Act 55 of 1966, section 10 of Act 95 of 1967, section 8 of Act 76 of 1968, section 13 of Act 89 of 1969, section 9 of Act 52 of 1970, section 9 of Act 88 of 1971, section 7 of Act 90 of 1972, section 7 of Act 65 of 1973, section 10 of Act 85 of 1974, section 8 of Act 69 of 1975, section 9 of Act 103 of 1976, section 8 of Act 113 of 1977, section 4 of Act 101 of 1978, section 7 of Act 104 of 1979, section 7 of Act 104 of 1980, section 8 of Act 96 of 1981, section 6 of Act 91 of 1982, section 9 of Act 94 of 1983, section 10 of Act 121 of 1984, section 6 of Act 96 of 1985, section 7 of Act 65 of 1986, section 3 of Act 108 of 1986, section 9 of Act 85 of 1987, section 7 of Act 90 of 1988, section 36 of Act 9 of 1989, section 7 of Act 70 of 1989, section 10 of Act 101 of 1990, section 12 of Act 129 of 1991, section 10 of Act 141 of 1992, section 7 of Act 113 of 1993, section 4 of Act 140 of 1993, section 9 of Act 21 of 1994, section 10 of Act 21 of 1995, section 8 of Act 36 of 1996, section 9 of Act 46 of 1996, section 1 of Act 49 of 1996, section 10 of Act 28 of 1997, section 29 of Act 30 of 1998, section 18 of Act 53 of 1999, section 21 of Act 30 of 2000, section 13 of Act 59 of 2000, sections 9 and 78 of Act 19 of 2001, section 26 of Act 60 of 2001, section 13 of Act 30 of 2002, section 18 of Act 74 of 2002, section 36 of Act 12 of 2003, section 26 of Act 45 of 2003, sections 8 and 62 of Act 16 of 2004, section 14 of Act 32 of 2004, section 5 of Act 9 of 2005, section 16 of Act 31 of 2005, section 23 of Act 9 of 2006, sections 10 and 101 of Act 20 of 2006, sections 2, 10, 88 and 97 of Act 8 of 2007, section 2 of Act 9 of 2007, section 16 of Act 35 of 2007, sections 1 and 9 of Act 3 of 2008, section 2 of Act 4 of 2008, section 16 of Act 60 of 2008, sections 13 and 95 of Act 17 of 2009, section 18 of Act 7 of 2010, sections 28 and 160 of Act 24 of 2011, section 271 of Act 28 of 2011, read with item 31 of Schedule 1 to that Act, sections 19, 144, 157 and 166 of Act 22 of 2012, section 23 of Act 31 of 2013, section 14 of Act 43 of 2014, section 16 of Act 25 of 2015 and section 23 of Act 15 of 2016**

14. (1) Section 10 of the Income Tax Act, 1962, is hereby amended—

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- (a) by the substitution in subsection (1)(gC) for subparagraph (ii) of the following subparagraph:

“(ii) lump sum, pension or annuity received by or accrued to any resident from a source outside the Republic as consideration for past employment outside the Republic other than from any pension fund, pension preservation fund, provident fund, provident preservation fund or retirement annuity fund as defined in section 1(1) or a company that is resident and that is registered in terms of the Long-term Insurance Act as a person carrying on long term insurance business excluding any amount transferred to that fund or insurer from a source outside the Republic in respect of that member;”;

- (b) by the substitution in subsection (1) for paragraph (gH) of the following paragraph:

“(gH) any amount received or accrued in respect of a policy of insurance where—

- (i) the policy relates to death, disablement or **[severe]** illness of an employee or director, or former employee or director, of the person that is the policyholder; and;”;

- (c) by the substitution in subsection (1)(h) for the words preceding subparagraph (i) of the following paragraph:

“any amount of the interest which is received by or accrues **[by or]** to any person that is not a resident, unless—”;

- (d) by the substitution in the proviso to subsection (1)(k)(i) for paragraph (jj) of the following paragraph:

“(jj) notwithstanding the provisions of paragraphs (dd) and (ii), to any dividend in respect of a restricted equity instrument as defined in section 8C that was acquired in the circumstances contemplated in section 8C(1) if that dividend **[is derived directly or indirectly from, or]** constitutes—

- (A) an amount transferred or applied by a company as consideration for the acquisition or redemption of any share in that company;
- (B) an amount received or accrued in anticipation or in the course of the winding up, liquidation, deregistration or final termination of a company;
- or
- (C) an equity instrument that **[is]** does not qualify, at the time of the receipt or accrual of that dividend, as [not] a restricted equity instrument as defined in section 8C **[that will, on vesting be subject to that section];** or”;



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- (e) by the addition in the proviso to subsection (1)(k)(i) after paragraph (jj) of the following paragraph:

“(kk) notwithstanding the provisions of paragraphs (dd) and (ii), to any dividend in respect of a restricted equity instrument as defined in section 8C that was acquired in the circumstances contemplated in section 8C(1) if that dividend is derived directly or indirectly from—

(A) an amount transferred or applied by a company as consideration for the acquisition or redemption of any share in that company; or

(B) an amount received or accrued in anticipation or in the course of the winding up, liquidation, deregistration or final termination of a company;”;

- (f) by the deletion in subsection (1)(o) of subparagraph (ii);
- (g) by the substitution in subsection (1) for the words preceding the proviso in paragraph (q) of the following words:

“any bona fide scholarship or bursary, other than any scholarship or bursary contemplated in paragraph (qA), granted to enable or assist any person to study at a recognized educational or research institution;”;

- (h) by the insertion in subsection (1) after paragraph (q) of the following paragraph:

“(qA) any bona fide scholarship or bursary granted to enable or assist any person who is a person with a disability as defined in section 6B(1) to study at a recognised educational or research institution: Provided that if any such scholarship or bursary has been so granted by an employer or an associated institution (as respectively defined in paragraph 1 of the Seventh Schedule) to an employee (as defined in the said paragraph) who is a person with a disability as defined in section 6B(1) or to any person with a disability as defined in section 6B(1) who is a member of the family of an employee (as defined in paragraph 1 of the Seventh Schedule) in respect of whom that employee is liable for family care and support, the exemption under this paragraph shall not apply—

(i) in the case of a scholarship or bursary granted to so enable or assist an employee, who is a person with a disability as defined in section 6B(1), unless that employee agrees to reimburse the employer for any scholarship or bursary granted to that employee if that employee fails

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to complete his or her studies for reasons other than death, ill-health or injury;

(ii) in the case of a scholarship or bursary granted to enable or assist a person with a disability as defined in section 6B(1) who is a member of the family of an employee, as defined in paragraph 1 of the Fourth Schedule, in respect of whom that employee is liable for family care and support, to study—

(aa) if the remuneration proxy derived by the employee in relation to a year of assessment exceeded R600 000; and

(bb) to so much of any scholarship or bursary contemplated in this subparagraph as in the case of any such member of the family of that employee, during the year of assessment, exceeds—

(A) R30 000 in respect of—

(AA) grade R to grade twelve as contemplated in the definition of “school” in section 1 of the South African Schools Act, 1996 (Act No. 84 of 1996);

or

(BB) a qualification to which an NQF level from 1 up to and including 4 has been allocated in accordance with Chapter 2 of the National Qualifications Framework Act, 2008 (Act No. 67 of 2008); and

(B) R90 000 in respect of a qualification to which an NQF level from 5 up to and including 10 has been allocated in accordance with Chapter 2 of the National Qualifications Framework Act, 2008 (Act No. 67 of 2008);”;

(i) by the substitution in subsection (1)(yA) for subparagraph (aa) of the following subparagraph:

“(aa) that amount is received or accrued in relation to projects that are approved by the Minister [**after consultation with the Minister of Foreign Affairs**] and;” and

(j) by the deletion in subsection (1)(yA) of subparagraph (cc).

(2) Paragraph (f) of subsection (1) comes into operation on 1 March 2019 and applies in respect of years of assessment commencing on or after that date.

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(3) Paragraphs (g) and (h) of subsection (1) come into operation on 1 March 2018 and apply in respect of years of assessment commencing on or after that date.

**Amendment of section 10B of Act 58 of 1962, as inserted by section 29 of Act 24 of 2011 and amended by section 4 of Act 13 of 2012, section 20 of Act 22 of 2012, section 25 of Act 31 of 2013 and section 15 of Act 43 of 2014**

15. Section 10B of the Income Tax Act, 1962, is hereby amended by the substitution for subsection (5) of the following subsection:

“(5) The exemptions from tax provided by subsection (2) and (3) do not apply in respect of any portion of an annuity or extend to any payments out of any foreign dividend received by or accrued to any person.”.

**Amendment of section 10C of Act 58 of 1962, as inserted by section 21 of Act 22 of 2012 and amended by section 26 of Act 31 of 2013 and section 16 of Act 43 of 2014**

16. (1) Section 10C of the Income Tax Act, 1962, is hereby amended by the substitution in subsection (2) for the words preceding paragraph (a) of the following words:

“There shall be exempt from normal tax in respect of the aggregate of compulsory annuities payable to a person an amount equal to so much of the person’s own contributions to any pension fund, provident fund and retirement annuity fund that did not rank for a deduction against the person’s income in terms of section [11(k)] 11F as has not previously been—”.

(2) Subsection (1) is deemed to have come into operation on 1 March 2016.

**Amendment of section 11 of Act 58 of 1962, as amended by section 9 of Act 90 of 1962, section 8 of Act 72 of 1963, section 9 of Act 90 of 1964, section 11 of Act 88 of 1965, section 12 of Act 55 of 1966, section 11 of Act 95 of 1967, section 9 of Act 76 of 1968, section 14 of Act 89 of 1969, section 10 of Act 52 of 1970, section 10 of Act 88 of 1971, section 8 of Act 90 of 1972, section 9 of Act 65 of 1973, section 12 of Act 85 of 1974, section 9 of Act 69 of 1975, section 9 of Act 113 of 1977, section 5 of Act 101 of 1978, section 8 of Act 104 of 1979, section 8 of Act 104 of 1980, section 9 of Act 96 of 1981, section 7 of Act 91 of 1982, section 10 of Act 94 of 1983, section 11 of Act 121 of 1984, section 46 of Act 97 of 1986, section 10 of Act 85 of 1987, section 8 of Act 90 of 1988, section 8 of Act 70 of 1989, section 11 of Act 101 of 1990, section 13 of Act 129 of 1991, section 11 of Act 141 of 1992, section 9 of Act 113 of 1993, section 5 of Act 140 of 1993, section 10 of Act 21 of 1994, section 12 of Act 21 of 1995, section 9 of Act 36 of 1996, section 12 of Act 28 of 1997, section 30 of Act 30 of 1998, section 20 of Act 53 of 1999, section 22 of Act 30 of 2000, section 15 of Act 59 of 2000, section 10 of Act 19 of 2001, section 27 of Act 60 of 2001, section 14 of Act 30 of 2002, section 19 of Act 74 of 2002, section 27 of Act 45 of 2003, section 9 of Act 16 of 2004, section 16 of Act 32 of 2004,**

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section 6 of Act 9 of 2005, section 18 of Act 31 of 2005, section 11 of Act 20 of 2006, section 11 of Act 8 of 2007, section 17 of Act 35 of 2007, sections 1 and 10 of Act 3 of 2008, section 18 of Act 60 of 2008, section 14 of Act 17 of 2009, section 19 of Act 7 of 2010, sections 30 and 161 of Act 24 of 2011, section 271 of Act 28 of 2011, read with item 33 of Schedule 1 to that Act, section 22 of Act 22 of 2012, section 27 of Act 31 of 2013, section 17 of Act 43 of 2014 and section 18 of Act 25 of 2015

17. (1) Section 11 of the Income Tax Act, 1962, is hereby amended—

(a) by the insertion after paragraph (j) of the following paragraph:

“(jA) notwithstanding paragraph (j), an allowance equal to 25 per cent of the loss allowance relating to impairment, as contemplated in IFRS 9, if the person is a covered person as determined by applying the criteria in paragraphs (c)(i) to (iii) of the definition of covered person in section 24JB(1): Provided that the allowance must be increased to 85 per cent of so much of that loss allowance relating to impairment as is equal to the amount that is in default, as determined by applying the criteria in paragraphs (a)(iii) to (vi) and (b) of the definition of ‘default’ as defined in Regulation 67 of the regulations issued in terms of section 90 of the Banks Act (contained in Government Notice No. R.1029 published in Government Gazette No. 35950 of 12 December 2012): Provided further that the allowance must be included in the income of that person in the following year of assessment;”;

(b) by the deletion of paragraph (k);

(c) by the substitution in paragraph (w) for the words preceding subparagraph (i) of the following words:

“(w) expenditure incurred by a taxpayer in respect of any premiums payable under a policy of insurance (other than a policy of insurance that relates to the death, disablement or [severe] illness of an employee or director of the taxpayer arising solely out of and in the course of employment of such employee or director) of which the taxpayer is the policyholder, where—”;

(d) by the substitution in paragraph (w)(i) for item (aa) of the following item:

“(aa) the policy relates to the death, disablement or [severe] illness of an employee or director of the taxpayer; and”; and

(e) by the substitution in paragraph (w)(ii)(aa) for item (aa) of the following item:

“(aa) the taxpayer is insured against any loss by reason of the death, disablement or [severe] illness of an employee or director of the taxpayer;”.

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(2) Paragraph (a) of subsection (1) comes into operation on 1 January 2018 and applies in respect of years of assessment commencing on or after that date.

(3) Paragraph (b) of subsection (1) is deemed to have come into operation on 1 March 2016.

**Amendment of section 11A of Act 58 of 1962, as inserted by section 28 of Act 45 of 2003 and amended by section 12 of Act 8 of 2007 and section 15 of Act 17 of 2009**

18. Section 11A of the Income Tax Act, 1962, is hereby amended by the substitution in subsection (1) for paragraph (b) of the following paragraph:

“(b) which would have been allowed as a deduction in terms of section 11 (other than section 11(x)), [11B,] 11D or 24J, had the expenditure or losses been incurred after that person commenced carrying on that trade; and”.

**Insertion of section 11F in Act 58 of 1962**

19. (1) The following section is hereby inserted in the Income Tax Act, 1962, after section 11E:

**“Deduction in respect of contributions to retirement funds”**

11F. (1) For the purposes of determining the taxable income of a natural person in respect of any year of assessment there must be allowed as a deduction from the income of that person any amount contributed during a year of assessment to any pension fund, provident fund or retirement annuity fund in terms of the rules of that fund by a person that is a member of that fund.

(2) The total deduction allowed in terms of subsection (1) must not in a year of assessment exceed the lesser of—

(a) R350 000; or

(b) 27,5 per cent of the higher of the person’s—

(i) remuneration (other than in respect of any retirement fund lump sum benefit, retirement fund lump sum withdrawal benefit and severance benefit) as defined in paragraph 1 of the Fourth Schedule; or

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(ii) taxable income (other than in respect of any retirement fund lump sum benefit, retirement fund lump sum withdrawal benefit and severance benefit) as determined before allowing any deduction under this section and section 18A.

(c) the taxable income of that person before—

(i) allowing any deduction under this section; and

(ii) the inclusion of any taxable capital gain.

(3) Any amount contributed to a pension fund, provident fund or retirement annuity fund in any previous year of assessment which has been disallowed solely by reason of the fact that the amount that was contributed exceeds the amount of the deduction allowable in respect of that year of assessment is deemed to be an amount contributed in the current year of assessment, except to the extent that the amount contributed has been—

(a) allowed as a deduction against income in any year of assessment;

(b) accounted for under paragraph 5(1)(a) or 6(1)(b)(i) of the Second Schedule;

or

(c) exempted under section 10C.

(4) Any amount contributed by an employer of the person for the benefit of that person must be deemed—

(a) to be equal to the amount of the cash equivalent of the value of the taxable benefit contemplated in paragraph 2(1) of the Seventh Schedule determined in accordance with paragraph 12D of that Schedule; and

(b) to have been contributed by that person.

(5) For the purposes of this section—

(a) a partner in a partnership must be deemed to be an employee of the partnership; and

(b) a partnership must be deemed to be the employer of the partners in that partnership.”.

(2) Subsection (1) is deemed to have come into operation on 1 March 2016.

**Amendment of section 12B of Act 58 of 1962, as inserted by section 11 of Act 90 of 1988 and amended by section 13 of Act 101 of 1990, section 10 of Act 113 of 1993, section 6 of Act 140 of 1993, section 13 of Act 28 of 1997, section 17 of Act 59 of 2000, section 11 of Act 16 of 2004, section 7 of Act 9 of 2005, section 19 of Act 31 of 2005, section 21 of Act 35 of 2007, section 18 of Act 17 of 2009, section 23 of Act 22 of 2012, section 31 of Act 31 of 2013, section 19 of Act 25 of 2015 and section 28 of Act 15 of 2016**

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20. Section 12B of the Income Tax Act, 1962, is hereby amended—

- (a) by the substitution in subsection (2) for the words preceding paragraph (a) of the following words:

“The deduction contemplated in subsection (1) shall be calculated on the cost to the taxpayer of the asset[**, as referred to in subsection (3),**] and the rate of the allowance shall be—”; and

- (b) by the substitution of subsection (3) of the following subsection:

“(3) For purposes of this section the cost to a taxpayer of any asset acquired by that taxpayer shall be deemed to be the lesser of the actual cost to the taxpayer or the cost which a person would, if he or she had acquired the asset under a cash transaction concluded at arm’s length on the date which the transaction for the acquisition of the asset was in fact concluded, have incurred in respect of the direct cost of acquisition of the asset, including the direct cost of the installation or erection thereof [**or, where the asset has been acquired to replace an asset which has been damaged or destroyed, such cost less any amount which has been recovered or recouped in respect of the damaged or destroyed asset and had been excluded from the taxpayer’s income in terms of section 8(4)(e), whether in the current or any previous year of assessment**].”.

**Amendment of section 12C of Act 58 of 1962, as inserted by section 14 of Act 101 of 1990 and amended by section 11 of Act 113 of 1993, section 7 of Act 140 of 1993, section 11 of Act 21 of 1994, section 13 of Act 21 of 1995, section 10 of Act 46 of 1996, section 18 of Act 59 of 2000, section 11 of Act 19 of 2001, section 15 of Act 30 of 2002, section 30 of Act 45 of 2003, section 8 of Act 9 of 2005, section 20 of Act 31 of 2005, section 14 of Act 8 of 2007, section 22 of Act 35 of 2007, section 20 of Act 60 of 2008, section 19 of Act 17 of 2009, section 33 of Act 24 of 2011, section 24 of Act 22 of 2012, section 32 of Act 31 of 2013 and section 20 of Act 25 of 2015**

21. Section 12C of the Income Tax Act, 1962, is hereby amended by the substitution for subsection (2) of the following subsection:

“(2) For purposes of this section the cost to a taxpayer of any asset shall be deemed to be the lesser of the actual cost to the taxpayer to acquire that asset or the cost which a person would, if he had acquired that asset under a cash transaction concluded at arm’s length on the date which the transaction for the acquisition of that asset was in fact concluded, have incurred in respect of the direct cost of acquisition of the asset,

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including the direct cost of the installation or erection thereof [**or, where the asset has been acquired to replace an asset which has been damaged or destroyed, such cost less any amount which has been recovered or recouped in respect of the damaged or destroyed asset and had been excluded from the taxpayer's income in terms of section 8(4)(e), whether in the current or any previous year of assessment**].”.

**Amendment of section 12D of Act 58 of 1962, as amended by section 23 of Act 30 of 2000, section 19 of Act 59 of 2000, section 28 of Act 60 of 2001, section 16 of Act 30 of 2002, section 23 of Act 35 of 2007, section 12 of Act 3 of 2008, section 21 of Act 60 of 2008, section 20 of Act 17 of 2009, section 22 of Act 7 of 2010, section 33 of Act 31 of 2013 and section 19 of Act 43 of 2014**

22. Section 12D of the Income Tax Act, 1962, is hereby amended by the substitution for subsection (4) of the following subsection:

“(4) For the purposes of this section the cost to a taxpayer of any affected asset shall be deemed to be the lesser of—

(a) the actual cost of the asset incurred by the taxpayer; or

(b) the cost which the taxpayer would, if the taxpayer had acquired or improved the said asset under a cash transaction concluded at arm's length on the date on which the transaction for the acquisition or improvement of the said asset was in fact concluded, have incurred in respect of the direct cost of acquisition or improvement of the asset (including the direct cost of the installation or erection thereof).”.

**Amendment of section 12DA of Act 58 of 1962, as inserted by section 24 of Act 35 of 2007 and amended by section 22 of Act 60 of 2008 and section 34 of Act 31 of 2013**

23. Section 12DA of the Income Tax Act, 1962, is hereby amended by the substitution for subsection (3) of the following subsection:

“(3) For purposes of this section the cost to a taxpayer of any rolling stock shall be deemed to be the lesser of the actual cost to the taxpayer or the cost which a person would, if that person had acquired or improved the rolling stock under a cash transaction concluded at arm's length on the date which the transaction for the acquisition or improvement of rolling stock was in fact concluded, have incurred in respect of the direct cost of acquisition or improvement of the rolling stock [**or, where the rolling stock has been acquired to replace rolling stock which has been damaged or destroyed, such cost less any amount which has been recovered or**



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**recouped in respect of the damaged or destroyed rolling stock and had been excluded from the taxpayer's income in terms of section 8(4)(e), whether in the current or any previous year of assessment].”.**

**Amendment of section 12E of Act 58 of 1962, as inserted by section 12 of Act 19 of 2001 and amended by section 17 of Act 30 of 2002, section 21 of Act 74 of 2002, section 37 of Act 12 of 2003, section 31 of Act 45 of 2003, section 9 of Act 9 of 2005, section 21 of Act 31 of 2005, section 24 of Act 9 of 2006, section 14 of Act 20 of 2006, section 15 of Act 8 of 2007, section 25 of Act 35 of 2007, section 13 of Act 3 of 2008, section 23 of Act 60 of 2008, section 21 of Act 17 of 2009, section 23 of Act 7 of 2010, section 34 of Act 24 of 2011, section 25 of Act 22 of 2012, section 7 of Act 23 of 2013, section 35 of Act 31 of 2013, section 20 of Act 43 of 2014, section 21 of Act 25 of 2015 and section 29 of Act 15 of 2016**

**24.** Section 12E of the Income Tax Act, 1962, is hereby amended—

(a) by the substitution for subsection (2) of the following subsection:

“(2) For purposes of this section the cost to a taxpayer of any asset shall be deemed to be the lesser of the actual cost to the taxpayer to acquire that asset or the cost which a person would, if he had acquired the said asset under a cash transaction concluded at arm's length on the date which the transaction for the acquisition of the asset was in fact concluded, have incurred in respect of the direct cost of acquisition of the asset, including the direct cost of the installation or erection thereof **[or, where the asset has been acquired to replace an asset which has been damaged or destroyed, such cost less any amount which has been recovered or recouped in respect of the damaged or destroyed asset and had been excluded from the taxpayer's income in terms of section 8(4)(e), whether in the current or any previous year of assessment].”.**

(b) by the substitution in subsection (4) in paragraph (a) of the definition of “small business corporation” for the proviso to subparagraph (i) of the following proviso:

“: Provided that where the close corporation, co-operative or company during the relevant year of assessment carries on any trade, **[for purposes of which any asset contemplated in this section is used,]** for a period which is less than 12 months, that amount shall be reduced to an amount which bears to that amount, the same ratio as the number of months (in the determination of which a part of a month shall be reckoned as a full month), during which that company, co-operative or close corporation carried on that trade bears to 12 months;”;

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(c) by the substitution in subsection (4) in the definition of “personal service” for paragraph (i) of the following paragraph:

“(i) that service is performed personally by any person who holds an interest in that company, co-operative or close corporation or by any person that is a connected person in relation to any person holding such an interest; and”.

**Amendment of section 12I of Act 58 of 1962, as inserted by section 26 of Act 60 of 2008 and amended by section 24 of Act 17 of 2009, section 26 of Act 7 of 2010, section 37 of Act 24 of 2011, section 28 of Act 22 of 2012, section 22 of Act 43 of 2014, section 22 of Act 25 of 2015 and section 31 of Act 15 of 2016**

25. (1) Section 12I of the Income Tax Act, 1962, is hereby amended by the substitution in subsection (7) for paragraph (d) of the following paragraph:

“(d) the application for approval of the project by the company is received by the Minister of Trade and Industry not later than **[31 December 2017]** 31 March 2020, in such form and containing such information as the Minister of Trade and Industry may prescribe.”.

(2) Subsection (1) is deemed to have come into operation on 31 March 2017.

**Amendment of section 12J of Act 58 of 1962, as inserted by section 27 of Act 60 of 2008 and amended by section 25 of Act 17 of 2009 and section 38 of Act 24 of 2011, section 271 of Act 28 of 2011, read with item 37 of Schedule 1 to that Act, section 36 of Act 31 of 2013, section 23 of Act 43 of 2014, section 23 of Act 25 of 2015 and section 32 of Act 15 of 2016**

26. (1) Section 12J of the Income Tax Act, 1962, is hereby amended by substitution after subsection (9) of the following subsection:

“(9) Notwithstanding section 8(4), no amount shall be recovered or recouped in respect of the disposal of a venture capital share or in respect of a return of capital if that share has been held by the taxpayer for a period longer than five years.”.

(2) Subsection (1) comes into operation on 1 January 2018 and applies in respect of years of assessment commencing on or after that date.

**Amendment of section 12Q of Act 58 of 1962, as inserted by section 41 of Act 31 of 2013 and amended by section 42 of Act 31 of 2014 and section 27 of Act 25 of 2015**

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27. Section 12Q of the Income Tax Act, 1962, is hereby amended by the substitution in subsection (1) for the definition of “international shipping company of the following definition:

“**“international shipping company’** means a company that is a resident that **[holds a share or shares in]** operates one or more South African ships that are utilised in international shipping;”.

**Amendment of section 12R of Act 58 of 1962, as inserted by section 43 of Act 31 of 2013 and amended by section 26 of Act 43 of 2014, section 28 of Act 31 of 2013 and section 34 of Act 15 of 2016**

28. (1) Section 12R is hereby amended—

(a) by the substitution in subsection (1) in the definition of “qualifying company” for paragraphs (b), (c) and (d) of the following paragraphs respectively:

“(b) that carries on **[business]** a trade in a special economic zone designated by the Minister of Trade and Industry in terms of the Special Economic Zones Act and approved by the Minister of Finance after consultation with the Minister of Trade and Industry for the purposes of **[subsection (2)]** this section by notice in the *Gazette*;

(c) if the **[business]** trade or services contemplated in paragraph (b) are carried on or provided from a fixed place of business situated within a special economic zone; and

(d) if not less than 90 per cent of the income of that company is derived from the carrying on of **[business]** a trade or provision of services within one or more special economic zones;”; and

(b) by the substitution in subsection (5) for paragraph (b) of the following paragraph:

“(b) 10 years after the commencement of the carrying on of **[business]** a trade in a special economic zone.”.

(2) Subsection (1) is deemed to have come into operation on 9 February 2016.

**Amendment of section 18A of Act 58 of 1962, as substituted by section 24 of Act 30 of 2000 and amended by section 72 of Act 59 of 2000, section 20 of Act 30 of 2002, section 34 of Act 45 of 2003, section 26 of Act 31 of 2005, section 16 of Act 20 of 2006, section 18 of Act 8 of 2007, section 31 of Act 35 of 2007, section 1 of Act 3 of 2008, section 6 of Act 4 of 2008, section 34 of Act 60 of 2008, section 37 of Act 7 of 2010, section 44 of Act 24 of 2011, section 7 of Act 21 of 2012, section 52 of Act 31 of 2013, section 29 of Act 43 of 2014, section 3 of Act 44 of 2014 and section 34 of Act 15 of 2015**

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29. Section 18A of the Income Tax Act, 1962, is hereby amended by the substitution in subsection (1) for paragraphs (a), (b), (bA) and (c) of the following paragraphs respectively:

“(a) any—

(i) public benefit organisation contemplated in paragraph (a)(i) of the definition of ‘public benefit organisation’ in section 30(1) approved by the Commissioner under section 30; or

(ii) institution, board or body contemplated in section 10(1)(cA)(i), which—

(aa) carries on in the Republic any public benefit activity contemplated in Part II of the Ninth Schedule, or any other activity determined from time to time by the Minister by notice in the *Gazette* for the purposes of this section; **[and]**

(bb) complies with the requirements contemplated in subsection (1C), if applicable, and any additional requirements prescribed by the Minister in terms of subsection (1A); and

(cc) has been approved by the Commissioner for the purposes of this section;

(b) any public benefit organisation contemplated in paragraph (a)(i) of the definition of ‘public benefit organisation’ in section 30(1) approved by the Commissioner under section 30, which provides funds or assets to any public benefit organisation, institution, board or body contemplated in paragraph (a) and which has been approved by the Commissioner for the purposes of this section; or

(bA) (i) any agency contemplated in the definition of “specialized agencies” in section 1 of the Convention on the Privileges and Immunities of the Specialized Agencies, 1947, set out in Schedule 4 to the Diplomatic Immunities and Privileges Act, 2001 (Act No. 37 of 2001);

(ii) the United Nations Development Programme (UNDP);

(iii) the United Nations Children’s Emergency Fund (UNICEF);

(iv) the United Nations High Commissioner for Refugees (UNHCR);

(v) the United Nations Population Fund (UNFPA);

(vi) the United Nations Office on Drugs and Crime (UNDC);

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- (vii) the United Nations Environmental Programme (UNEP);
  - (viii) the United Nations Entity for Gender, Equality and the Empowerment of Women (UN Women);
  - (ix) the International Organisation for Migration (IOM);
  - (x) the Joint United Nations Programme on HIV/AIDS (UNAIDS);
  - (xi) the Office of the High Commissioner for Human Rights (OHCHR);  
and
  - (xii) the United Nations Office for the Coordination of Humanitarian Affairs (OCHA)
- if that agency, programme, fund , High Commissioner , office , entity or organisation —
- (aa) carries on in the Republic any public benefit activity contemplated in Part II of the Ninth Schedule, or any other activity determined from time to time by the Minister by notice in the Gazette for the purposes of this section;
  - (bb) furnishes the Commissioner with a written undertaking that such agency will comply with the provisions of this section; and
  - (cc) waives diplomatic immunity for the purposes of subsection (5)(i); or
- (c) any department of government of the Republic in the national, provincial or local sphere as contemplated in section 10(1)(a), which has been approved by the Commissioner for the purposes of this section, to be used for purpose of any activity contemplated in Part II of the Ninth Schedule,.”.

**Amendment of section 19 of Act 58 of 1962, as inserted by section 36 of Act 22 of 2012 and amended by 53 of Act 31 of 2013 and section 35 of Act 25 of 2015**

- 30.** (1) Section 19 of the Income Tax Act, 1962, is hereby amended—
- (a) by the deletion in subsection (1) of the definition of “reduction amount”; and
  - (b) by the addition in subsection (8) after paragraph (c) of the following paragraphs:
    - “(d) to another person where the person that owes that debt is a company if —
    - (i) that company has not carried on any trade;
    - (ii) no amounts have been received by or accrued to that company;
    - (iii) no assets have been transferred to or from that company;
    - (iv) no liability has been incurred or assumed by that company; and

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(v) that company owes that debt to a company that forms part of the same group of companies, as defined in section 41, as that company, during the year of assessment in which a reduction amount in respect of that debt arises as well as during the immediately preceding three years of assessment:

Provided that this paragraph must not apply in respect of any debt—

(aa) incurred, directly or indirectly, by that company in respect of any asset that was disposed of by that company by way of an asset-for-share, intra-group or amalgamation transaction or a liquidation distribution in respect of which the provisions of sections 42, 44, 45 or 47 applied; or

(bb) incurred or assumed by that company in order to settle, take over, refinance or renew, directly or indirectly, any debt incurred by—

(A) any other company that forms part of the group of companies referred to in subparagraph (v); or

(B) any company that is a controlled foreign company in relation to any company that forms part of the group of companies referred to in subparagraph (v); or”;

(e) to another person where the person that owes that debt is a company that—

(i) owes that debt to a company that forms part of the same group of companies as that company; and

(ii) reduces or settles that debt, directly or indirectly, by means of shares issued by that company:

Provided that this paragraph must not apply in respect of any debt that was incurred or assumed by that company in order to settle, take over, refinance or renew, directly or indirectly, any debt incurred by another person that—

(aa) did not form part of that same group of companies at the time that that other person incurred that debt; or

(bb) does not form part of that same group of companies at the time that that company reduces or settles that debt by means of shares issued by that company.”.

(2) Subsection (1) comes into operation on 1 January 2018.

**Insertion of section 19A and section 19B in Act 58 of 1962**

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31. (1) The following sections are hereby inserted in the Income Tax Act, 1962, after section 19:

**“Recoupment of deductions in respect of interest incurred on intra-group debt exchanged for or converted to shares**

**19A.** (1) For the purposes of this section—

**‘converted debt’** means any debt owed by a company that is settled, directly or indirectly, by—

(a) conversion to or being exchanged for shares in that company; or

(b) applying the proceeds from shares issued by that company; and

**‘debt’** means any amount owed by a company to another company that forms part of the same group of companies as that company;

**“interest incurred in respect of converted debt”** means—

(a) the total amount of interest incurred in respect of that debt, in the year of assessment during which the debt was converted and in the preceding five years of assessment, by the company that converted that debt; or

(b) if that company incurred, assumed or novated that debt within the period referred to in paragraph (a) in order to settle, take over, refinance or renew any other debt or debts that arose within that group of companies, the total amount of interest incurred, during that period, by that company and by any other company or companies forming part of the same group of companies in respect of—

(i) that debt; and

(ii) any other debt or debts that were so substituted, assumed, refinanced or renewed, whether directly or indirectly.

**‘recoupable interest’** means the amount of interest incurred in respect of converted debt to the extent to which that amount—

(a) is or was allowable as a deduction in determining the taxable income of any company or companies within the same group of companies; and

(b) was not subject to normal tax in the hands of the company or companies that received that interest or to which that interest accrued;

(2) A company must in respect of any converted debt recover or recoup, subject to subsection (3), the amount of any recoupable interest by treating, for purposes of section 8(4)(a)—

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- (a) so much of that amount as does not exceed the amount of any assessed loss or balance of assessed loss of that company in respect of the year of assessment in which that debt was converted, as determined before applying this paragraph, as an amount recovered or recouped during that year; and
- (b) a third of the amount that is not recovered or recouped in terms of paragraph (a) as an amount recovered or recouped in each of the three years of assessment immediately succeeding the year in which the debt was settled.

(3) If the company and the other company referred to in subsection (1) cease to form part of the same group of companies during any year of assessment, any amount of recoupable interest that has not been recovered or recouped must, for purposes of section 8(4)(a), be treated as an amount recovered or recouped during that year.

**Recoupment in respect of intra-group debt exchanged for or converted to shares**

**19B.** (1) This section applies in respect of a company—

- (a) that owes an amount to another company that forms part of the same group of companies as that company;
- (b) that settles that debt, directly or indirectly, by converting it to or exchanging it for shares in that company or by applying the proceeds from shares issued by that company to any company that forms part of the same group of companies as that company; and
- (c) that ceases, at any time during the period ending on the last day of the fifth year of assessment after the year of assessment during which that debt was settled, to form part of the same group of companies as the other company to which that debt was owed.

(2) If the face value of the debt owed by a company that was exchanged for or converted to shares in that company exceeds the market value of those shares as at the date on which that company ceases to form part of the same group of companies as the other company, that company must—

- (a) reduce the amount of that excess by the amount, if any, of any interest incurred in respect of the converted debt that must be recovered or recouped in terms of section 19A; and



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(b) treat the remaining amount of the excess as an amount recovered or recouped, for purposes of section 8(4)(a), during the year of assessment in which that company ceased to form part of the same group of companies as the other company.”.

(2) Subsection (1) comes into operation on 1 January 2018.

**Amendment of section 22 of Act 58 of 1962, as amended by section 8 of Act 6 of 1963, section 14 of Act 90 of 1964, section 21 of Act 89 of 1969, section 23 of Act 85 of 1974, section 20 of Act 69 of 1975, section 15 of Act 103 of 1976, section 20 of Act 94 of 1983, section 19 of Act 121 of 1984, section 14 of Act 65 of 1986, section 5 of Act 108 of 1986, section 21 of Act 101 of 1990, section 22 of Act 129 of 1991, section 17 of Act 113 of 1993, section 1 of Act 168 of 1993, section 19 of Act 21 of 1995, section 12 of Act 36 of 1996, section 25 of Act 53 of 1999, section 27 of Act 30 of 2000, section 12 of Act 5 of 2001, section 24 of Act 74 of 2002, section 37 of Act 45 of 2003, section 16 of Act 3 of 2008, section 36 of Act 60 of 2008, section 39 of Act 7 of 2010, section 45 of Act 24 of 2011, section 40 of Act 22 of 2012, section 55 of Act 31 of 2013, section 32 of Act 43 of 2014, section 37 of Act 25 of 2015 and section 40 of Act 15 of 2016**

**32.** Section 22 of the Income Tax Act, 1962, is hereby amended—

(a) by the substitution in subsection (3A) for the words preceding paragraph (a) of the following words:

“For the purposes of this section the cost price of trading stock referred to in subsection (2A) shall be the sum of the cost to the taxpayer of material used by **[him] the taxpayer** in effecting the relevant improvements, and such further costs incurred by **[him] the taxpayer** as in accordance with **[generally accepted accounting practice] IFRS** are to be regarded as having been incurred directly in connection with the relevant contract, and such portion of any other costs incurred by **[him] the taxpayer** in connection with the relevant contract and other contracts as in accordance with **[generally accepted accounting practice] IFRS** are to be regarded as having been incurred in connection with the relevant contract, less a deduction of so much of—”;

(b) by the substitution for subsection (4) of the following subsection:

“(4) If any trading stock has been acquired by any person for no consideration or for a consideration which is not measurable in terms of money, other than a government grant in kind, such person shall for the purposes of subsection (3), unless subsection (3) (a)(iA) applies, be deemed to have acquired such trading stock at a cost

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equal to the current market price of such trading stock on the date on which it was acquired by such person.”;

- (c) by the substitution in subsection (9)(a) for subparagraph (i) of the following subparagraph:

“(i) the trading stock of any person during any year of assessment includes any—  
 (aa) security or any bond issued by the government of the Republic in the national or local sphere; or  
 (bb) bond issued by any sphere of government of any country other than the Republic,  
 if that bond is listed on a recognised exchange as defined in paragraph 1 of the Eighth Schedule;”;

- (d) by the substitution in subsection (9)(b) for subparagraph (i) of the following subparagraph:

“(i) the trading stock of any person during any year of assessment includes any—  
 (aa) security or any bond issued by the government of the Republic in the national or local sphere; or  
 (bb) bond issued by any sphere of government of any country other than the Republic,  
 if that bond is listed on a recognised exchange as defined in paragraph 1 of the Eighth Schedule;

- (e) by the substitution in subsection (9)(c) for subparagraph (i) of the following subparagraph:

“(i) the trading stock of any person during any year of assessment includes any—  
 (aa) security or any bond issued by the government of the Republic in the national or local sphere; or  
 (bb) bond issued by any sphere of government of any country other than the Republic,  
 if that bond is listed on a recognised exchange as defined in paragraph 1 of the Eighth Schedule:”;

- (f) by the substitution in subsection (9)(d) for subparagraph (i) of the following subparagraph:

“(i) the trading stock of any person during any year of assessment includes any—  
 (aa) security or any bond issued by the government of the Republic in the national or local sphere; or

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(bb) bond issued by any sphere of government of any country other than the Republic,

if that bond is listed on a recognised exchange as defined in paragraph 1 of the Eighth Schedule;”.

(2) Paragraphs (c), (d), (e) and (f) of subsection (1) come into operation on 1 January 2018 and apply in respect of collateral arrangements and lending arrangements entered into on or after that date.

### **Substitution of section 22B of Act 58 of 1962**

33. (1) The following section is hereby substituted for section 22B of the Income Tax Act, 1962:

#### **“Dividends treated as income on disposal of certain shares.**

22B. (1) For the purposes of this section—

‘exempt dividend’ means any dividend or foreign dividend to the extent that the dividend or foreign dividend is—

(a) not subject to tax under Part VIII of Chapter II; and

(b) exempt from normal tax in terms of section 10(1)(k)(i) or section 10B(2)(a) or (b); and

‘qualifying interest’ means a direct or indirect interest held by a company in another company, whether alone or together with any connected persons in relation to that company, that constitutes at least—

(a) 50 per cent of the equity shares or voting rights in that other company; or

(b) 20 per cent of the equity shares or voting rights in that other company if no other person holds the majority of the equity shares or voting rights in that other company.

(2) Where a company disposes of shares in another company and that company held a qualifying interest in that other company at any time during the period of 18 months prior to that disposal, the amount of any exempt dividend received by or that accrued to that company in respect of the shares disposed of must—

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(a) to the extent that the exempt dividend is received by or accrues to that company—

(i) within a period of 18 months prior to; or

(ii) in respect, by reason of or in consequence of that disposal; and

(b) if that company immediately before that disposal held the shares disposed of as trading stock,

be included in the income of that company in the year of assessment in which those shares are disposed of or, where that dividend is received or accrues after that year of assessment, the year of assessment in which that dividend is received or accrues.”.

(2) Subsection (1) is deemed to have come into operation on 19 July 2017 and applies in respect of any disposal on or after that date.

**Amendment of section 23 of Act 58 of 1962, as amended by section 18 of Act 65 of 1973, section 20 of Act 121 of 1984, section 23 of Act 129 of 1991, section 20 of Act 141 of 1992, section 18 of Act 113 of 1993, section 15 of Act 21 of 1994, section 28 of Act 30 of 2000, section 21 of Act 30 of 2002, section 38 of Act 45 of 2003, section 13 of Act 16 of 2004, section 28 of Act 31 of 2005, section 17 of Act 20 of 2006, section 20 of Act 8 of 2007, section 37 of Act 60 of 2008, section 41 of Act 7 of 2010, sections 47 and 162 of Act 24 of 2011, section 271 of Act 28 of 2011, read with item 38 of Schedule 1 to that Act, section 42 of Act 22 of 2012, section 56 of Act 31 of 2013 and section 33 of Act 43 of 2014**

**34.** (1) Section 23 of the Income Tax Act, 1962, is hereby amended by the substitution in paragraph (m) for subparagraph (i) of the following subparagraph:

“(i) any contributions to a pension fund, provident fund or retirement annuity fund as may be deducted from the income of that person in terms of [section 11(k)] 11F;”.

(2) Subsection (1) is deemed to have come into operation on 1 March 2016.

**Amendment of section 23B of Act 58 of 1962, as inserted by section 25 of Act 129 of 1991 and amended by section 16 of Act 21 of 1994, section 29 of Act 30 of 2000, section 39 of Act 45 of 2003, section 18 of Act 20 of 2006, section 42 of Act 7 of 2010, section 48 of Act 24 of 2011 and section 43 of Act 22 of 2012**

**35.** Section 23B of the Income Tax Act, 1962, is hereby amended by the substitution for subsection (5) of the following subsection:

“(5) No deduction shall be allowed under section 11(a) in respect of any expenditure incurred by a person in respect of any premium paid under a policy of

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insurance, where the policy relates to death, disablement or [severe] illness of an employee or director, or former employee or director, of the person that is the policyholder (other than a policy that relates to death, disablement or [severe] illness arising solely out of and in the course of employment of the employee or director).”.

**Amendment of section 23H of Act 58 of 1962, as inserted by section 31 of Act 30 of 2000 and amended by section 29 of Act 59 of 2000, section 34 of Act 60 of 2001, section 36 of Act 35 of 2007, section 19 of Act 3 of 2008, section 43 of Act 7 of 2010, section 46 of Act 22 of 2012, section 35 of Act 43 of 2014 and section 38 of Act 25 of 2015**

**36.** Section 23H of the Income Tax Act, 1962, is hereby amended by the substitution in subsection (1) for paragraph (aa) of the proviso of the following paragraph:

“(aa) where all the goods or services are to be supplied or rendered within six months after the end of the year of assessment during which the expenditure was incurred, or such person will have the full enjoyment of such benefit in respect of which the expenditure was incurred within such period, unless the expenditure is allowable as a deduction in terms of section [11D(1)] 11D(2); or”.

**Amendment of section 23I of Act 58 of 1962, as substituted by section 38 of Act 60 of 2008 and amended by section 36 of Act 17 of 2009, section 44 of Act 7 of 2010, section 47 of Act 22 of 2012, section 58 of Act 31 of 2013 and section 36 of Act 43 of 2014**

**37.** (1) Section 23I of the Income Tax Act, 1962, is hereby amended by the addition after subsection (3) of the following subsection:

“(4) Subsection (2) must not apply where the aggregate amount of taxes on income payable to all spheres of government of any country other than the Republic by a controlled foreign company contemplated in that subsection in respect of the foreign tax year of that controlled foreign company is at least 75 per cent of the amount of normal tax that would have been payable in respect of any taxable income of the controlled foreign company had the controlled foreign company been a resident for that foreign tax year.”.

(2) Subsection (1) comes into operation on 1 January 2018 and applies in respect of years of assessment commencing on or after that date.

**Amendment of section 23M of Act 58 of 1962, as inserted by section 16 of Act 31 of 2013 and amended by section 37 of Act 43 of 2014 and section 41 of Act 15 of 2016**

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**38.** Section 23M of the Income Tax Act, 1962, is hereby amended—

- (a) by the deletion in subsection (1) of the definition of “issue”; and
- (b) by the substitution in subsection (2)(b) for subparagraph (ii) of the following subparagraph:

“(ii) disallowed under section 23N.”.

**Amendment of section 23N of Act 58 of 1962, as inserted by section 63 of Act 31 of 2013, amended by section 38 of Act 43 of 2014, section 40 of Act 25 of 2015 and section 42 of Act 15 of 2016**

**39.** Section 23N of the Income Tax Act, 1962, is hereby amended—

- (a) by the substitution in subsection (3) for paragraph (b) of the following paragraph:
  - “(b) the highest of the amounts determined by multiplying the percentage determined under subsection (4) by the adjusted taxable income of the acquiring company for each of the years of assessment—
    - (i) in which the acquisition transaction or reorganisation transaction is entered into;
    - (ii) in which the amount of interest is incurred by that acquiring company; or
    - (iii) immediately prior to the year of assessment contemplated in subparagraph (i),reduced by any amount of interest incurred by the acquiring company in respect of debts other than debts contemplated in subsection (2).”; and
- (b) by the substitution in subsection (5) for paragraph (c) of the following paragraph:
  - “(c) at the end of the previous year of assessment 80 per cent or more of the value of the assets of that acquiring company, reflected in the annual financial statements prepared in accordance with the Companies Act for the previous year of assessment, is directly or indirectly attributable to immovable property.”.

**Amendment of section 23O of Act 58 of 1962, as inserted by section 39 of Act 43 of 2012 and amended by section 43 of Act 15 of 2016**

**40.** Section 23O of the Income Tax Act, 1962, is hereby amended by the substitution in subsection (4) for paragraph (a) of the following paragraph:

“(a) the amount so received [**by**] or accrued [**to from a small business funding entity**] that is applied for that purpose; and”.

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**Amendment of section 24I of Act 58 of 1962, as inserted by section 21 of Act 113 of 1993 and amended by section 11 of Act 140 of 1993, section 18 of Act 21 of 1994, section 13 of Act 36 of 1996, section 18 of Act 28 of 1997, section 35 of Act 30 of 1998, section 26 of Act 53 of 1999, section 31 of Act 59 of 2000, section 36 of Act 60 of 2001, section 27 of Act 74 of 2002, section 42 of Act 45 of 2003, section 23 of Act 32 of 2004, section 33 of Act 31 of 2005, section 26 of Act 9 of 2006, section 19 of Act 20 of 2006, section 23 of Act 8 of 2007, section 40 of Act 35 of 2007, section 20 of Act 3 of 2008, section 38 of Act 17 of 2009, section 47 of Act 7 of 2010, section 52 of Act 24 of 2011, section 53 of Act 22 of 2012, section 68 of Act 31 of 2013, section 40 of Act 43 of 2014, section 44 of Act 25 of 2015 and section 44 of Act 15 of 2016**

**41.** Section 24I of the Income Tax Act, 1962, is hereby amended by the substitution in subsection (1) for the definition of “affected contract” of the following definition:

“**affected contract**” means any foreign currency option contract or forward exchange contract to the extent that foreign currency option contract or forward exchange contract has been entered into by any person during any year of assessment to serve as a hedge in respect of a debt, where—

(a) that debt—

(i) is to be utilised by that person for the purposes of acquiring any asset or for financing any expenditure; or

(ii) will arise from the sale of any asset or supply of any services, in terms of an agreement entered into by that person in the ordinary course of the person’s trade prior to the end of the current year of assessment; and

(b) that debt has not yet been incurred by such person or the amount payable in respect of such debt has not yet accrued during that current year of assessment;”.

**Amendment of section 24J of Act 58 of 1962, as inserted by section 21 of Act 21 of 1995 and amended by section 14 of Act 36 of 1996, section 19 of Act 28 of 1997, section 27 of Act 53 of 1999, section 24 of Act 32 of 2004, section 10 of Act 9 of 2005, section 20 of Act 20 of 2006, section 53 of Act 24 of 2011, section 271 of Act 28 of 2011, read with item 40 of Schedule 1 to that Act, section 54 of Act 22 of 2012, section 69 of Act 31 of 2013, section 41 of Act 43 of 2014 and section 45 of Act 15 of 2016**

**42.** Section 24J of the Income Tax Act, 1962, is hereby amended—

(a) by the substitution in subsection (1) for the definition of “adjusted gain on transfer or redemption of an instrument” of the following definition:

**“adjusted gain on transfer or redemption of an instrument”** means—

(a) in relation to the holder of any income instrument, [where—

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- (i) **an alternative method has not been applied,]** the amount by which the sum of the transfer price or redemption payment of such income instrument in relation to such holder and any payments received by such holder in terms of such income instrument during the accrual period in which such income instrument is transferred or redeemed, exceeds the sum of the adjusted initial amount in relation to such income instrument and the accrual amount in relation to such accrual period and any payments made by such holder in terms of such income instrument during such accrual period[; or
  - (ii) **an alternate method has been applied, the amount by which the sum of the transfer price or redemption payment of such income instrument in relation to such holder and any payments received by such holder in terms of such income instrument during the period from acquisition until transfer or redemption of such income instrument by such holder, exceeds the sum of the initial amount and all amounts determined in accordance with such alternative method and any other payments made by such holder in terms of such income instrument during the period from acquisition until transfer or redemption of such income instrument by such holder]; or**
- (b) in relation to the issuer of any instrument, [where—
- (i) **an alternative method has not been applied,]** the amount by which the sum of the adjusted initial amount in relation to such instrument and the accrual amount in relation to the accrual period during which such instrument is transferred or redeemed and any payments received by such issuer in terms of such instrument during the accrual period, exceeds the sum of the transfer price or redemption payment in relation to such instrument in relation to such issuer and any payments made by such issuer in terms of such instrument during such accrual period[; or
  - (ii) **an alternative method has been applied, the amount by which the sum of the initial amount and all amounts determined in accordance with such alternative method and any other payments received by such issuer in terms of such instrument during the period from issue or acquisition until transfer or redemption of such instrument by such issuer, exceeds the sum of the transfer price or redemption payment in**



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**relation to such instrument in relation to such issuer and any payments made by such issuer in terms of such instrument during the period from issue or acquisition until transfer or redemption of such instrument by such issuer];**

- (b) by the substitution in subsection (1) for the definition of “adjusted loss on transfer or redemption of an instrument” of the following definition:

“**adjusted loss on transfer or redemption of an instrument**” means—

- (a) in relation to the holder of any income instrument, [**where—**

(i) **an alternative method has not been applied,**] the amount by which the sum of the adjusted initial amount in relation to such income instrument and the accrual amount in relation to the accrual period during which such income instrument is transferred or redeemed and any payments made by such holder in terms of such income instrument during such accrual period, exceeds the sum of the transfer price or redemption payment in relation to such income instrument in relation to such holder and any payments received by such holder in terms of such income instrument during such accrual period[; or

(ii) **an alternative method has been applied, the amount by which the sum of the initial amount and all amounts determined in accordance with such alternative method and any other payments made by such holder in terms of such income instrument during the period from acquisition until transfer or redemption of such income instrument by such holder, exceeds the sum of the transfer price or redemption payment in relation to such income instrument in relation to such holder and any payments received by such holder in terms of such income instrument during the period from acquisition until transfer or redemption of such income instrument by such holder];** or

- (b) in relation to the issuer of any instrument, [**where—**

(i) **an alternative method has not been applied,**] the amount by which the sum of the transfer price or redemption payment of such instrument in relation to such issuer and any payments made by such issuer in terms of such instrument during the accrual period during which such instrument is transferred or redeemed, exceeds the sum of the adjusted initial amount in relation to such instrument and the accrual amount in relation to such

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accrual period and any payments received by such issuer in terms of such instrument during such accrual period; [or

- (ii) **an alternative method has been applied, the amount by which the sum of the transfer price or redemption payment of such instrument in relation to such issuer and any payments made by such issuer in terms of such instrument during the period from issue or acquisition until transfer or redemption of such instrument by such issuer, exceeds the sum of the initial amount and all amounts determined in accordance with such alternative method and any other payments received by such issuer in terms of such instrument during the period from issue or acquisition until transfer or redemption of such instrument by such issuer;]**

(c) by the deletion in subsection (1) of the definition of “alternative method”;

(d) by the substitution for subsection (2) of the following subsection:

“(2) Where any person is the issuer in relation to an instrument during any year of assessment, such person shall for the purposes of this Act be deemed to have incurred an amount of interest during such year of assessment, which is equal to[—

(a)] the sum of all accrual amounts in relation to all accrual periods falling, whether in whole or in part, within such year of assessment in respect of such instrument[; or

(b) **an amount determined in accordance with an alternative method in relation to such year of assessment in respect of such instrument,]**

which must be deducted from the income of that person derived from carrying on any trade, if that amount is incurred in the production of the income.”;

(e) by the substitution for subsection (3) of the following subsection:

“(3) Where any person is the holder in relation to an income instrument during any year of assessment, there shall for the purposes of this Act be deemed to have accrued to that person and must be included in the gross income of that person during that year of assessment (whether or not that amount constitutes a receipt or accrual of a capital nature), an amount of interest which is equal to[—

(a)] the sum of all accrual amounts in relation to all accrual periods falling, whether in part or in whole, within such year of assessment in respect of such income instrument[; or

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- (b) **an amount determined in accordance with an alternative method in relation to such year of assessment in respect of such income instrument].”;**
- (f) by the substitution for subsection (4A) of the following subsection:
- “(4A) Where in the case of any—
- (a) holder of an income instrument any adjusted loss on transfer or redemption of such income instrument which has been deemed to have been incurred by such holder in terms of subsection (4)(b) during any year of assessment, includes an amount in relation to such income instrument representing an[—
- (i)] accrual amount[; **or**
- (ii) **amount determined in accordance with an alternative method],**
- which amount has been included in the income of the holder during such year of assessment or any previous year of assessment, such amount shall be allowed as a deduction from the income of such holder during such year of assessment; or
- (b) issuer of an instrument any adjusted gain on transfer or redemption which has been deemed to have been accrued to such issuer in terms of subsection (4)(a) during any year of assessment, includes an amount in relation to such instrument representing an[—
- (i)] accrual amount[; **or**
- (ii) **amount determined in accordance with an alternative method],**
- which amount has been allowed as a deduction from the income of such issuer during such year of assessment or any previous year of assessment, to the extent that such amount is not taken into account in terms of section 19, such amount shall be included in the income of such issuer during such year of assessment.”;
- and
- (g) by the substitution in subsection (5) for paragraphs (a) and (b) of the following paragraphs respectively:
- “(a) paid by any person in terms of an instrument is to be taken into account in the determination of any accrual amount in relation to that instrument [**or any other amount determined in accordance with an alternative method in relation to that instrument]** which accrual amount [**or other amount]** is to be dealt with in terms of the provisions of subsection (2), no account shall for the purposes of section 11 be taken of any such amount so actually paid, save by way of the operation of such subsection; or

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- (b) received by any person in terms of an income instrument is to be taken into account in the determination of any accrual amount in relation to that income instrument **[or any other amount determined in accordance with an alternative method]** in relation to that income instrument which accrual amount **[or other amount]** is to be dealt with in terms of the provisions of subsection (3), no account shall for the purposes of the definition of “gross income” in section 1 be taken of any such amount so actually received, save by way of the operation of such subsection.”.

**Amendment of section 24JB of Act 58 of 1962, as inserted by section 56 of Act 22 of 2012, as substituted by section 71 of Act 31 of 2013 and amended by section 43 of Act 43 of 2014 and section 46 of Act 15 of 2016**

**43.** Section 24JB of the Income Tax Act, 1962, is hereby amended—

- (a) by the addition in subsection (1) in paragraph (d) of the definition of “covered person” after subparagraph (iii) of the following subparagraph:

“(iv) any subsidiary, as defined in section 1 of the Companies Act, of a company contemplated in subparagraph (i) or (ii):”;

- (b) by the substitution in subsection (1) for the definition of “derivative” of the following definition:

“‘derivative’ means a derivative as defined in and within the scope of IFRS 9:”;

- (c) by the substitution in subsection (2) for the words preceding paragraph (a) of the following words:

“Subject to sections 8F, 8FA and subsection (4), there must be included in or deducted from the income, as the case may be, of any covered person for any year of assessment all amounts in respect of financial assets and financial liabilities of that covered person that are recognised in profit or loss in the statement of comprehensive income in respect of financial assets and financial liabilities of that covered person that are **[recognized] measured** at fair value in profit or loss in terms of **[International Accounting Standard 39 of] IFRS 9 [or any other standard that replaces that standard]** or, in the case of commodities, at fair value less cost to sell in profit or loss in terms of IFRS for that year of assessment, excluding any amount in respect of—”;

- (d) by the substitution in subsection (2)(a) for the words following subparagraph (v) of the following words:

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“if that financial asset does not constitute trading stock.”;

(e) by the addition after subsection (2) of the following subsection:

“(2A) A covered person must include in or deduct from income for a year of assessment a realised gain or realised loss that is recognised in a statement of other comprehensive income as contemplated in IFRS if that realised gain or realised loss is attributable to a change in the credit risk of the financial liability as contemplated in IFRS.”; and

(f) by the addition after subsection (8) of the following subsection:

(9) Where a financial asset held by or financial liability owed by a covered person at the end of the year of assessment immediately preceding the year of assessment commencing on or after 1 January 2018 would have ceased to be subject to tax or would have become subject to tax in terms of subsection (2), had IFRS 9 applied on the last day of that immediately preceding year of assessment, that covered person is deemed to have—

(a) disposed of that financial asset or redeemed that financial liability; and

(b) immediately reacquired that financial asset or incurred that financial liability, for an amount equal to the market value of that financial asset or financial liability on that day.”.

(2) Subsection (1) comes into operation on 1 January 2018 and applies in respect of years of assessment commencing on or after that date.

**Amendment of section 25BB of Act 58 of 1962, as inserted by section 59 of Act 22 of 2012, as substituted by section 74 of Act 31 of 2013 and amended by section 45 of Act 43 of 2014, section 50 of Act 25 of 2015 and section 48 of Act 15 of 2016**

**44.** Section 25BB of the Income Tax Act, 1962, is hereby amended—

(a) by the substitution in subsection (1) in the definition of “qualifying distribution” for the words preceding paragraph (a) of the following words:

**“‘qualifying distribution’,** in respect of a year of assessment of a company that is a REIT or a controlled company as at the end of a year of assessment, means any dividend (other than a dividend contemplated in paragraph (b) of the definition of ‘dividend’) paid or payable, or interest incurred in respect of a debenture forming part of a linked unit in that company, if the amount thereof is determined with reference to the financial results of that company as reflected in the financial statements prepared for that year of assessment if—”; and

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(b) by the substitution in subsection (7) for paragraphs (a) and (b) of the following paragraphs:

- “(a) that year of assessment of that REIT or controlled company is deemed to end on the day preceding the date on which that company ceases to be either a REIT or a controlled company; and
- (b) the following year of assessment of that company is deemed to commence on the day on which that company ceased to be either a REIT or a controlled company.”.

**Insertion of section 25BC in Act 58 of 1962**

45. (1) The following section is hereby inserted in the Income Tax Act, 1962, after section 25BB:

**“Distributions by non-resident trust or foreign foundation deemed to be income of resident**

**25BC. If—**

- (a) any person that is a resident, other than a person that is a company, is a beneficiary in relation to a trust that is not a resident or a foreign foundation; and
- (b) that trust or foundation holds a participation right as defined in section 9D(1) in a foreign company and that company would have constituted a controlled foreign company as defined in that section had that trust or foundation been a resident,
- any amount received by or accrued to or in favour of that person during any year of assessment from that trust or foundation by reason of that person being a beneficiary of that trust or foundation must be included in the income of that person.”.

(2) Subsection (1) comes into operation on 1 January 2018 and applies in respect of years of assessment commencing on or after that date.

**Amendment of section 29A of Act 58 of 1962, as inserted by section 30 of Act 53 of 1999 and amended by section 36 of Act 59 of 2000, section 15 of Act 5 of 2001, section 15 of Act 19 of 2001, section 39 of Act 60 of 2001, section 30 of Act 74 of 2002, section 16 of**

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Act 16 of 2004, section 23 of Act 20 of 2006, section 21 of Act 3 of 2008, section 52 of Act 7 of 2010, section 62 of Act 22 of 2012, section 77 of Act 31 of 2013, section 47 of Act 43 of 2014, section 53 of Act 25 of 2015 and section 50 of Act 15 of 2016

46. (1) Section 29A of the Income Tax Act, 1962, is hereby amended—

- (a) by the substitution in subsection (1) in paragraph (a) of the definition of “adjusted IFRS value” for subparagraph (i) of the following subparagraph:

“adjusted IFRS value” means in respect of a policyholder fund or the risk policy fund an amount, which may not be less than zero, that must be calculated in accordance with the formula—

$$\underline{I = (L + DL + PF) - PT - DC}$$

in which formula—

- (a) ‘I’ represents the amount to be determined;
- (b) ‘L’ represents the amount of the liabilities in respect of policies of the insurer, net of amounts recognised as recoverable under policies of reinsurance and negative liabilities, the amounts which are determined in accordance with IFRS as annually reported by the insurer to shareholders in the audited annual financial statements in respect of policies allocated to that fund;
- (c) ‘DL’ represents for a policyholder fund the amount of deferred tax liabilities, determined in accordance with IFRS as annually reported by the insurer to shareholders in the audited annual financial statements, in respect of assets allocated to that policyholder fund;
- (d) ‘PF’ represents the amount calculated in terms of subsection (14) if a phasing-in amount is determined in terms of subsection (15)(a);
- (e) ‘PT’ represents the amount calculated in terms of subsection (14) if a phasing-in amount is determined in terms of subsection (15)(b); and
- (f) ‘DC’ represents for a policyholder fund the amount of deferred acquisition costs determined in accordance with IFRS as annually reported by the insurer to shareholders in the audited financial statements.”;
- (b) by the substitution in subsection (1) for the definition of “negative liability” of the following definition:

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“‘negative liability’ means, in respect of a long-term policy, the amount by which the expected present value of future premiums exceeds the expected present value of future benefits to policy holders and expenses;”;

(c) by the substitution for subsection (15) of the following subsection:

“(15) For the purposes of subsection (14) ‘phasing-in amount’ in relation to a policyholder fund or the risk policy fund means—

(a) if the amount of negative liabilities that has been recognised in accordance with IFRS as reported by the insurer to shareholders in the audited annual financial statements relating to policies allocated to that fund, reduced by negative liabilities recognised as an asset (adjusted to the manner in which negative liabilities were taken into account for purposes of determining assets and liabilities as disclosed in the audited annual financial statements for 2015), exceeds the amount of negative liabilities that has been recognised in determining the value of liabilities (adjusted to the manner of disclosure of policy liabilities for tax purposes for 2015 years of assessment) relating to policies allocated to that fund in respect of the year of assessment of the insurer ending during 2017, the amount of that excess; or

(b) if the amount of negative liabilities that has been recognised in determining the value of liabilities (adjusted to the manner in which negative liabilities were taken into account for purposes of determining assets and liabilities as disclosed for tax purposes for 2015 years of assessment) relating to policies allocated to that fund exceeds the amount of negative liabilities that has been recognised in accordance with IFRS as reported by the insurer to shareholders in the audited annual financial statements relating to policies allocated to that fund in respect of the year of assessment of the insurer ending during 2017, reduced by negative liabilities recognised as an asset (adjusted to the manner of disclosure of policy liabilities and assets in the audited annual financial statements for 2015), the amount of that excess:

Provided that the reduction of negative liabilities recognised as an asset must only apply where the positive liabilities reduced by the negative liabilities result in a net asset which is disclosed for financial reporting purposes.”; and

(d) by the deletion in subsection (16) after paragraph (c) of the word “or”, the substitution after paragraph (d) for the comma of the expression “;or”, and the addition after paragraph (d) of the following paragraph:



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“(e) any amount of deferred acquisition costs determined in accordance with IFRS as annually reported by the insurer to shareholders in the audited financial statements.”.

(2) Subsection (1) comes into operation on the date on which the Insurance Act, 2016, comes into operation and applies in respect of years of assessment ending on or after that date.

**Amendment of section 35A of Act 58 of 1962, as inserted by section 30 of Act 32 of 2004 and amended by section 5 of Act 32 of 2005, section 59 of Act 24 of 2011, section 271 of Act 28 of 2011 read with paragraph 43 of Schedule 1 to that Act, section 2 of Act 23 of 2015 and section 2 of Act 16 of 2016**

47. Section 35A of the Income Tax Act, 1962, is hereby amended—

(a) by the deletion in subsection (1) of the word “and” after paragraph (b), the insertion of the word “and” after paragraph (c) and by the addition of the following paragraph:

“(d) as the Minister may announce in the national annual budget contemplated in section 27(1) of the Public Finance Management Act, with effect from a date mentioned in that Announcement.”; and

(b) by the insertion after subsection (1) of the following subsection:

“(1A) If the Minister makes an announcement contemplated in subsection (1)(d), that rate comes into effect on the date determined by the Minister in that announcement and continues to apply for a period of 12 months from that date subject to Parliament passing legislation giving effect to that announcement within that period of 12 months.”.

**Amendment of section 36 of Act 58 of 1962, as amended by section 12 of Act 72 of 1963, section 15 of Act 90 of 1964, section 20 of Act 88 of 1965, section 23 of Act 55 of 1966, section 16 of Act 95 of 1967, section 14 of Act 76 of 1968, section 26 of Act 89 of 1969, section 21 of Act 65 of 1973, section 28 of Act 85 of 1974, section 20 of Act 104 of 1980, section 25 of Act 94 of 1983, section 16 of Act 96 of 1985, section 14 of Act 70 of 1989, section 26 of Act 101 of 1990, section 30 of Act 129 of 1991, section 24 of Act 141 of 1992, section 29 of Act 113 of 1993, section 17 of Act 36 of 1996, section 41 of Act 60 of 2001, section 31 of Act 32 of 2004, section 26 of Act 20 of 2006, section 46 of Act 35 of 2007, section 23 of Act 3 of 2008, section 44 of Act 60 of 2008, section 43 of Act 17 of 2009, section 57 of Act 7 of 2010, section 60 of Act 24 of 2011, section 83 of Act 31 of 2013, section 51 of Act 43 of 2014 and section 52 of Act 15 of 2016**

48. (1) Section 36 of the Income Tax Act, 1962, is hereby amended by the insertion after subsection (7E) of the following subsection:

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“(7EA) Where a debt that is owed by a person is reduced by any amount and that debt was used to fund any amount of capital expenditure incurred, the reduction amount in respect of that debt must be applied to reduce any amount of capital expenditure incurred in the year of assessment that the reduction amount arises: Provided that any amount of the reduction amount that exceeds the capital expenditure incurred in the year of assessment that the reduction amount arises, must be treated as an amount received by or accrued by the mining company during that year of assessment in respect of a disposal of assets the cost of which has been included in capital expenditure incurred.”.

(2) Subsection (1) comes into operation on 1 January 2018 and applies in respect of years of assessment commencing on or after that date.

**Amendment of section 37A of Act 58 of 1962, as inserted by section 27 of Act 20 of 2006 and amended by section 28 of Act 8 of 2007, section 47 of Act 35 of 2007 and section 84 of Act 31 of 2013**

**49.** Section 37A of the Income Tax Act, 1962, is hereby amended by the substitution for subsections (6), (7) and (8) of the following subsections:

“(6) If a company or trust holds a financial instrument or investment during any year of assessment—

(a) other than a financial instrument contemplated in subsection (2); or

(b) any investment other than an investment contemplated in subsection (2)(d),

an amount equal to 40 per cent of the highest market value of that other financial instrument or other investment during that year of assessment must be deemed to be an amount of normal tax payable by the person contemplated in subsection (1)(d), to the extent that financial instrument or investment is directly or indirectly derived from any amount in cash paid by that person to that company or that trust.

(7) If a company or trust contemplated in subsection (1) during any year of assessment distributes property from that company or trust for a purpose other than—

(a) rehabilitation upon premature closure;

(b) decommissioning and final closure;

(c) post closure coverage of any latent or residual environmental impacts; or

(d) transfer to another company, trust, or account established for the purposes contemplated in subsection (1)(a),

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an amount equal to 40 per cent of the highest market value during that year of assessment of the property so distributed must be deemed to be an amount of normal tax payable by that company or trust in respect of the year of assessment in which that distribution occurred.

(8) Where a company or trust contemplated in subsection (1), during any year of assessment fails to comply with any requirement of this section the Commissioner must deem an amount equal to 40 per cent of twice the highest market value during that year of assessment of all the property held in that company or trust, as an amount of normal tax payable by the person contemplated in subsection (1)(d) to the extent that other property is directly or indirectly derived from cash paid by that person to that company or trust.

(9) A company or trust contemplated in this section must—

(a) within three months after the end of any year of assessment submit a report to the Director-General of the National Treasury in respect of that year of assessment providing the Director-General of the National Treasury with information comprising—

(i) the total amount of contributions to the company or the trust;

(ii) the total amount of withdrawals from the company or the trust; and

(iii) the purposes for which any amount of those withdrawals were applied; and

(b) within 7 days after receiving a request from the Director-General of the National Treasury provide any information as the Director-General may require.”.

**Amendment of section 41 of Act 58 of 1962, as substituted by section 34 of Act 74 of 2002 and amended by section 49 of Act 45 of 2003, section 32 of Act 32 of 2004, section 37 of Act 31 of 2005, section 28 of Act 20 of 2006, sections 32 and 103 of Act 8 of 2007, section 52 of Act 35 of 2007, section 25 of Act 3 of 2008, section 48 of Act 60 of 2008, section 47 of Act 17 of 2009, section 61 of Act 7 of 2010, section 67 of Act 24 of 2011, section 73 of Act 22 of 2012, section 90 of Act 31 of 2013, section 54 of Act 43 of 2014, section 61 of Act 25 of 2015 and section 54 of Act 15 of 2016**

**50.** Section 41 of the Income Tax Act, 1962, is hereby amended by the insertion in subsection (1) after the definition of “date of acquisition” of the following definition:

“‘debt’ includes any contingent liability;”.

**Amendment of section 42 of Act 58 of 1962, as substituted by section 34 of Act 74 of 2002 and amended by section 50 of Act 45 of 2003, section 33 of Act 32 of 2004, section 38 of Act 31 of 2005, section 29 of Act 20 of 2006, section 33 of Act 8 of 2007, section 53**

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of Act 35 of 2007, section 26 of Act 3 of 2008, section 49 of Act 60 of 2008, section 48 of Act 17 of 2009, section 62 of Act 7 of 2010, section 68 of Act 24 of 2011, section 74 of Act 22 of 2012, section 91 of Act 31 of 2013, section 55 of Act 43 of 2014 and section 62 of Act 25 of 2015

51. Section 42 of the Income Tax Act, 1962, is hereby amended—

(a) by the substitution in subsection (2)(a) for subparagraph (ii) of the following subparagraph:

“(ii) acquired the equity shares in that company on the date that such person acquired that asset (other than for purposes of determining **[a share is a “qualifying share” as defined in]** whether that asset had been held for at least three years for purposes of section 9C(2) where that asset is not an equity share) and for a cost equal to—”;

(b) by the substitution in subsection (3)(a) for the words preceding subparagraph (i) of the following words:

“an asset that constitutes an allowance asset, in that person’s hands to a company as part of an asset-for-share transaction and that company acquires that asset as an allowance asset or that company is a REIT and acquires that asset as a capital asset—”;

(c) in subsection (3)(a)(ii) for item (bb) of the following item:

“(bb) that is to be recovered or recouped by or included in the income of that company, other than a company that is a REIT, in respect of that asset;”;

(d) by the substitution in subsection (3)(c) for the words preceding paragraph (i) of the following words:

“a contract to a company as part of a disposal of a business as a going concern in terms of an asset-for-share transaction and an allowance in terms of section 24 **[or], 24C or 24P** was allowable to that person in respect of that contract for the year preceding that in which that contract is transferred or would have been allowable to that person for the year of that transfer had that contract not been so transferred—”.

(2) Paragraph (a) of subsection (1) is deemed to have come into operation on 1 January 2016 and applies in respect of years of assessment commencing on or after that date.

**Amendment of section 44 of Act 58 of 1962, as substituted by section 34 of Act 74 of 2002 and amended by section 52 of Act 45 of 2003, section 40 of Act 31 of 2005, section 34 of Act 8 of 2007, section 55 of Act 35 of 2007, section 27 of Act 3 of 2008, section 50 of Act 60 of 2008, section 49 of Act 17 of 2009, section 63 of Act 7 of 2010, section 69 of Act**

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**24 of 2011, section 76 of Act 22 of 2012, section 93 of Act 31 of 2013, section 57 of Act 43 of 2014, section 63 of Act 25 of 2015 and section 55 of Act 15 of 2016**

**52.** Section 44 of the Income Tax Act, 1962, is hereby amended—

- (a) by the substitution in subsection (3)(a) for the words preceding subparagraph (i) of the following words:

“an asset that constitutes an allowance asset in that amalgamated company’s hands to a resultant company as part of an amalgamation transaction and that resultant company acquires that asset as an allowance asset or that resultant company is a REIT that acquires that asset as a capital asset—”;

- (b) by the substitution in subsection 44(3)(a)(ii) for item (bb) of the following item:

“(bb) that is to be recovered or recouped by or included in the income of that resultant company, other than a resultant company that is a REIT in respect of that asset;” and

- (c) by the substitution in subsection (3)(b) for the words preceding subparagraph (i) of the following words:

“contract to a resultant company as part of a disposal of a business as a going concern in terms of an amalgamation transaction and an allowance in terms of section 24 [~~or~~], 24C or 24P was allowable to that amalgamated company in respect of that contract for the year preceding that in which that contract is transferred or would have been allowable to that amalgamated company for the year of that transfer had that contract not been so transferred—”.

**Amendment of section 45 of Act 58 of 1962, as substituted by section 34 of Act 74 of 2002 and amended by section 53 of Act 45 of 2003, section 35 of Act 32 of 2004, section 41 of Act 31 of 2005, section 35 of Act 8 of 2007, section 56 of Act 35 of 2007, section 28 of Act 3 of 2008, section 51 of Act 60 of 2008, section 64 of Act 7 of 2010, section 70 of Act 24 of 2011, section 77 of Act 22 of 2012, section 94 of Act 31 of 2013 and section 64 of Act 25 of 2015**

**53.** Section 45 of the Income Tax Act, 1962, is hereby amended by the substitution in subsection (3)(b) for the words preceding subparagraph (i) of the following words:

“a contract to a transferee company as part of a disposal of a business as a going concern in terms of an intra-group transaction contemplated in paragraph (a) of the definition of “intra group transaction” and an allowance in terms of section 24 [~~or~~], 24C or 24P was allowable to that transferor company in respect of that contract for the year preceding that in which that contract is transferred or would have been

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allowable to that transferor company for the year of that transfer had that contract not been so transferred—”.

**Amendment of section 46 of Act 58 of 1962, as substituted by section 34 of Act 74 of 2002 and amended by section 54 of Act 45 of 2003, section 36 of Act 32 of 2004 section 42 of Act 31 of 2005, section 36 of Act 8 of 2007, section 57 of Act 35 of 2007, section 29 of Act 3 of 2008, section 52 of Act 60 of 2008, section 65 of Act 7 of 2010, section 71 of Act 24 of 2011, section 78 of Act 22 of 2012, section 95 of Act 31 of 2013 and section, 58 of Act 43 of 2014 and section 65 of Act 25 of 2015**

**54.** (1) Section 46 of the Income Tax Act, 1962, is hereby amended by substitution in subsection (3)(a) for subparagraph (ii) of the following subparagraph:

“(ii) the unbundled shares must, other than for purposes of determining whether a share **[is a “qualifying share” as defined in]** has been held for at least three years for the purposes of section 9C(2), be deemed to have been acquired on the same date as the unbundling shares;”.

(2) Subsection (1) is deemed to have come into operation on 1 January 2016.

**Amendment of section 47B of Act 58 of 1962, as inserted by section 44 of Act 31 of 2005**

**55.** Section 47B of the Income Tax Act, 1962 is hereby amended by the substitution for subsection (2) of the following subsection:

“(2) (a) The tax on foreign entertainers and sportspersons is a final tax and is levied at a rate—

(i) of 15 [%] per cent; or

(ii) as the Minister may announce in the national annual budget contemplated in section 27(1) of the Public Finance Management Act with effect from a date mentioned in that Announcement,

on all amounts received by or accrued to a taxpayer as contemplated in subsection (1).

(b) If the Minister makes an announcement contemplated in paragraph (a)(ii), that rate comes into effect on the date determined by the Minister in that announcement and continues to apply for a period of 12 months from that date subject to Parliament passing legislation giving effect to that announcement within that period of 12 months.”.

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**Amendment of section 49B of Act 58 of 1962, as inserted by section 80 of Act 22 of 2012 and amended by section 97 of Act 31 of 2013**

56. Section 49B of the Income Tax Act, 1962, is hereby amended by the substitution for subsection (1) of the following subsection:

“(1)(a) There must be levied for the benefit of the National Revenue Fund a tax, to be known as the withholding tax on royalties, calculated at the rate —

(i) of 15 per cent; or

(ii) as the Minister may announce in the national annual budget contemplated in section 27(1) of the Public Finance Management Act with effect from a date mentioned in that Announcement,

of the amount of any royalty that is paid by any person to or for the benefit of any foreign person to the extent that the amount is regarded as having been received by or accrued to that foreign person from a source within the Republic in terms of section 9(2)(c), (d), (e) or (f).

(b) If the Minister makes an announcement contemplated in paragraph (a)(ii), that rate comes into effect on the date determined by the Minister in that announcement and continues to apply for a period of 12 months from that date subject to Parliament passing legislation giving effect to that announcement within that period of 12 months.”.

**Amendment of section 50B of Act 58 of 1962, as inserted by inserted by section 98 of Act 31 of 2013**

57. Section 50B of the Income Tax Act, 1962 is hereby amended by the substitution for subsection (1) of the following subsection:

“(1)(a) There must be levied for the benefit of the National Revenue Fund a tax, to be known as the withholding tax on interest, calculated at the rate—

(i) of 15 per cent; or

(ii) as the Minister may announce in the national annual budget contemplated in section 27(1) of the Public Finance Management Act with effect from a date mentioned in that Announcement,

of the amount of any interest that is paid by any person to or for the benefit of any foreign person to the extent that the amount is regarded as having been received or accrued from a source within the Republic in terms of section 9(2)(b).

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(b) If the Minister makes an announcement contemplated paragraph (a)(ii), that rate comes into effect on the date determined by the Minister in that announcement and continues to apply for a period of 12 months from that date subject to Parliament passing legislation giving effect to that announcement within that period of 12 months.”.

**Substitution of section 64 of Act 58 of 1962**

58. The following section is hereby substituted for section 64 of the Income Tax Act, 1962:

**“Rate of donations tax.**

64. (1) The rate of the donations tax chargeable under section 54 in respect of the value of any property disposed of under a donation shall be—

(a) 20 per cent of such value; or

(b) such percentage of such value as the Minister may announce in the national annual budget contemplated in section 27(1) of the Public Finance Management Act, with effect from a date mentioned in that Announcement.

(2) If the Minister makes an announcement contemplated in subsection (1)(b), that rate comes into effect on the date determined by the Minister in that announcement and continues to apply for a period of 12 months from that date subject to Parliament passing legislation giving effect to that announcement within that period of 12 months.”.

**Amendment of section 64D of Act 58 of 1962, as substituted by section 53 of Act 17 of 2009 and amended by section 70 of Act 7 of 2010, section 75 of Act 24 of 2011, section 102 of Act 31 of 2013 and section 73 of Act 25 of 2015**

59. (1) Section 64D of the Income Tax Act, 1962, is hereby amended by the substitution in subsection (1) in the definition of “regulated intermediary” after paragraph (g) for the expression “;or” of a full stop.

**Amendment of section 64E of Act 58 of 1962, as substituted by section 53 of Act 17 of 2009 and amended by section 71 of Act 7 of 2010, section 76 of Act 24 of 2011, section 6 of Act 13 of 2012 and section 83 of Act 22 of 2012**



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**60.** Section 64E of the Income Tax Act, 1962, is hereby amended by the substitution for subsection (1) of the following subsection:

“(1)(a) Subject to paragraph 3 of the Tenth Schedule, there must be levied for the benefit of the National Revenue Fund a tax, to be known as the dividends tax, calculated at the rate—

(i) of 20 per cent; or

(ii) as the Minister may announce in the national annual budget contemplated in section 27(1) of the Public Finance Management Act, with effect from a date mentioned in that Announcement,

of the amount of any dividend paid by any company other than a headquarter company.

(b) If the Minister makes an announcement contemplated in paragraph (a)(ii), that rate comes into effect on the date determined by the Minister in that announcement and continues to apply for a period of 12 months from that date subject to Parliament passing legislation giving effect to that announcement within that period of 12 months.”.

**Amendment of paragraph 2 of Second Schedule to Act 58 of 1962, as substituted by section 57 of Act 17 of 2009 and amended by section 80 of Act 7 of 2010 and section 92 of Act 22 of 2012**

**61.** Paragraph 2 of the Second Schedule to the Income Tax Act, 1962, is hereby amended by the deletion in subparagraph (1) of the word “and” after item (a), the insertion of the word “and” after item (b) and the addition of the following subparagraph:

“(c) any amount transferred for the benefit of that person on or after normal retirement age, as defined in the rules of the fund, but before retirement date, less any deductions permitted under the provisions of paragraph 7.”.

**Amendment of paragraph 5 of Second Schedule to Act 58 of 1962, as substituted by section 61 of Act 17 of 2009 and amended by section 98 of Act 22 of 2012, section 112 of Act 31 of 2013 and section 86 of Act 25 of 2015**

**62.** Paragraph 5 of the Second Schedule to the Income Tax Act, 1962, is hereby amended—

(a) by the substitution in subparagraph (1) for item (a) of the following item:

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“(a) the person’s own contributions that did not rank for a deduction against the person’s income in terms of section [11(k)] 11F to any pension fund, pension preservation fund, provident fund, provident preservation fund and retirement annuity fund of which he or she is or previously was a member;”;

(b) by the substitution in subparagraph (1) for item (e) of the following item:

“(e) any other amounts in respect of which the formula in paragraph 2A applies which have been—

(i) paid into a pension fund, pension preservation fund, provident fund, provident preservation fund or retirement annuity fund for the person’s benefit by a public sector fund ; and

(ii) transferred into a pension fund, pension preservation fund, provident fund, provident preservation fund or retirement annuity fund directly from a fund contemplated in item (i) for the person’s benefit,

less the amount represented by symbol A when applying that formula.”.

(2) Paragraph (a) of subsection (1) is deemed to have come into operation on 1 March 2016.

**Amendment of paragraph 6 of Second Schedule to Act 58 of 1962, as substituted by section 62 of Act 17 of 2009 and amended by section 84 of Act 7 of 2010, section 92 of Act 24 of 2011, section 99 of Act 22 of 2012, section 113 of Act 31 of 2013 and section 87 of Act 25 of 2015**

**63.** Paragraph 6 of the Second Schedule to the Income Tax Act, 1962, is hereby amended—

(a) by the substitution in subparagraph (1)(b) for subitem (i) of the following subitem:

“(i) the person’s own contributions that did not rank for a deduction against the person’s income in terms of section [11(k)] 11F to any pension funds, pension preservation funds, provident funds, provident preservation funds and retirement annuity funds of which he or she is or previously was a member;”;

(b) by the substitution in subparagraph (1)(b) for subitem (v) of the following subitem:

“(v) any other amounts in respect of which the formula in paragraph 2A applies which have been —

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- (i) paid into a pension fund, pension preservation fund, provident fund, provident preservation fund or retirement annuity fund for the person's benefit by a public sector fund; and
- (ii) transferred into a pension fund, pension preservation fund, provident fund, provident preservation fund or retirement annuity fund from a fund contemplated in item (i) for the person's benefit,  
less the amount represented by symbol A when applying that formula.”.

(2) Paragraph (a) of subsection (1) is deemed to have come into operation on 1 March 2016.

### **Insertion of paragraph 7 in Second Schedule to Act 58 of 1962**

64. The following paragraph is hereby inserted in the Second Schedule to the Income Tax Act, 1962:

“TRANSFER ON OR AFTER NORMAL RETIREMENT AGE BUT BEFORE  
RETIREMENT DATE: DEDUCTIONS

7. The deduction to be made from a lump sum benefit contemplated in paragraph 2(1)(c) is equal to so much of that lump sum benefit as is transferred for the benefit of a person from a—
- (a) pension fund; or
- (b) provident fund,  
into any retirement annuity fund.”.

**Amendment of paragraph 2 of Fourth Schedule to Act 58 of 1962, as added by section 19 of Act 6 of 1963 and amended by section 23 of Act 72 of 1963, section 29 of Act 55 of 1966, section 38 of Act 88 of 1971, section 48 of Act 85 of 1974, section 30 of Act 103 of 1976, section 28 of Act 113 of 1977, section 29 of Act 104 of 1980, section 40 of Act 90 of 1988, section 21 of Act 70 of 1989, section 45 of Act 101 of 1990, section 45 of Act 129 of 1991, section 38 of Act 21 of 1995, section 45 of Act 28 of 1997, section 53 of Act 30 of 2000, section 54 of Act 59 of 2000, section 20 of Act 19 of 2001, section 21 of Act 16 of 2004, section 50 of Act 31 of 2005, section 40 of Act 20 of 2006, section 55 of Act 8 of 2007, section 65 of Act 35 of 2007, section 18 of Act 18 of 2009, section 94 of Act 24 of 2011, section 19 of Act 21 of 2012, section 13 of Act 26 of 2013, section 8 of Act 39 of 2013 and section 68 of Act 44 of 2014 and section 6 of Act 16 of 2016**

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**65.** (1) Paragraph 2 of the Fourth Schedule to the Income Tax Act, 1962, is hereby amended by the substitution in subparagraph (4) for items (a), (b) and (bA) of the following items respectively:

- “(a) any contribution by the employee concerned to any pension fund or provident fund which the employer is entitled or required to deduct from that remuneration, but limited to the deduction to which the employee is entitled under section [11(k)] 11F having regard to the remuneration and the period in respect of which it is payable;
- (b) at the option of the employer, any contribution to a retirement annuity fund by the employee in respect of which proof of payment has been furnished to the employer, but limited to the deduction to which the employee is entitled under section [11(k)] 11F having regard to the remuneration and the period in respect of which it is payable;
- (bA) any contribution made by the employer to any retirement annuity fund for the benefit of the employee, but limited to the deduction to which the employee is entitled under section [11(k)] 11F having regard to the remuneration and the period in respect of which it is payable;”.

(2) Subsection (1) is deemed to have come into operation on 1 March 2016.

**Amendment of paragraph 6 of Seventh Schedule to Act 58 of 1962, as amended by section 29 of Act 96 of 1985 section 72 of Act 60 of 2008, and section 95 of Act 25 of 2015**

**66.** (1) Paragraph 6 of Seventh Schedule to the Income Tax Act, 1962, is hereby amended by the addition to subparagraph (4)(a) of the following proviso:

“: Provided that this item shall not apply in respect of clothing”.

(2) Subsection 1 comes into operation on 1 March 2018.

**Amendment of paragraph 12D of Seventh Schedule to Act 58 of 1962, as substituted by section 77 of Act 43 of 2014 and amended by section 101 of Act 25 of 2015 and section 69 of Act 15 of 2016**

**67.** (1) Paragraph 12D of the Seventh Schedule to the Income Tax Act, 1962, is hereby amended—

- (a) by the substitution in subparagraph (1) for the definition of “fund member category factor” of the following definition:

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“**fund member category factor**’ means the fund member category factor contemplated in subparagraph [(4)] (5)(a) ;”;

(b) by the substitution for subparagraph (2) of the following subparagraph:

“(2) The cash equivalent of the value of the taxable benefit contemplated in paragraph 2(1), where the benefits payable to members in respect of a fund member category of a pension, provident or retirement annuity fund consists solely of defined contribution components, is the value of the amount contributed by the employer for the benefit of an employee who is a member of that fund.”; and

(c) by the substitution in subparagraph (3) for the words preceding the formula of the following words:

“Where the taxable benefits payable to members in respect of a fund member category of a pension, provident or retirement annuity fund consists of components other than only defined contribution components, the cash equivalent of the value of the taxable benefit contemplated in paragraph 2(1) is an amount that must be determined in accordance with the formula”.

(2) Subsection (1) is deemed to have come into operation on 1 March 2016.

**Amendment of paragraph 12A of Eighth Schedule to Act 58 of 1962, as inserted by section 108 of Act 22 of 2012 and amended by section 127 of Act 31 of 2013, section 82 of Act 43 of 2014 and section 106 of Act 25 of 2015**

**68.** (1) Paragraph 12A of the Eighth Schedule to the Income Tax Act, 1962, is hereby amended—

(a) by the deletion in subparagraph (1) of the definition of “reduction amount”;

(b) by the substitution in subparagraph (6) for item (d) of the following item:

“(d) to another person where the person that owes that debt is a company if —

(i) that company has not carried on any trade;

(ii) no amounts have been received by or accrued to that company;

(iii) no assets have been transferred to or from that company;

(iv) no liability has been incurred or assumed by that company; and

(v) that company owes that debt to a company that forms part of the same

group of companies, as defined in section 41, as that company,

during the year of assessment in which a reduction amount in respect of that

debt arises as well as during the immediately preceding three years of

assessment:

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Provided that this item must not apply in respect of any debt—

(aa) incurred, directly or indirectly, by that company in respect of any asset that was disposed of by that company by way of an asset-for-share, intra-group or amalgamation transaction or a liquidation distribution in respect of which the provisions of sections 42, 44, 45 or 47 applied; or

(bb) incurred or assumed by that company in order to settle, take over, refinance or renew, directly or indirectly, any debt incurred by—

(A) any other company that forms part of the group of companies referred to in subparagraph (v); or

(B) any company that is a controlled foreign company in relation to any company that forms part of the group of companies referred to in subparagraph (v); or”; and

(c) by the addition in subparagraph (6) after item (e) of the following item:

(f) to another person where the person that owes that debt is a company that—

(i) owes that debt to a company that forms part of the same group of companies as that company; and

(ii) reduces or settles that debt, directly or indirectly, by means of shares issued by that company;

Provided that this item must not apply in respect of any debt that was incurred or assumed by that company in order to settle, take over, refinance or renew, directly or indirectly, any debt incurred by another person that—

(aa) did not form part of that same group of companies at the time that that other person incurred that debt; or

(bb) does not form part of that same group of companies at the time that that company reduces or settles that debt by means of shares issued by that company.”

(2) Subsection (1) comes into operation on 1 January 2018.

**Amendment of paragraph 35A of Eighth Schedule, as inserted by section 62 of Act 32 of 2004.**

**69.** Paragraph 35A of the Eighth Schedule to the Income Tax Act, 1962, is hereby amended by the substitution for subparagraph (2) of the following subparagraph:

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“(2) So much of any consideration received by or [**accrues**] accrued to a person from the disposal of a claim contemplated in subparagraph (1)(b) as is attributable to any amount which has not yet accrued to that person as contemplated in subparagraph (1)(c), must be treated as an amount of consideration which accrues to that person in respect of the disposal of the asset contemplated in subparagraph (1)(a).”.

### **Substitution of paragraph 43A of Eighth Schedule to Act 58 of 1962**

70. (1) The following paragraph is hereby substituted for paragraph 43A of the Income Tax Act, 1962:

**“Dividends treated as proceeds on disposal of certain shares.**

**43A. (1) ) For the purposes of this paragraph—**

**‘exempt dividend’ means any dividend or foreign dividend to the extent that the dividend or foreign dividend is—**

**(a) not subject to tax under Part VIII of Chapter II; and**

**(b) exempt from normal tax in terms of section 10(1)(k)(i) or section 10B(2)(a) or (b); and**

**‘qualifying interest’ means a direct or indirect interest held by a company in another company, whether alone or together with any connected persons in relation to that company, that constitutes at least—**

**(a) 50 per cent of the equity shares or voting rights in that other company; or**

**(b) 20 per cent of the equity shares or voting rights in that other company if no other person holds the majority of the equity shares or voting rights in that other company.**

**(2) Where a company disposes of shares in another company and that company held a qualifying interest in that other company at any time during the period of 18 months prior to that disposal, the amount of any exempt dividend received by or that accrued to that company in respect of the shares disposed of must—**

**(a) to the extent that the exempt dividend is received by or accrues to that company—**

**(i) within a period of 18 months prior to; or**

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(ii) in respect, by reason or in consequence of that disposal; and  
(b) if that company immediately before that disposal held the shares disposed of as  
a capital asset (as defined in section 41),  
be taken into account, in the year of assessment in which those shares are disposed  
of or, where that dividend is received or accrues after that year of assessment, the  
year of assessment in which that dividend is received or accrues, as part of proceeds  
from the disposal of those shares.”.

(2) Subsection (1) is deemed to have come into operation on 19 July 2017 and applies in respect of any disposal on or after that date.

**Amendment of paragraph 55 of Eighth Schedule to Act 58 of 1962, as amended by section 31 of Act 19 of 2001, section 98 of Act 60 of 2001, section 87 of Act 74 of 2002, section 102 of Act 45 of 2003, section 76 of Act 31 of 2005 section 57 of Act 3 of 2008, section 114 of Act 24 of 2011 and section 115 of Act 25 of 2015**

**71.** Paragraph 55 of Eighth Schedule to the Income Tax Act, 1962, is hereby amended by the substitution in subparagraph (1) for item (c) of the following item:

“(c) in respect of a policy that was taken out to insure against the death, disability or [severe] illness of that person by any other person who was a partner of that person, or held any shares or similar interest in a company in which that person held any share or similar interest, for the purpose of enabling that other person to acquire, upon the death, disability or severe illness of that person, the whole or part of—;”.

**Insertion of paragraph 64E in Eighth Schedule to Act 58 of 1962**

**72.** (1) The following paragraph is hereby inserted in the Eighth Schedule to the Income Tax Act, 1962, after paragraph 64D:

**“Disposal by a trust in terms of a share incentive scheme**

**64E.** Where a capital gain is determined in respect of the disposal of an asset by a trust and a trust beneficiary has a vested right to an amount derived from that capital gain, that trust must disregard so much of that capital gain as is equal to that amount if that amount must in terms of section 8C be—



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- (a) included in the income of that trust beneficiary as an amount received or accrued in respect of a restricted equity instrument; or
- (b) taken into account in determining the gain or loss in the hands of that trust beneficiary in respect of the vesting of a restricted equity instrument.”.

(2) Subsection (1) is deemed to have come into operation on 1 March 2017 and applies in respect of amounts received or accrued on or after that date.

**Amendment of paragraph 80 of Eighth Schedule to Act 58 of 1962, as inserted by section 38 of Act 5 of 2001 and amended by section 108 of Act 60 of 2001, section 58 of Act 20 of 2006, section 62 of Act 3 of 2008, section 86 of Act 60 of 2008, section 80 of Act 17 of 2009, section 150 of Act 31 of 2013 and section 123 of Act 25 of 2015**

73. (1) Paragraph 80 of the Eighth Schedule to the Income Tax, 1962, is hereby amended—

- (a) by the substitution for subparagraph (2) of the following subparagraph:

“(2) Subject to paragraphs 64E, 68, 69, 71 and 72, where a capital gain is determined in respect of the disposal of an asset by a trust in a year of assessment during which a trust beneficiary (other than any person contemplated in paragraph 62 (a) to (e)) who is a resident has a vested **[interest] right** or acquires a vested **[interest] right** (including **[an interest caused]** a right created by the exercise of a discretion) **[in]** to an amount derived from that capital gain but not **[in]** to the asset, the disposal of which gave rise to the capital gain, **[the whole or the portion]** so much of the capital gain **[so vested]** as is equal to the amount to which that trust beneficiary is entitled in terms of that right—

- (a) must be disregarded for the purpose of calculating the aggregate capital gain or aggregate capital loss of the trust; and
- (b) must be taken into account for the purpose of calculating the aggregate capital gain or aggregate capital loss of the beneficiary **[in whom the gain vests]** who is entitled to that amount.”; and
- (b) by the deletion of subparagraph (2A).

(2) Subsection (1) is deemed to have come into operation on 1 March 2017 and applies in respect of amounts received or accrued on or after that date.

**Continuation of certain amendments of Schedules to Act 91 of 1964**

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74. Every amendment or withdrawal of or insertion in Schedules No. 1 to 6, 8 and 10 to the Customs and Excise Act, 1964, made under section 48, 49, 56, 56A, 57, 60 or 75(15) of that Act during the period 1 September 2016 up to and including 30 September 2017, shall not lapse by virtue of section 48(6), 49(5A), 56(3), 56A(3), 57(3), 60(4) or 75(16) of that Act.

**Amendment of section 8 of Act 89 of 1991, as amended by section 24 of Act 136 of 1991, paragraph 4 of Government Notice 2695 of 8 November 1991, section 15 of Act 136 of 1992, section 24 of Act 97 of 1993, section 11 of Act 20 of 1994, section 20 of Act 46 of 1996, section 25 of Act 27 of 1997, section 83 of Act 53 of 1999, section 67 of Act 19 of 2001, section 151 of Act 60 of 2001, section 166 of Act 45 of 2003, section 95 of Act 32 of 2004, section 102 of Act 31 of 2005, section 172 of Act 34 of 2005, section 42 of Act 9 of 2006, section 79 of Act 20 of 2006, section 27 of Act 36 of 2007, section 106 of Act 60 of 2008, section 91 of Act 17 of 2009, section 120 of Act 7 of 2010, section 131 of Act 24 of 2011, section 146 of Act 22 of 2012, section 166 of Act 31 of 2013, section 21 of Act 44 of 2014 and section 129 of Act 25 of 2015**

75. (1) Section 8 of the Value-Added Tax Act, 1991, is hereby amended—

(a) by the substitution for subsection (23) of the following subsection:

“(23) For the purposes of this Act a vendor shall be deemed to supply services to any public authority or municipality to the extent of any payment made to or on behalf of that vendor in terms of a national housing programme contemplated in the Housing Act, 1997 (Act No. 107 of 1997) [**which is approved by the Minister by regulation after consultation with the Minister responsible for Human Settlements**].”; and

(b) by the insertion after subsection (27) of the following subsections:

“(28) Where a municipality transfers any assets, liabilities, rights and obligations to another municipality pursuant to the merger, creation, adjustment or disestablishment of municipalities as a result of any municipal boundary change as envisaged under the Local Government: Municipal Structures Act, 1998 (Act No.117 of 1998)—

(a) the transferring municipality and the recipient municipality shall be regarded as being one and the same person if such municipalities are merged into a single municipality; and

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(b) the transferring municipality shall not be deemed to have made a supply to the recipient municipality if both municipalities continue to exist after such municipal boundary change.

(29) Where leasehold improvements are effected by a vendor, being a lessee, to the fixed property of the lessor, the lessee shall be deemed to have made a taxable supply of goods in the course or furtherance of the lessee's enterprise to the extent that the leasehold improvements are made for no consideration. Provided that this subsection shall not apply where such leasehold improvements are wholly for consumption, use or supply in the course of making other than taxable supplies by the lessee."

(2) Paragraph (a) of subsection (1) is deemed to have come into operation on 1 April 2017.

(3) Paragraph (b) of subsection (1) comes into operation on 1 April 2018.

**Amendment of section 9 of Act 89 of 1991, as amended by section 25 of Act 136 of 1991 section 25 of Act 97 of 1993, section 21 of Act 46 of 1996, section 26 of Act 27 of 1997, section 167 of Act 45 of 2003, section 96 of Act 32 of 2004, section 103 of Act 31 of 2005, section 172 of Act 34 of 2005, section 28 of Act 36 of 2007, section 27 of Act 8 of 2010, section 167 of Act 39 of 2013 and section 130 of Act 25 of 2015**

76. (1) Section 9 of the Value-Added Tax Act, 1991, is hereby amended by the insertion after subsection (11) of the following subsection:

"(12) Where any supply of goods is deemed to be made as contemplated in section 8 (29), that supply shall be deemed to take place at the time the leasehold improvements are completed."

(2) Subsection (1) comes into operation on 1 April 2018.

**Amendment of section 10 of Act 89 of 1991, as amended by section 26 of Act 136 of 1991, paragraph 5 of Government Notice 2695 of 8 November 1991, section 16 of Act 136 of 1992, section 26 of Act 97 of 1993, section 12 of Act 20 of 1994, section 21 of Act 37 of 1996, section 22 of Act 46 of 1996, section 27 of Act 27 of 1997, section 84 of Act 53 of 1999, section 68 of Act 19 of 2001, section 152 of Act 60 of 2001, section 168 of Act 45 of 2003, section 97 of Act 32 of 2004, section 104 of Act 31 of 2005, section 43 of Act 9 of 2006, section 80 of Act 20 of 2006, section 82 of Act 8 of 2007, section 107 of Act 60 of 2008, section 122 of Act 7 of 2010, section 133 of Act 24 of 2011, section 168 of Act 39 of 2013 and section 131 of Act 25 of 2015**

77. (1) Section 10 of the Value-Added Tax Act, 1991, is hereby amended by the insertion after subsection (27) of the following subsection:

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“(28) Where a supply of goods is deemed to be made as contemplated in section 8 (29), the value of such supply shall be deemed to be nil.”.

(2) Subsection (1) comes into operation on 1 April 2018.

**Amendment of section 11 of Act 89 of 1991, as amended by section 27 of Act 136 of 1991, Government Notice 2695 of 8 November 1991, section 17 of Act 136 of 1992, section 27 of Act 97 of 1993, section 13 of Act 20 of 1994, section 28 of Act 27 of 1997, section 89 of Act 30 of 1998, section 85 of Act 53 of 1999, section 77 of Act 30 of 2000, section 43 of Act 5 of 2001, section 153 of Act 60 of 2001, section 169 of Act 45 of 2003, section 46 of Act 16 of 2004, section 98 of Act 32 of 2004, section 21 of Act 9 of 2005, section 105 of Act 31 of 2005, section 44 of Act 9 of 2006, section 81 of Act 20 of 2006, section 105 of Act 35 of 2007, section 29 of Act 36 of 2007, Government Notice R.1024 in Government Gazette 32664 of 30 October 2009, section 134 of Act 24 of 2011, section 169 of Act 31 of 2013, section 96 of Act 43 of 2014 and section 132 of Act 25 of 2015**

**78.** (1) Section 11 of the Value-Added Tax Act, 1991, is hereby amended—

(a) by the substitution in subsection (1) for paragraph (b) of the following paragraph:

“(b) the goods have been supplied in the course of processing, repairing, cleaning, reconditioning or manufacture of [repairing, renovating, modifying, or treating] any goods to which subsection (2)(g) (ii) or (iv) refers and the goods supplied—”; and

(b) by the substitution in subsection (2) for paragraph (d) of the following paragraph:

“(d) (i) the services comprise the—

(aa) insuring;

(bb) arranging of the insurance; or

(cc) arranging of the transport,

of passengers or goods to which any provisions of paragraph (a), (b) or (c) apply or

(ii) insuring or the arranging of the insurance of passengers on an international journey, where the insurance of those passengers is provided under a single inbound or outbound insurance policy in respect of which a single premium is levied: or”.

(c) by the substitution in subsection (2)(g) for subparagraph (i) of the following subparagraph:

“(i) movable property (excluding debt securities, equity securities or participatory securities) situated in any export country at the time the services are rendered; or;”.

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(2) Subsection (1) comes into operation on 1 April 2018.

**Amendment of section 13 of Act 89 of 1991, as amended by section 29 of Act 136 of 1991, section 19 of Act 136 of 1992, section 15 of Act 20 of 1994, section 30 of Act 2 of 1997, section 34 of Act 34 of 1997, section 86 of Act 53 of 1999, section 70 of Act 19 of 2001, section 155 of Act 60 of 2001, section 170 of Act 45 of 2003, section 100 of Act 32 of 2004, section 106 of Act 31 of 2005, section 110 of Act 60 of 2008, section 135 of Act 24 of 2011, section 271 of Act 28 of 2011, read with item 112 of Schedule 1 to that Act and section 171 of Act 31 of 2013**

**79.** (1) Section 13 of the Value-Added Tax Act, 1991, is hereby amended by the deletion of subsection (2A).

(2) Subsection (1) comes into operation on 10 January 2012.

**Amendment of section 16 of Act 89 of 1991, as amended by section 30 of Act 136 of 1991, section 21 of Act 136 of 1992, section 30 of Act 97 of 1993, section 16 of Act 20 of 1994, section 23 of Act 37 of 1996, section 32 of Act 27 of 1997, section 91 of Act 30 of 1998, section 87 of Act 53 of 1999, section 71 of Act 19 of 2001, section 156 of Act 60 of 2001, section 172 of Act 45 of 2003, section 107 of Act 31 of 2005, section 47 of Act 9 of 2006, section 83 of Act 20 of 2006, section 83 of Act 8 of 2007, section 106 of Act 35 of 2007, section 30 of Act 36 of 2007, section 29 of Act 8 of 2010, section 137 of Act 24 of 2011, section 271 of Act 28 of 2011, read with item 115 of Schedule 1 to that Act, section 148 of Act 22 of 2012, section 173 of Act 31 of 2013 and section 98 of Act 43 of 2014**

**80.** Section 16 of the Value-Added Tax Act, 1991, is hereby amended by the substitution in subsection (3) for paragraph (k) of the following paragraph:

“(k) an amount of input tax as determined by the Commissioner paid by a vendor to a supplier of pastoral, agricultural or other farming products who is not a vendor, in terms of a scheme operated by the controlling body of an industry for the development of small-scale farmers approved by the Minister with the concurrence of the [**Minister of Agriculture and Land Affairs**] Cabinet member responsible for agriculture to compensate that supplier for tax incurred in the production of such goods;”.

**Insertion of section 18C in Act 89 of 1991**

**81.** (1) The following section is hereby inserted in the Value-Added Tax Act, 1991 after section 18B:

**“Adjustments for leasehold improvements**

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18C. Where goods have been supplied to a vendor, being a lessor, as contemplated in section 8(29), the lessor shall be deemed to have made a taxable supply in the course or furtherance of the lessor's enterprise, and where a deduction of input tax would have been denied in terms of section 17(2), or to the extent that such goods are not wholly for consumption, use or supply in the course of making taxable supplies by that lessor, those goods shall be deemed to be supplied by the lessor at the time the leasehold improvements are completed, in accordance with the formula:

$$\underline{A \times B \times C}$$

in which formula—

'A' represents the tax fraction;

'B' represents the higher of—

(a) the open market value of the leasehold improvements; or

(b) the actual cost (including any tax) incurred by the lessee for effecting the leasehold improvements; or

(c) the total amount (including any tax) of leasehold improvements as agreed upon between the lessor and the lessee, and

'C' represents the percentage of the use or application of the goods for the purposes of making other than taxable supplies at the time the leasehold improvements are completed."

(2) Subsection (1) comes into operation on 1 April 2018.

### **Insertion of section 40D in Act 89 of 1991**

82. (1) The Value-Added Tax Act, 1991, is hereby amended by the insertion after section 40C of the following section

#### **"Liability for tax and limitation of refunds in respect of National Housing Programmes**

40D. (1) This section applies in respect of the supply of services deemed to be made by the vendor in terms of section 8 (23) which services were supplied before 1 April 2017.

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(2) Where the Commissioner issued any assessment relating to tax periods ending before 1 April 2017 for an amount of tax or additional tax in respect of any supply of services as contemplated in subsection (1) in respect of application of the provisions as contemplated in section 11 (2) (s) in respect of that supply, the Commissioner must, on written application by the vendor, amend that assessment to the extent that the amount of tax, additional tax, penalty or interest that arose as a result of that assessment has not yet been paid on that date: Provided that the assessment will not result in a refund to the vendor.

(3) The Commissioner may not make any assessment for tax periods ending before 1 April 2017 in respect of the deemed supply of services contemplated in subsection (1).

(4) If the vendor has charged tax at the rate referred to in section 7 (1) instead of the rate of tax in terms of section 11 (2) (s) in respect of the supply contemplated in subsection (1), the Commissioner may not refund any such tax or any penalty or interest that arose as a result of the late payment of such tax, paid by the vendor to the Commissioner.”.

(2) Subsection (1) is deemed to have come into operation on 1 April 2017.

**Amendment of section 68 of Act 89 of 1991, as amended by section 39 of Act 136 of 1992, section 26 of Act 20 of 1994 and section 107 of Act 32 of 2004**

**83.** Section 68 of the Value Added Tax, 1991, is hereby amended by the substitution for subsection (1) of the following subsection:

“The Minister may, with the concurrence of the [**Minister of Foreign Affairs**] Cabinet member responsible for International Relations and Cooperation, authorize the granting of relief, by way of a refund, in respect of value-added tax paid or borne—;”.

**Amendment of Schedule 2 of Act 89 of 1991, as amended by section 49 of Act 136 of 1991, paragraph 25 of Government Notice 2695 of 8 November 1991, section 44 of Act 136 of 1992, section 45 of Act 97 of 1993, section 33 of Act 20 of 1994, section 104 of Act 30 of 1998, section 73 of Act 19 of 2001 section 56 of Act 16 of 2004 and section and section 108 of Act 43 of 2014**

**84.** Schedule 2 Part B to the Value Added Tax Act, 1991, is hereby amended by the substitution in Item 1 of the following Item:

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“Item 1 Brown bread as defined in Regulation 1 of the Regulations in terms of Government Notice [No. R.577] 186 published in Government Gazette No. [13074 of 15 March 1991] 30782 of 22 February 2008.”.

### Substitution of section 3 of Act 9 of 1999

85. (1) The following section is hereby substituted for section 3 of the Skills Development Levies Act, 1999:

#### “Imposition of levy

3. (1) Every employer must pay a skills development levy—

- (a) (i) from 1 April 2000, at a rate of 0,5 per cent of the leviable amount; and
- (ii) from 1 April 2001, at a rate of one per cent of the leviable amount; or
- (b) at a rate as the Minister may announce in the national annual budget contemplated in section 27 (1) of the Public Finance Management Act, 1999 (Act No. 1 of 1999), with effect from a date mentioned in that announcement.

(2) If the Minister makes the announcement contemplated in subsection (1)(b), that rate comes into effect on the date determined by the Minister in that announcement and continues to apply for a period of 12 months from that date subject to Parliament passing legislation giving effect to that announcement within that period of 12 months.

(3) For the purposes of subsections (1) and (2) , but subject to subsection (4), the leviable amount means the total amount of remuneration, paid or payable, or deemed to be paid or payable, by an employer to its employees during any month, as determined in accordance with the provisions of the Fourth Schedule to the Income Tax Act for the purposes of determining the employer’s liability for any employees’ tax in terms of that Schedule, whether or not such employer is liable to deduct or withhold such employees’ tax.

(4) The amount of remuneration referred to in subsection (3) does not include any amount—

- (a) paid or payable to any person contemplated in paragraphs (c) and (d) of the definition of “employee” in paragraph 1 of the Fourth Schedule to the Income Tax Act, to whom a certificate of exemption has been issued in terms of paragraph 2 (5)(a) of that Schedule;



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- (b) paid or payable to any person by way of any pension, superannuation allowance or retiring allowance;
- (c) contemplated in paragraphs (a), (d), (e) or (eA) of the definition of “gross income” in section 1 of the Income Tax Act;
- (d) payable to a learner in terms of a contract of employment contemplated in section 18(3) of the Skills Development Act.
- (e) which is in terms of paragraph 11C of the Fourth Schedule to the Income Tax Act, 1962, deemed to be paid or payable by an employer which is a private company for purposes of that Act, to any person who is a director of that private company.

(5) Despite subsection (1), on the request of a SETA, the Minister may, in consultation with the Minister of Finance and by notice in the Gazette, determine from time to time a rate and basis for the calculation of a levy payable by employers within the jurisdiction or a part of the jurisdiction of a SETA, different from the rate and basis contemplated in subsection (1)(a) or (b), but subject to subsection (7).

(6) The rate and basis determined in a notice in terms of subsection (6) may not have the result that the amount of the levies collected by virtue of such notice is less than the amount of the levies which would have been collected, based on the rate and basis contemplated in subsection (1)(a) or (b).

(7) The Minister may, in consultation with the Minister of Finance, determine criteria for purposes of any determination contemplated in subsection (5).

(8) The notice referred to in subsection (6) must contain—

- (a) the rate and basis for the calculation of the levy;
- (b) the date on which the levy becomes payable;
- (c) a description of the employers falling within the jurisdiction of the SETA or part of the jurisdiction of the SETA in respect of which the levy is payable;
- (d) any other matter necessary to ensure the effective collection of the levy.”.

(2) Subsection (1) is deemed to have come into operation on 19 January 2017.

**Amendment of section 4 of Act 4 of 2002, as amended by section 208 of Act 45 of 2003, section 144 of Act 24 of 2011 and section 152 of Act 22 of 2012**

**86.** (1) The Unemployment Insurance Contribution Act, of 2002 is hereby amended by the deletion in section 4 of paragraphs (b) and (d).

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(2) Subsection (1) comes into operation on 1 March 2018.

**Amendment of section 1 of Act 25 of 2007, as amended by section 145 of Act 24 of 2011, section 153 of Act 22 of 2012, section 110 of Act 43 of 2014, section 137 of Act 25 of 2015 and section 90 of Act 15 of 2016**

**87.** (1) Section 1 of the Securities Transfer Tax Act, 2007, is hereby amended—

(a) by the substitution in subsection (1) for the definition of “collateral arrangement of the following definition:

“**collateral arrangement**’ means any arrangement in terms of which—

- (a) a person (hereafter the transferor) transfers a listed share or any bond issued by the government of the Republic in the national or local sphere or any sphere of government of any country other than the Republic if that bond is listed on a recognised exchange as defined in paragraph 1 of the Eighth Schedule to the Income Tax Act to another person (hereafter the transferee) for the purposes of providing security in respect of an amount owed by the transferor to the transferee;
- (b) the transferor can demonstrate that the arrangement was not entered into for the purposes of the avoidance of tax and was not entered into for the purposes of keeping any position open for more than 24 months;
- (c) that transferee in return contractually agrees in writing to deliver an identical share, as defined in section 1 of the Income Tax Act, or any bond issued by the government of the Republic in the national or local sphere or any sphere of government of any country other than the Republic that is listed on a recognised exchange as defined in paragraph 1 of the Eighth Schedule to the Income Tax Act to that transferor within a period of 24 months from the date of transfer of that listed share or bond from the transferor to the transferee;
- (d) that transferee is contractually required to compensate that transferor for any distributions in respect of the listed share (or any other share that is substituted for that listed share in terms of an arrangement that is announced and released as a corporate action as contemplated in the JSE Limited Listing Requirements in the SENS (Stock Exchange News Service) as defined in the JSE Limited Listing Requirements) or any bond issued by the government of the Republic in the national or local sphere or any sphere of government of any country other than the Republic that is listed on a recognised exchange as defined

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in paragraph 1 of the Eighth Schedule to the Income Tax Act, which that transferor would have been entitled to receive during that period had that arrangement not been entered into; and

- (e) that arrangement does not affect the transferor's benefits or risks arising from fluctuations in the market value of that listed share (or any other share that is substituted for that listed share in terms of an arrangement that is announced and released as a corporate action as contemplated in the JSE Limited Listing Requirements in the SENS (Stock Exchange News Service) as defined in the JSE Limited Listing Requirements) or any bond issued by the government of the Republic in the national or local sphere or any sphere of government of any country other than the Republic that is listed on a recognised exchange as defined in paragraph 1 of the Eighth Schedule to the Income Tax Act,

but does not include an arrangement where the transferee has not transferred the identical share or bond contemplated in paragraph (b) to the transferor within the period referred to in that paragraph unless such failure to return such identical share or bond is due to an arrangement that is announced and released as a corporate action as contemplated in the JSE Limited Listing Requirements in the Stock Exchange News Service as defined in the JSE Limited Listing Requirements;"; and

- (b) by the substitution in subsection (1) for the definition of "lending arrangement" of the following definition:

**"lending arrangement"** means any arrangement in terms of which—

- (a) a person (hereinafter referred to as the lender) lends a listed security or any bond issued by the government of the Republic in the national or local sphere or any sphere of government of any country other than the Republic if that bond is listed on a recognised exchange as defined in paragraph 1 of the Eighth Schedule to the Income Tax Act to another person (hereinafter referred to as the borrower) in order to enable that borrower to effect delivery (other than to any lender in relation to that borrower, unless the borrower can demonstrate that the arrangement was not entered into for the purposes of the avoidance of tax and was not entered into for the purposes of keeping any position open for more than 12 months) of that security or bond within 10 business days after the date of transfer of that security from the lender to the borrower in terms of that arrangement;

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- (b) that borrower in return contractually agrees in writing to deliver an identical security or any bond issued by the government of the Republic in the national or local sphere or any sphere of government of any country other than the Republic if that bond is listed on a recognised exchange as defined in paragraph 1 of the Eighth Schedule to the Income Tax Act, as defined in section 1 of the Income Tax Act, to that lender within a period of 12 months from the date of transfer of that listed security or bond from the lender to the borrower;
- (c) that borrower is contractually required to compensate that lender for any distributions in respect of the listed security (or any other security that is substituted for that listed security in terms of an arrangement that is announced and released as a corporate action as contemplated in the JSE Limited Listing Requirements in the SENS (Stock Exchange News Service) as defined in the JSE Limited Listing Requirements) or any bond issued by the government of the Republic in the national or local sphere or any sphere of government of any country other than the Republic if that bond is listed on a recognised exchange as defined in paragraph 1 of the Eighth Schedule to the Income Tax Act which that lender would have been entitled to receive during that period had that arrangement not been entered into; and
- (d) that arrangement does not affect the lender's benefits or risks arising from fluctuations in the market value of the listed security (or any other security that is substituted for that listed security in terms of an arrangement that is announced and released as a corporate action as contemplated in the JSE Limited Listing Requirements in the Stock Exchange News Service as defined in the JSE Limited Listing Requirements) or any bond issued by the government of the Republic in the national or local sphere or any sphere of government of any country other than the Republic if that bond is listed on a recognised exchange as defined in paragraph 1 of the Eighth Schedule to the Income Tax Act,

but does not include an arrangement where the borrower has not—

- (i) on-delivered the listed security or bond within the period referred to in paragraph (a); or
- (ii) returned the identical security or bond contemplated in paragraph (b) to the lender within the period referred to in that paragraph other than if such failure

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to return such identical security or bond is due to an arrangement that is announced and released as a corporate action as contemplated in the JSE Limited Listing Requirements in the Stock Exchange News Service as defined in the JSE Limited Listing Requirements;”.

(2) Subsection (1) comes into operation on 1 January 2018 and apply in respect of collateral arrangements and lending arrangements entered into on or after that date.

**Amendment of section 4 of Act 26 of 2013, as amended by section 113 of Act 43 of 2014 and section 94 of Act 15 of 2016**

**88.** (1) Section 4 of the Employment Tax Incentive Act, 2013, is hereby amended—  
(a) by the substitution in subsection (1)(b) for subparagraph (ii) of the following subparagraph:

“(ii) where the employee is employed and paid remuneration for less than 160 hours in a month, an amount that bears to the amount of R2 000 the same ratio as 160 hours bears to the number of hours that the employee was employed for and paid remuneration by that employer in that month.”; and

(b) by the addition after subsection (3) of the following subsection:

“(4) For the purposes of this section, ‘**hours**’ means ‘ordinary hours’ as defined in section 1 of the Basic Conditions of Employment Act, 1997 (Act No. 75 of 1997).”.

(2) Subsection (1) is deemed to have come into operation on 1 March 2017.

**Amendment of section 7 of Act 26 of 2013, as amended by section 116 of Act 43 of 2014 and section 95 of Act 15 of 2016**

**89.** (1) Section 7 of the Employment Tax Incentive Act, 2013, is hereby amended by the substitution for subsection (1) of the following section:

“(1) During each month, commencing from 1 January 2014, that an employer employs a qualifying employee, the amount of the employment tax incentive available to that employer is the sum of the amounts determined in respect of each qualifying employee of that employer stipulated in subsections (2) and (3) and section 9[, **subject to subsection (6)**].”.

(2) Subsection (1) is deemed to have come into operation on 1 March 2017.

**Amendment of section 3 of Act 25 of 2015, as amended by section 3 of Act 2 of 2016**

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**90.** (1) Section 3 of the Taxation Laws Amendment Act, 2015 is hereby amended by the substitution in subsection (1) for paragraph (b) of the following paragraph:

“(b) by the substitution for subsection (7) of the following subsection:

“(7) Paragraphs (k), (l), (o), (q), (r), (u), (w), (x) and (y) of subsection (1) come into operation on 1 March 2019 and apply in respect of years of assessment commencing on or after that date.”

(2) Subsection (1) is deemed to have come into operation on 20 May 2016.

**Amendment of section 150 of Act 25 of 2015, as amended by section 4 of Act 2 of 2016**

**91.** Section 150 of the Taxation Laws Amendment Act, 2015, is hereby amended by the substitution for subsection (1) of the following subsection:

“(1) The following section is hereby substituted for section 150 of the Taxation Laws Amendment Act, 2015:

**‘Amendment of section 16 of Act 43 of 2014**

**150.** (1) Section 16 of the Taxation Laws Amendment Act, 2014, is hereby amended by the substitution for subsection (2) of the following subsection:

‘(2) Subsection (1) comes into operation on 1 March 2019 and applies in respect of amounts received on or after that date’.

(2) Subsection (1) is deemed to have come into operation on 20 January 2014.’”

(2) Subsection (1) is deemed to have come into operation on 20 May 2016.

**Amendment of section 159 of Act 25 of 2015, as amended by section 5 of Act 2 of 2016**

**92.** (1) Section 159 of the Taxation Laws Amendment Act, 2015, is hereby amended by the substitution for subsection (1) of the following subsection:

“(1) The following section is hereby substituted for section 159 of the Taxation Laws amendment Act, **[2015]** 2014:

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**‘Substitution of section 128 of Act 43 of 2014**

**159.** (1) The following section is hereby substituted for section 128 of the Taxation Laws Amendment Act, 2014:

‘128. (1) Section 113 of the Taxation Laws Amendment Act, 2013, is hereby amended by the substitution for subsection (2) of the following subsection:

(2) Paragraph (a) of subsection (1) comes into operation on 1 March 2019 and applies in respect of contributions made on or after that date.’.

(2) Subsection (1) is deemed to have come into operation on 20 January 2014.’”.

(2) Subsection (1) is deemed to have come into operation on 20 May 2016.

**Amendment of section 1 of Act 2 of 2016**

**93.** (1) Section 1 of the Revenue Laws Amendment Act, 2016 is hereby amended—

(a) by the substitution for subsection (1) of the following subsection:

“(1) Section 1 of the Income Tax Act, 1962, is hereby amended—

(a) by the addition in subsection (1) in the definition of ‘pension fund’ of the following proviso:

‘: Provided that in respect of any fund contemplated in paragraph (a) or (b)—

(a) the fund is a permanent fund *bona fide* established for the purpose of providing annuities for employees on retirement date or for the dependants or nominees of deceased employees, or mainly for the said purpose and also for the purpose of providing benefits other than annuities for the persons aforesaid or for the purpose of providing any benefit contemplated in paragraph 2C of the Second Schedule or section 15A or 15E of the Pension Funds Act; and

(b) the rules of the fund provide—

(i) that all annual contributions of a recurrent nature to the fund shall be in accordance with specified scales;

(ii) that membership of the fund throughout the period of employment shall be a condition of the employment by the

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employer of all persons of the class or classes specified therein who enter his employment on or after the date upon which—

(aa) the fund comes into operation; or

(bb) the employer becomes a participant in that fund;

(iii) that not more than one-third of the total value of the retirement interest may be commuted for a single payment, and that the remainder must be paid in the form of an annuity (including a living annuity) except where two-thirds of the total value does not exceed R165 000 or where the employee is deceased:

Provided that in determining the value of the retirement interest an amount calculated as follows must not be taken into account:

(a) in the case of a person who is a member of a provident fund and who is 55 years of age or older on 1 March 2019—

(i) any amount contributed to a provident fund of which that person is a member on 1 March 2019;

(ii) with addition of any other amounts credited to the member's individual account of the provident fund prior to 1 March 2019; and

(iii) any fund return, as defined in the Pension Funds Act, in relation to the contributions contemplated in subparagraph (i) or amounts credited contemplated in subparagraph (ii); or

(b) in any other case of a person who is a member of a provident fund—

(i) any amount contributed to a provident fund prior to 1 March 2019;

(ii) with addition of any other amounts credited to the member's individual account of the provident fund prior to 1 March 2019; and

(iii) any fund return, as defined in the Pension Funds Act, in relation to the contributions contemplated in subparagraph (i) or amounts credited contemplated in subparagraph (ii), reduced by any amounts permitted in



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terms of any law to be deducted from the member's individual account of the provident fund;

(v) that a partner is regarded as an employee of the partnership;

(c) that the rules of the fund have been complied with;';

(b) by the substitution in subsection (1) in the definition of 'pension preservation fund' for paragraph (e) of the proviso of the following paragraph:

'(e) not more than one-third of the total value of the retirement interest may be commuted for a single payment, and that the remainder must be paid in the form of an annuity (including a living annuity) except where two-thirds of the total value does not exceed R165 000 or where the member is deceased: Provided that in determining the value of the retirement interest an amount calculated as follows must not be taken into account:

(a) in the case of a person who is a member of a provident fund and who is 55 years of age or older on 1 March 2019—

(i) any amount contributed to a provident fund of which that person is a member on 1 March 2019;

(ii) with addition of any other amounts credited to the member's individual account of the provident fund prior to 1 March 2019; and

(iii) any fund return, as defined in the Pension Funds Act, in relation to the contributions contemplated in subparagraph (i) or amounts credited contemplated in subparagraph (ii); or

(b) in any other case of a person who is a member of a provident fund—

(i) any amount contributed to a provident fund prior to 1 March 2019;

(ii) with addition of any other amounts credited to the member's individual account of the provident fund prior to 1 March 2019; and

(iii) any fund return, as defined in the Pension Funds Act, in relation to the contributions contemplated in subparagraph (i) or amounts credited contemplated in subparagraph (ii),

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reduced by any amounts permitted in terms of any law to be deducted from the member's individual account of the provident fund;

(c) by the substitution in subsection (1) in the definition of 'provident fund' for paragraph (b) of the proviso of the following paragraph:

'(b) that the rules of the fund provide—

(i) that all annual contributions of a recurrent nature to the fund shall be in accordance with specified scales;

(ii) that membership of the fund throughout the period of employment shall be a condition of the employment by the employer of all persons of the class or classes specified therein who enter his employment on or after the date upon which—

(aa) the fund comes into operation; or

(bb) the employer becomes a participant in that fund;

(iii) that not more than one-third of the total value of the retirement interest may be commuted for a single payment, and that the remainder must be paid in the form of an annuity (including a living annuity) except where two-thirds of the total value does not exceed R165 000 or where the employee is deceased: Provided that in determining the value of the retirement interest an amount calculated as follows must not be taken into account—

(a) in the case of a person who is a member of a provident fund and who is 55 years of age or older on 1 March 2019—

(i) any amount contributed to a provident fund of which that person is a member on 1 March 2019;

(ii) with addition of any other amounts credited to the member's individual account of the provident fund prior to 1 March 2019; and

(iii) any fund return, as defined in the Pension Funds Act, in relation to the contributions contemplated in subparagraph (i) or amounts credited contemplated in subparagraph (ii); or

(b) in any other case of a person who is a member of a provident fund—

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- (i) any amount contributed to a provident fund prior to 1 March 2019;
- (ii) with addition of any other amounts credited to the member's individual account of the provident fund prior to 1 March 2019; and
- (iii) any fund return, as defined in the Pension Funds Act, in relation to the contributions contemplated in subparagraph (i) or amounts credited contemplated in subparagraph (ii), reduced by any amounts permitted in terms of any law to be deducted from the member's individual account of the provident fund;
- (v) that a partner is regarded as an employee of the partnership;
- (c) that the rules of the fund have been complied with;';
- (d) by the substitution in subsection (1) in the definition of 'provident preservation fund' for paragraph (e) of the following paragraph:
  - '(e) not more than one-third of the total value of the retirement interest may be commuted for a single payment, and that the remainder must be paid in the form of an annuity (including a living annuity) except where two-thirds of the total value does not exceed R165 000 or where the member is deceased: Provided that in determining the value of the retirement interest an amount calculated as follows must not be taken into account:
    - (a) in the case of a person who is a member of a provident fund and who is 55 years of age or older on 1 March 2019—
      - (i) any amount contributed to a provident fund of which that person is a member on 1 March 2019;
      - (ii) with addition of any other amounts credited to the member's individual account of the provident fund prior to 1 March 2019; and
      - (iii) any fund return, as defined in the Pension Funds Act, in relation to the contributions contemplated in subparagraph (i) or amounts credited contemplated in subparagraph (ii); or
    - (b) in any other case of a person who is a member of a provident fund—

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- (i) any amount contributed to a provident fund prior to 1 March 2019;
  - (ii) with addition of any other amounts credited to the member's individual account of the provident fund prior to 1 March 2019; and
  - (iii) any fund return, as defined in the Pension Funds Act, in relation to the contributions contemplated in subparagraph (i) or amounts credited contemplated in subparagraph (ii), reduced by any amounts permitted in terms of any law to be deducted from the member's individual account of the provident fund;
- (e) by the substitution in subsection (1) in the definition of 'retirement annuity fund' in paragraph (b) of the proviso for subparagraph (ii) of the following subparagraph:
- '(ii) that not more than one-third of the total value of the retirement interest may be commuted for a single payment, and that the remainder must be paid in the form of an annuity (including a living annuity) except where two-thirds of the total value does not exceed R165 000 or where the member is deceased: Provided that in determining the value of the retirement interest an amount calculated as follows must not be taken into account:
    - (a) in the case of a person who is a member of a provident fund and who is 55 years of age or older on 1 March 2019—
      - (i) any amount contributed to a provident fund of which that person is a member on 1 March 2019;
      - (ii) with addition of any other amounts credited to the member's individual account of the provident fund prior to 1 March 2019; and
      - (iii) any fund return, as defined in the Pension Funds Act, in relation to the contributions contemplated in subparagraph (i) or amounts credited contemplated in subparagraph (ii);
      - or
    - (b) in any other case of a person who is a member of a provident fund—

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- (i) any amount contributed to a provident fund prior to 1 March 2019;
- (ii) with addition of any other amounts credited to the member's individual account of the provident fund prior to 1 March 2019; and
- (iii) any fund return, as defined in the Pension Funds Act, in relation to the contributions contemplated in subparagraph (i) or amounts credited contemplated in subparagraph (ii), reduced by any amounts permitted in terms of any law to be deducted from the member's individual account of the provident fund;'.’.
- (f) by the substitution for subsection (2) of the following subsection:  
“(2) Subsection (1) comes into operation on 1 March [2018] 2019 and applies in respect of years of assessment commencing on or after that date.”; and
- (g) by the substitution in subsection (3) for paragraph (c) of the following paragraph:  
“(c) The Minister of Finance shall table a report in the National Assembly, not later than 31 August [2017] 2018, in respect of the results of the deliberations contemplated in paragraph (a).”.

**Amendment of section 21 of Act 15 of 15 of 2016**

- 94.** (1) Section 21 of the Taxation Laws Amendment Act, 2016 is hereby amended—
- (a) by the substitution in paragraph (a) for the instruction of the following instruction  
“(a) by the substitution in subsection (3)(c) for the words preceding subparagraph (i) of the following words:”; and
- (b) by the substitution in paragraph (a) for the instruction of the following instruction:  
“(b) by the substitution in subsection (3)(d) for the words preceding subparagraph (i) of the following words:”
- (2) Subsection (1) is deemed to have come into operation on 19 January 2017.

**Part II*****Bargaining council tax relief*****Definitions**

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**95.** For purposes of this Part, unless the context indicates otherwise, any meaning ascribed to a word or expression in the Income Tax Act, bears the meaning so ascribed, and—

**“bargaining council”** means a bargaining council that is established in term of section 27 of the Labour Relations Act;

**“bargaining council levy”** means the bargaining council levy imposed by section 97;

**“Income Tax Act”** means the Income Tax Act, 1962 (Act No. 58 of 1962);

**“investment income”** means—

- (i) any income in the form of dividends, foreign dividends, royalties, rental derived in respect of immovable property, annuities or income of a similar nature;
- (ii) any interest as contemplated in section 24J of the Income Tax Act (other than any interest received by or accrued to any co-operative bank as contemplated in paragraph (a)(ii)(ff)), any amount contemplated in section 24K of the Income Tax Act and any other income which, by the laws of the Republic administered by the Commissioner, is subject to the same treatment as income from money lent; and
- (iii) any proceeds derived from investment or trading in financial instruments (including futures, options and other derivatives), marketable securities or immovable property;

**“Labour Relations Act”** means the Labour Relations Act, 1995 (Act No. 66 of 1995);

**“member”** means a member of a bargaining council; and

**“qualifying period”** means any year of assessment commencing on or after 1 March 2012 and ending on or before 28 February 2017.

### **Exemptions**

**96.** There must be exempt from normal tax any amount received by or accrued to—

- (a) any member during the qualifying period as sick pay or holiday pay from a scheme or fund as contemplated in section 28(1)(g) of the Labour Relations Act; and
- (b) a bargaining council as investment income during the qualifying period.

### **Bargaining council levy**

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**97.** There must be levied, paid and collected for the benefit of the National Revenue Fund a levy, to be known as the bargaining council levy, in respect of any amount of income exempt in terms of section 96, calculated in terms of section 98.

**Amount of bargaining council levy**

**98.** The amount of the bargaining council levy must be calculated at a rate of 10 per cent on the sum of—

- (a) any amount that should have been deducted or withheld by that bargaining council by way of employees' tax in respect of an amount contemplated in section 96(a) in respect of the liability for normal tax of that member as contemplated in paragraph 2 of the Fourth Schedule to the Income Tax Act.
- (b) any amount contemplated in section 96(b).

**Payment of bargaining council levy**

**99.** A bargaining council must submit a return and pay the bargaining council levy to the Commissioner on or before 1 September 2018.

**Circumstances in which bargaining council tax relief does not apply**

**100.** (1) The exemption contemplated in section 96 and the bargaining council levy contemplated in section 97 do not apply in respect of any amount to the extent that tax in respect of that amount was—

- (a) withheld from an amount received by accrued to a member;
- (b) assessed by the Commissioner on or before 22 February 2017 ; or
- (c) paid in respect of the qualifying period.

(2) The exemption contemplated in section 96 does not apply if the bargaining council levy is not paid on or before 1 September 2018.

**Short title**

**101.** This Act is called the Taxation Laws Amendment Act, 2017.