



South African Revenue Service

## **BINDING GENERAL RULING (INCOME TAX) 31 (Issue 2)**

DATE: 23 May 2017

**ACT : INCOME TAX ACT 58 OF 1962**  
**SECTION : SECOND SCHEDULE**  
**SUBJECT : INTEREST ON LATE PAYMENT OF BENEFITS**

### ***Preamble***

For the purposes of this ruling –

- “**BGR**” means a binding general ruling issued under section 89 of the Tax Administration Act 28 of 2011;
- “**the Act**” means the Income Tax Act 58 of 1962; and
- any other word or expression bears the meaning ascribed to it in the Act.

### **1. Purpose**

This BGR provides clarity on when an amount constitutes interest, as opposed to forming part of the lump sum benefit, for purposes of the Second Schedule to the Act.

### **2. Background**

Different practices currently exist in the retirement fund industry relating to the payment of an amount in circumstances when the benefit is paid late. Some administrators include this amount to form part of the lump sum benefit payable to a member, whereas other administrators pay the amount separately to the member as interest.

### **3. Ruling**

Interest on the late payment of benefits is any interest that is defined, as such, in terms of the rules of the fund.

Any interest that increases a fund’s benefit liability does not form a separate component from the benefit that is payable to the member and will be subject to tax under the provisions of the Second Schedule to the Act.

The full amount transferred (including fund growth) from one fund to another is considered to be a lump sum benefit and will be subject to the provisions of the Second Schedule to the Act

Interest that arises as a result of late payment of the benefit and therefore in addition to the benefit liability must be reflected separately and an IT3(b) certificate must be issued and submitted to SARS as per the prescribed processes.

This ruling constitutes a BGR issued under section 89 of the Tax Administration Act 28 of 2011.

**4. Period for which this ruling is valid**

This BGR applies from the date of issue until it is withdrawn, amended or the relevant legislation is amended.

**Executive: Legal Advisory  
Legal Counsel  
SOUTH AFRICAN REVENUE SERVICE**