Effective Date: 27 June 2025

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SARS External Guide

GUIDE TO THE INDIVIDUAL ITR12 RETURN FOR DECEASED AND INSOLVENT ESTATES

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1 PURPOSE

a) The purpose of this document is to assist to complete an income tax return for individuals where there is income received or accrued to a deceased or insolvent estate.

b) This document is applicable to:
   i) executors representing individuals who have passed away on or after 1 March 2016, and
   ii) appointed trustees/administrators where an individual becomes insolvent, and income accrued, or business conducted from the date of sequestration.

2 GENERAL INFORMATION

2.1 Deceased Estates

a) Upon the death of an individual taxpayer, there are two types of assessments that must be considered: a pre-date of death assessment and a post-date of death assessment.

Pre-Date of Death Assessment

a) This assessment is for income and deductions applicable to the taxpayer up to the date of his/her death.

b) For assistance to complete an ITR12 return for income and deductions up to date of death please refer to the "***Comprehensive Guide to the ITR12 Income Tax Return for Individuals***" which is available on the SARS website (www.sars.gov.za).

Post-Date of Death Assessment – Deceased Estate

a) This assessment is for income earned and deductions applicable to the deceased estate after date of death. For example this can include rental and/or interest income earned by the deceased estate.

b) For individuals who have passed away on or after 1 March 2016, a second income tax registration is required for the deceased estate if taxable income accrued to the deceased estate. This registration will be triggered by either the executor of the deceased estate or by SARS.
   i) For more information please refer to the guide "***How to Complete the Registration, Amendments and Verification Form (RAV01)***" which is available on the SARS website.

c) This document provides guidelines to help you declare post-death income, deductions, and CGT transactions on the income tax return.

2.2 Insolvency

a) When a natural person becomes insolvent, a possibility of dealing with three taxpayers might arise:
   i) the insolvent person for the period before sequestration (taxpayer 1)
   ii) the insolvent estate (taxpayer 2).
   iii) the insolvent person for the period after sequestration (taxpayer 3).

b) The effect of insolvency from an income tax point of view is to terminate the tax status of the insolvent person before sequestration and to substitute it with a new taxpayer from the date of sequestration, that is, the insolvent person after sequestration. In addition, the natural person (insolvent person after sequestration) receives a new taxpayer identity from the date of sequestration. Where there are assets in the insolvent person the assets will be disposed of under the insolvent estate.

c) A separate tax return must be submitted for each of the periods identified above.

The Insolvent Person Before Sequestration

a) A final tax return must be completed for the insolvent person for the period from the first day of the year of assessment to the day before the date of sequestration.

b) For assistance to complete an income tax return for income and deductions **up to the period prior to the date of sequestration** please refer to the "***Comprehensive Guide to the ITR12 Income Tax Return for Individuals***" which is available on the SARS website (www.sars.gov.za).

The Insolvent Estate

a) The insolvent estate is registered as a separate tax entity and a new income tax reference number is allocated to it. The insolvent estate will come into being only if there are capital gains and losses that must be accounted for in case where assets are disposed to third parties.

b) Its first period of assessment will commence on the date of sequestration and end on the last day of February that follows thereafter. The second and subsequent years of assessment will commence on 1 March of that year and end on the last day of February that follows thereafter. The period of assessment during which the estate is wound up will commence on 1 March of that year and end on the date when the estate is finally wound up.

The Insolvent Person After Sequestration

a) An insolvent person who enters into employment or carries on a profession or business after his sequestration, is liable for tax on that income in its own right.

b) The first tax period will run from the date of sequestration to the last day of that year of assessment.

c) For assistance to complete an income tax return for income and deductions **after the date of sequestration** please refer to the "***Comprehensive Guide to the ITR12 Income Tax Return for Individuals***" which is available on the SARS website (www.sars.gov.za).

2.3 Return For Deceased or Insolvent Estate

a) At present, the return that must be completed for deceased or insolvent estates is the same as the income tax return used for individuals. This means that there are certain sections on the return that are NOT applicable to a deceased or insolvent estates. This guide specifies which sections these are and which options to select.

2.4 How to submit a Return for the Deceased or Insolvent Estate

a) An ITR12 return can be completed and submitted for a deceased or insolvent estate through any of the following channels:

i) **eFiling**: If the deceased or insolvent estate is not registered for eFiling, please log on to www.sars.gov.za and proceed to the eFiling website to register. For any assistance with the registration process, please contact the SARS on 0800 00 7277.
ii) SARS Mobi App
iii) SARS Office: Make an appointment on the SARS website to visit your nearest SARS office and a SARS official will assist you.

Important Notes:

a) In terms of section 240 of the Tax Administration Act No.28 of 2011, all Tax Practitioners who complete and submit tax returns on behalf of clients must be registered with a Recognised Controlling Body (RCB) and with SARS. Such tax practitioners have the full authority to prepare and submit tax returns on behalf of their clients. Practitioners that are not registered with the RCBs will not have this privilege.

b) If services of a tax practitioner to submit the ITR12 return via eFiling/MobiApp and that tax practitioner is NOT registered with a Recognised Controlling Body, that tax practitioner will only be allowed to complete and save the electronic return but will not be able to submit the electronic return to SARS. The following options are available on eFiling for non-registered tax practitioners:

i) '**Save'** – This option allows the return to be saved without performing form validations and saves the incomplete return on eFiling for completion at a later stage.

ii) ‘**Save for Filing**’ – this option allows form validations to be performed when the income tax return is saved on eFiling. The prepared return will be available for retrieval at a SARS Office or to the executor/trustee or appointed agent via shared access for return submission on eFiling.

c) To ensure that the tax return is submitted to SARS before the due date the executor/trustee or appointed agent must:
   i) Make an appointment on the SARS website to visit the nearest SARS Office where a SARS official will retrieve the completed return and submit it for processing; or
   ii) Register for eFiling and request shared access from the tax practitioner.

2.5 Documentation required to complete the return

a) Supporting documents are required to complete an income tax return. Below are examples of documentation/information that may be required:
   i) Certificates received for local interest income, foreign interest income, foreign dividend income, tax free investments.
   ii) All information relating to capital gain transactions (local and foreign)
   iii) All information relating to the letting of assets.
   iv) Financial statements for trading and farming activities (if applicable)
   v) Any other documents relating to income that must be declared or deductions that may be claimed.

b) All supporting documents must be retained for a period of five (5) years from the date of submission of the return, as SARS may request these documents to verify the information that was declared on the income tax return.

3 CREATE THE DECEASED OR INSOLVENT INCOME TAX RETURN

a) The Income Tax Return consists of several standard and comprehensive questions. The income tax return will be customised according to the answers to these questions.

b) It is important to note that only certain income and deductions are applicable to a deceased or insolvent estate. Therefore, only the applicable sections of the return must be completed.

c) From 2025 year of assessment onwards, on the header of the return, under the tax number and year of assessment, the following note will be displayed on the return: “**Mark with an X”, if marked it means you confirm information or indicate in agreement.**”

d) The questions are discussed very briefly below. For further details, please refer to the applicable sections in this guide.

3.1 Person making the Declaration

a) From 2025 year of assessment onwards, the question will be displayed as “Mark with an ‘X’ if you are completing the return as a Tax Practitioner.”
   i) For the 2024 year of assessment, the question will be displayed as “Mark with an “X” if this declaration is made by a Tax Practitioner?”
   ii) For the 2023 year of assessment and prior, the question will be displayed as “Is this declaration made by a Tax Practitioner?”

3.2 Investment Income

a) **‘Did you receive any interest (local and foreign), distributions from a Real Estate Investment Trust (REIT)/Taxable local dividends, taxable foreign dividends and/or dividends deemed to be income in terms of section s8E & s8EA (excluding amounts received as a beneficiary of a trust(s), or deemed to have accrued in terms of s7)?’** (Select ‘Y’ or ‘N’)
   i) If yes, indicate ‘Did you receive exempt local and/or foreign dividend income?’
      A) All gross receipts and accruals must be declared.
      B) If exempt local dividend income was received, the following sections must be completed on the return:
         I) ‘Amounts considered non-taxable’
         II) ‘Exempt Local Dividends’ field must be completed.

b) **Mark with an "X" if you received or became entitled to any income as a beneficiary of a Trust, or income deemed to be yours under s7.**
   i) If marked, indicate the number of Trust(s) applicable.
   ii) The 'Trust Income' section will be added to the return and repeated according to the value entered in the field (maximum of 20 allowed).
      A) If more than 20 trusts, consolidate the additional amounts and add it to the amount in the 20th trust income section of the return.
   iii) For 2024 year of assessment and prior, the question will be displayed as "Was any income distributed to you / vested in you as a beneficiary of a trust, or deemed to have accrued in terms of s7?"
      A) If yes, indicate the number of Trust(s) applicable?

c) **'Were there any transactions (contributions, transfers, withdrawals, income received/accrued) on any Tax Free Investments held by you during this year of assessment?' (Select 'Y' or 'N')**
   i) Indicate the number of Tax Free Investment(s)
   ii) **Note**: This will be in respect of Tax Free investments that were in the name of the deceased or insolvent person that may be transferred directly to the deceased or insolvent estate.
   iii) Maximum of 10 tax free investments can be declared on the return.
      A) If more than 10 tax free investments to declare, consolidate the additional amounts and add it to the amount in the 10th institution on the return.

3.3 Rental Income

a) **'Did you derive income from the letting of fixed property(ies) (excluding amounts received / accrued as a beneficiary of a Trust(s), or deemed to have accrued in terms of s7)?'**
   i) If yes, indicate: 'From how many separate rental properties did you derive income?'
   ii) The section for 'Local Rental Income from the letting of Fixed Property' will be added to the return and will be repeated according to the number of rental activities inserted in this field.
   iii) **Note**: A maximum of 20 rental properties can be declared on the return.
      A) If more than 20 rental properties to declare, consolidate the additional amounts and add it to the amount in the 20th rental property on the return.

3.4 Director or Member of Close Corporation

a) **'Mark with an 'X' if you are a director of a company or a member of a close corporation?'**
   i) This question is not applicable to a deceased estate.
   ii) **Note**: This question is applicable for an insolvent estate. Refer to section 5.2 below for more information on the "same person rule" applicable to the Insolvent Person and Insolvent Estate.

3.5 Assets in excess of R50 million

a) '**Mark with an "X" if you have assets which at market value are in excess of R50 million.**'
   i) If marked, complete the Statement of Assets and Liabilities section of the return.

3.6 Voluntary Disclosure Programme

a) **'Mark with an 'X' if any declaration in this return relates to an application made under the SARS Voluntary Disclosure Programme.'**
   i) If marked, the Voluntary Disclosure Programme container will be added to the return.

3.7 Donations

a) **'Do you want to claim donations made to an approved organisation(s) in terms of s18A?'** (Select 'Y' or 'N')
   i) If yes, indicate 'How many organisations did you donate to?'
   ii) The maximum amount allowed is 99.

3.8 Other Income and Allowable Expenses

a) **'Mark with an 'X' if you received any other income (e.g. local business, trade, and professional income, but excluding amounts received/accrued as a beneficiary of a Trust(s) or deemed to have accrued in terms of s7) and/or incur any other allowable expenses (e.g. home office expenses) not addressed above.'**
   i) If marked, a more comprehensive list of questions will display for completion.

3.9 Foreign Income (Excluding amounts received / accrued as a beneficiary of trust(s), or deemed to have accrued in terms of s7)

a) **'Did you receive any foreign income (including remuneration) apart from foreign interest and foreign dividend income and excluding foreign capital gain transactions?'** (Select 'Y' or 'N')

b) From 2024 year of assessment onwards, the question will be displayed as "*Did you receive any foreign income apart from foreign interest and foreign dividend income and excluding foreign capital gain transactions?"*

3.10 Capital Gain / Loss (Excluding amounts received / accrued as a beneficiary of a trust(s), or deemed to have accrued in terms of s7)

a) **'Did you dispose of any local capital attracting capital gain or loss (including crypto asset(s))?'** (Select 'Y' or 'N').
   i) If yes, indicate 'How many disposals (shares to be combined as one disposal) took place?'

b) **'Did you dispose of any foreign capital attracting capital gain or loss (including crypto asset(s))?'** (Select 'Y' or 'N')
   i) If yes, indicate 'How many disposals (shares to be combined as one disposal) took place?'

c) Each disposal must be declared separately. The return makes provision for a maximum 10 local and 10 foreign disposals.

d) If the deceased estate disposed shares (and such shares are administered by one single administrator) and one advice was received for the disposal of these shares, the disposals can (for the completion of the return purposes) be regarded as one transaction. For further detail refer to the 'Capital Gain/Loss' section in this guide.

3.11 Local Business Trade and Professional Income (Including crypto asset(s)) (Excluding amounts received / accrued as a beneficiary of a trust(s), or deemed to have accrued in terms of s7)

a) **'Did you derive income from local business trade or profession other than rental income from the letting of fixed property(ies)?'** (Select 'Y' or 'N')
   i) If yes indicate 'How many separate trading activities did you carry on?'
   ii) The return makes provision for a maximum of 8 trading activities to be declared.
   iii) **Note**: Rental income must be declared separately under the section for 'Local Rental Income from the letting of Fixed Property'.
   iv) Ensure that the Partnership question is selected as 'Yes' to complete partnership information in this container.

3.12 Local Farming

a) **'Did you participate in any local farming operations?'**
   i) Select 'Y' or 'N'.

b) **'Did you participate in any farming partnership operations?'**
   i) Select 'N' as this is not applicable to a deceased estate.
   ii) This question would be applicable in the case of an insolvent estate. The estate of a partnership is separate to the estate of the individual partners. The sequestration of a personal estate of a

partner result in a dissolution of the partnership by virtue of withdrawal of such partner's share in the partnership.

iii) Ensure that the Partnership question is selected as 'Yes' to complete farming partnership information in this container.

3.13 Other Taxable Receipts and Accruals (Including remuneration from foreign employer(s) for services rendered in South Africa) (Excluding amounts received / accrued as a beneficiary of a trust(s), or deemed to have accrued in terms of s7)

a) **'Did you have any receipts and accruals not addressed by the previous questions but excluding amounts that you consider non-taxable?'** (Select 'Y' or 'N')
   - i) If yes, the section for 'Other Receipts and Accruals' will be added to the return.

3.14 Foreign Tax Credits – s6quin <OR> Foreign Tax Refunded / Discharged

a) **'Were any foreign tax credits refunded/discharged during the year of assessment for which a rebate/deduction was allowed during a previous year of assessment?'** (Select 'Y' or 'N').
   - i) If yes, the '**Foreign Tax Credits Refunded/Discharged**' container will be displayed if year of assessment is 2017 onward, otherwise for 2016 year of assessment and prior the container 'Foreign Tax Credits Refunded / Discharged by the government of a foreign country in respect of a rebate allowed by SARS in a previous year – s6*quin*' for completion.
     - A) Applicable for 2014 year of assessment onwards.
   - ii) For 2016 year of assessment and prior, the question will be displayed as **'Will you be claiming any foreign tax credits in terms of s6quin (Foreign taxes on income from source within the Republic)?'**
     - A) If yes, the '**Foreign Tax Credits**' container will be displayed for completion.

3.15 Amounts Considered Non-Taxable (Excluding amounts received / accrued as a beneficiary of a trust(s), or deemed to have accrued in terms of s7)

a) **'Did you receive any amount that you consider non-taxable?'** (Select 'Y' or 'N')
   - i) If yes, the 'Amounts considered non-taxable' section must be completed on the return.
   - ii) This section makes provision for the declaration of the amount(s) that is considered to be exempt.

3.16 Recoupment of Venture Capital Company Shares Sold

a) **'Did you invest in SARS approved Venture Capital Companies in exchange for shares on or before 30 June 2021?'** (Select 'Y' or 'N')
   - i) If yes, 'Specify the number of investments made in SARS approved Venture Capital Companies'
   - ii) **Note**: The return caters for a maximum of 10. If the deceased or insolvent estate has invested in more than 10 venture capital companies, declare the total amount of all investments for the year of assessment and only complete the details of the top 10 investments on the return.
   - iii) This is not applicable from 2023 YOA and onwards.

b) **'Were any SARS approved Venture Capital Company shares sold during the year of assessment, for which a tax deduction was allowed?'** (Select 'Y' or 'N').

3.17 Other Deductions

a) **'Did you incur any expenditure that you wish to claim as a deduction that was not addressed by the previous questions (e.g. home office expenses)?'** (Select 'Y' or 'N').
   - i) If yes, the section for "Other Deductions" will be added to the return.

4 COMPLETING THE RETURN

a) The income tax return will be populated with demographic information, including passport information that is available to SARS. Please ensure that the information is correct.

b) From 2025 year of assessment onwards, on the header of the return, under the tax number and year of assessment, the following note will be displayed on the header of the return: "**Mark with an X", if marked it means you confirm information or indicate in agreement."**

4.1 Taxpayer Information

a) The following information will be pre-populated and cannot be amended on the return.
   i) "Income tax reference number"
   ii) "Year of assessment": This is the period commencing on 1 March of a particular year to the end of February of the following year.

b) **Personal details**: You can only update some of the personal information via this section of the return. Complete the deceased taxpayer's details if it is not pre-populated on the return or if the pre-populated information can be amended:
   i) "Surname": This is a mandatory field that must be completed
   ii) "First name": This is a mandatory field that must be completed
   iii) "Other name": This is an optional field
   iv) "Initials": This is a mandatory field that must be completed.
   v) The following fields cannot be updated via the return. If the information is incorrect, please visit the nearest SARS Office to change it:
      A) Date of birth
      B) Identity number
      C) Passport number
      D) Passport Issue Date
      E) Passport Country
   vi) "Marital status": This field is mandatory on the return.
      A) This field will not be displayed if the form is completed for a deceased estate.
      B) Select the 'Not married (Single, Divorced, Widow / Widower)' option for the deceased estate.
      C) **Note**: Only the deceased's portion of post date of death income must be declared on the return.
      D) **Note**: Indicate the correct marital status as the insolvent person and insolvent estate is regarded as the same person. Refer to section 5.2 below for more information regarding the "Same person rule".
   vii) "Spouse details": not applicable to the deceased estate.
      A) Indicate the Spouse details for the insolvent person, if applicable.

c) **Contact Details**: the executor's or appointed trustee/administrator details must be completed in this section.
   i) "Email"
      A) You are encouraged to provide an email address to assist SARS with its Go-Green initiative which intends to decrease the use of paper.
      B) If a valid email address is provided, the notice of assessment will be emailed.
      C) If you do not have an email address, indicate this by selecting the field 'Mark here with an 'X' if you declare that you do not have an email address'.
   ii) "Cell Number"
      A) You are encouraged to provide your cell number so that SARS can send communications to your cell number. For example: once your return is successfully processed, SARS will automatically send you an SMS with your assessment result.
      B) If you do not have a cell phone number, indicate this by selecting the field 'Mark here with an 'X' if you declare that you do not have a cell phone number'.
   iii) "Home Telephone Number"
   iv) "Business Telephone Number"
   v) "Do you confirm that the email and telephone number(s) supplied are correct?": Select Y or N

d) **Address Details**: The appointed trustee/administrator/executor's details must be completed in this section. If the residential address is the same as the postal address, it is not necessary to repeat the address details in the postal address section. You can mark the box indicating that the addresses are the same.

e) **Tax Practitioner Details (if applicable)**: If the return is completed by a tax practitioner the following details must be provided under the ‘Tax Practitioner Details’ section of the return:
   i) “Tax Practitioner Registration No.”: The first characters must be PR followed by 7 alphanumeric characters.
   ii) “Tax Practitioner Telephone No.”
   iii) “Tax Practitioner Email Address”.
      A) If you do not have an email address, indicate this by selecting the field ‘Mark here with an ‘X’ if you declare that you do not have an email address.
   iv) “Note: If this declaration is not made by a Tax Practitioner, unselect the “X” on the first tab of this return (Standard Form Wizard).”
      A) For 2024 year of assessment and prior, the “Note” will be displayed as ‘**If this declaration is not made by a Tax Practitioner, unselect the “X” on the first page of this return.**’

4.2 Bank Details

a) SARS has adopted a policy of issuing all refunds electronically. It is therefore imperative that the bank account details are correct.

b) The banking details of the estate must be inserted in this section. If the banking details are available to SARS, it will be pre-populated on the return.

c) Click the ‘**Select from bank accounts**’ button to add from existing estate bank account details that SARS have on record.
   i) Upon selecting this button, the following message will be displayed “*Editing this data can cause an error on your submission. Do you want to proceed?*” Select ‘Yes’ or ‘No’.
      A) If ‘Yes’ is selected, a list of masked bank details will be displayed to select.
      B) If ‘No’ is selected, the message will close.
   ii) If there is no bank details on record, the following message will be displayed “*No bank accounts found. Please continue to add a bank account.*”

d) Click the ‘**Add account details**’ button on the Bank Details container header to capture new bank details.
   i) Upon selecting this button, the following message will be displayed “*Editing this data can cause an error on your submission. Do you want to proceed?*” Select ‘Yes’ or ‘No’.
      A) If ‘Yes’ is selected and there is already previous bank details, that current bank details will be displayed, and the Bank Account Details fields will be available to capture the new estate bank details as provided by the appointed trustee/administrator/executor.
      B) If there is no bank details, the Bank Account Details fields will be available to capture new estate bank details.
   ii) Once the bank details have been captured correctly and submitted, the bank details will be verified and the following message will be displayed “*Your bank account details will be sent for verification. If the verification fails, SARS will ask you to submit supporting documents.*”

e) For 2024 year of assessment and prior, the “Edit” button will be displayed to update bank account details.

Bank Account Holder Declaration

a) ‘Bank Account Holder Declaration’ – select one of the following:
   i) “I use South African bank accounts”.
   ii) “I use a South African bank account of a 3rd party”
   iii) “I declare that I have no South African bank account”

b) ‘Reason for No Local / 3rd Party Bank Account’ – select one of the following:
   i) “Non-resident without a local bank account”
   ii) “Insolvency/Curatorship”
   iii) “Deceased Estate”
   iv) “Shared Account”
   v) “Income below tax threshold / Impractical”
   vi) “Statutory restrictions”
   vii) “Minor child”

Bank Account Details

a) **'Bank Account Status'** – this field is for SARS use and will be prepopulated by the SARS system.

b) **'Account number'** – enter the bank account number.
   i) If bank account details was selected from the existing list of bank details, the masked bank details will be displayed, and you must recapture the corresponding bank account number.
      A) If the account number does not match the masked bank account number, the following error message will be displayed "*Please note that the account number you have captured does not match account number selected. Either recapture the correct number or use the Add bank account details button to supply new bank details.*"

c) **'Branch number', 'Bank Name'** and **'Branch Name'**
   i) For eFiling submissions, a drop-down list containing bank names has been included on the income tax return.
   ii) Select the applicable bank name. Once selected, the 'branch name' and the 'branch number' fields will be automatically inserted on the return.
   iii) If you cannot find the bank name on the list, select 'Other' and complete all the necessary fields.

d) **'Account type'** – Indicate if the account is a cheque, savings or transmission account.

e) **'Account holder name'** – please insert the account holder name as registered at the bank.

f) Once all the changes have been captured, click 'Update' to proceed or 'Cancel' to close the editing of the bank details.

g) The following note is displayed on the return "*All changes will be verified before updating your banking profile. SARS will let you know if you need to come into a SARS branch with supporting documents. Bank details are required for refunds.*"

h) **'Agreement Statement'**
   i) Mark the corresponding statement on the return with an 'X'.
   ii) This is to declare that the information provided is true and correct in every respect.

Documentation required for Bank Detail Changes

a) If you are amending banking details on the Income Tax Return, you may be required to submit supporting documentation to verify the banking detail changes. SARS will notify you if verification is required. For more information on how to change bank details for estates, refer to the Estates webpage on the SARS website www.sars.gov.za.

b) Banking detail changes cannot be made via:
   i) Fax;
   ii) Post; or
   iii) Telephonically.

c) Should you require any further information concerning banking detail changes for estates, you can:
   i) Refer to the 'Change of Banking Details Guide' on the SARS website www.sars.gov.za.
   ii) Call the SARS on 0800 00 7277.
   iii) Make an appointment on the SARS website to visit your nearest SARS Office.

5 TAXPAYER INFORMATION: INCOME

5.1 General

a) Income flows to a deceased estate in two ways –
   i) a deceased estate will be taxed on any income that is received by or accrued to or in favour of any person in the capacity of the Executor, and
   ii) any other amount which would have been income in the hands of the deceased person had that amount been received by or accrued to or in favour of that deceased person during his or her lifetime.

b) The sections below provide a brief overview of some of the types of income that flow to a deceased or insolvent estate.

5.2 Person before Sequestration and Insolvent Estate – The "One and the Same Person" Rule

a) Section 25C deems the estate of the person before sequestration and that person's insolvent estate to be one and the same person for purposes of –
   i) the amount of any allowance, deduction or set-off to which the insolvent estate may be entitled;
   ii) any amount which is recovered or recouped by or otherwise required to be included in the income of the insolvent estate; and
   iii) any taxable capital gain or assessed capital loss of the insolvent estate.

b) This, amongst other things, means that:
   i) An assessed loss incurred by the insolvent person can be set off against the insolvent estate's income.
   ii) Expenditure and allowances claimed by the insolvent person before the date of sequestration can be recouped in the insolvent estate, for example, depreciation allowances and bad debts previously written off as bad.
   iii) Debts incurred in the income of the insolvent person before the date of sequestration can be claimed as bad debts by the insolvent estate.
   iv) The write-off of assets and allowances can continue to be claimed in the insolvent estate.
   v) Closing stock taken into account in the insolvent person's taxable income calculation may be taken into account as opening stock in the insolvent estate's first taxable income calculation.
   vi) Any amount that would otherwise be required to be included in the income of the insolvent person may be included in the income of the insolvent estate, for example, the amount allowed as an allowance for doubtful debts or the allowance for future expenditure under section 24C.
   vii) The reduction or cancellation of debt provisions in section 19 must be kept in mind if the insolvent estate reduces a debt by more than the amount of consideration given for that reduction, for example in terms of a compromise with a creditor.
   viii) A disposal does not take place when the insolvent person's assets pass from the insolvent person to the insolvent estate on sequestration.
   ix) Capital gains and capital losses arising because of disposals by the insolvent estate to third parties will be included in the hands of the insolvent estate but will take into account events that occurred in the insolvent's hands, for example previous depreciation allowances.
   x) As assessed capital loss incurred by the insolvent person before the date of sequestration may be set-off against capital gains arising in the insolvent estate.

c) For more information, refer to "***Interpretation Note: 8 Insolvent Estates of Natural Persons***" on the SARS website.

5.3 Investment Income (Excl. Exempt Dividends and any amounts received / accrued as a beneficiary of a trust(s), or deemed to have accrued in terms of s7)

a) **Note**: Only income that received by or accrued to or in favour of the deceased or insolvent estate must be declared on the return.

b) For 2022 YOA and prior, the communal indicator will be applied to the Investment container.

Exemption for Investment Income

a) Section 10(1)(*i*) provides only for an exemption of interest received from a source in the Republic.

b) The exemption applicable for a deceased estate from the 2015 year of assessment onwards is R23 800.

c) The following amounts must be declared in the "Amounts considered non-taxable" section of the return:
   i) Exempted local dividends income in terms of section 10(1)(k)(i)
   ii) Exempted foreign dividends in terms of section 10B(2).
   iii) Interest earned by a non-resident in terms of s10(1)(*h*) – only applicable in the abovementioned container for 2020 year of assessment and prior.

A) Section 10(1)(h) provides for an exemption in respect of SA source interest received or accrued by or to a person that is a not a resident. The exemption does not apply in certain cases.

d) **Note**: Distributions from a Real Estate Investment Trust (REIT) do not qualify for exemption.

Local Interest (Excluding SARS Interest)

a) All local interest (excluding SARS Interest) accrued/received by the deceased or insolvent estate must be inserted next to source code **4201**.
   i) This field will not be pre-populated for deceased and insolvent estates.

b) Allowable interest expenses incurred in the production of interest received
   i) Insert the sum of the interest expenses incurred from the production of all the interest received, accrued or earned from different accounts must be captured in this field. Bank charges must be excluded.
   ii) Expenses claimed against interest received cannot create a loss.
   iii) Applicable from 2021 Year of Assessment.
   iv) Refer to Practice Note 31 for more information.

c) Interest Earned From and Interest Earned To (CCYY/MM/DD)
   i) Fields are displayed from the 2024 year of assessment onwards on all original forms.
      A) If the question “Did you receive any interest (local and foreign), distributions from a Real Estate Investment Trust (REIT)/Taxable dividend, and / or dividends deemed to be income in terms of s8E & s8EA (excluding amounts received as a beneficiary of a trust(s), or deemed to have accrued in terms of s7) from an RSA source?” is marked “Yes” and the return is coded deceased estate, the field will be open for completion on a YOA after the Taxpayer passed on.
      B) The deceased estate “Interest earned from” and “Interest earned to” field must only display for the year of assessment after the year of assessment the taxpayer passed on.
         I) **Example**: If the taxpayer date of death is 12/05/2024 = 2025 YOA and received interest income in the 2026 YOA, the new fields will be displayed in the 2026 YOA.
   ii) **Note**: Where there is multiple interest earned, complete the earliest interest earned date and latest interest earned date.

d) Local Interest (excluding SARS Interest) (Own)
   i) Complete the Institution, Account No and Amount fields if you have local interest to declare, by clicking the ‘Add’ button. The ‘Delete’ button will display for manually captured information.
      A) “Mark with an ‘X’ if any of the amounts declared by you should be excluded from the communal estate (if married in community of property)”
         I) If marked, ensure that you have a Will and/or Antenuptial Contract in place to support this declaration.
      B) Maximum of 30 sub-fields will be allowed and the 30th sub-field should be a consolidated aggregate of the interest exceeding 30.

e) Local Interest (excluding SARS Interest) (Spouse)
   i) Complete the Account Holder ID number, Institution, Account No and Amount fields.
      A) Maximum of 30 sub-fields will be allowed and the 30th sub-field should be a consolidated aggregate of the interest exceeding 30.

f) SARS Interest received during this year of assessment by the deceased or insolvent estate must be inserted next to source code **4237**.
   i) This field will not be pre-populated for deceased and insolvent estates.

g) SARS Interest received during this year of assessment (Own)
   i) Complete the Tax Type, Tax Reference No and Amount fields for SARS interest received during the year.
      A) Maximum of 30 sub-fields will be allowed and the 30th sub-field should be a consolidated aggregate of the SARS interest exceeding 30.

h) SARS Interest received during this year of assessment (Spouse)
   i) Complete the Account Holder ID number, Tax Type, Taxpayer Ref No and Amount fields.

A) Maximum of 30 sub-fields will be allowed and the 30th sub-field should be a consolidated aggregate of the interest exceeding 30.

Foreign Interest and Foreign Tax Credits on Foreign Interest

a) For 2022 YOA and prior, the container heading will be displayed as "Foreign Interest – Rands only – unless cents specified".

b) All '**foreign interest'** received by or accrued to or in favour of the deceased or insolvent estate must be inserted next to source code **4218**.
   i) This field will not be pre-populated for deceased and insolvent estates.

c) "**Foreign tax credits on foreign interest**": If any withholding tax was paid on the foreign interest received, this amount will appear on the certificate received from the institution administering the investment. The gross amount of withholding tax must be declared next to the source code **4113**.
   i) This field will not be pre-populated for deceased estates.

d) Allowable interest expenses incurred in the production of interest received
   i) This field is effective from 2021 year of assessment onwards and will not be pre-populated.
   ii) Expenses incurred in the production of foreign interest will be limited to the interest earned.

e) Foreign Interest and Foreign Tax Credits on Foreign Interest (own)
   i) Complete the Institution, Account No and Foreign Interest Amount ("Amount" only will be displayed for 2022 YOA and prior), and Foreign Tax Credit on Foreign Interest Amount fields if you have foreign interest to declare that, by clicking the 'Add' button. The 'Delete' button will display for manually captured information.
      A) "Mark with an 'X' if any of the amounts declared by you should be excluded from the communal estate (if married in community of property)"
         I) If marked, ensure that you have a Will and/or Antenuptial Contract in place to support this declaration.
      B) Maximum of 30 sub-fields will be allowed and the 30th sub-field should be a consolidated aggregate of the foreign interest exceeding 30.

f) Foreign Interest and Foreign Tax Credits on Foreign Interest (Spouse)
   i) Complete the Account Holder ID number, Account No, Foreign Interest Amount and Foreign Tax Credit on Foreign Interest Amount fields if you have foreign tax credits on foreign interest to declare, by clicking the 'Add' button. The 'Delete' button will display for manually captured information.
      A) Maximum of 30 sub-fields will be allowed and the 30th sub-field should be a consolidated aggregate of the foreign tax credits on foreign interest exceeding 30.

Gross Foreign Dividends Subject to SA normal tax and Foreign Tax Credits on Foreign Dividends

a) For 2022 YOA and prior, the container heading will be displayed as "**Gross Foreign Dividends subject to SA normal tax**".

b) The amount in respect of "**Gross foreign dividends subject to SA normal tax**" must be inserted next to source code **4216**. The exemption in terms of section 10B(3) on foreign dividends subject to SA normal tax will be applied programmatically by SARS. The exemption is calculated in terms of the formula: A = B x C (ratio of 25/45).
   i) This field will not be pre-populated for deceased and insolvent estates.

c) "**Foreign tax credits on foreign dividends**": If any withholding tax was paid on the foreign dividend received, this amount will appear on the certificate received from the institution administering the investment. The gross amount of withholding tax must be declared next to source code **4112**.
   i) This field will not be pre-populated for deceased and insolvent estates.

d) Gross Foreign Dividends subject to SA normal tax and Foreign Tax Credits on Foreign Dividends (Own)
   i) Complete the Institution, Account No and Gross Foreign Dividends subject to SA normal tax Amount and Foreign Tax Credits on Foreign Dividends Amount fields if you have foreign dividends to declare, by clicking the 'Add' button. The 'Delete' button will display for manually captured information.

A) “Mark with an ‘X’ if any of the amounts declared by you should be excluded from the communal estate (if married in community of property)”

I) If marked, ensure that you have a Will and/or Antenuptial Contract in place to support this declaration.

B) Maximum of 30 sub-fields will be allowed and the 30th sub-field should be a consolidated aggregate of the foreign dividends exceeding 30.

e) Gross Foreign Dividends subject to SA normal tax and Foreign Tax Credits on Foreign Dividends (Spouse)

i) Complete the Account Holder ID Number, Institution, Account No, Gross Foreign Dividends subject to SA normal tax and Foreign Tax Credits on Foreign Dividends Amount fields if you have Foreign tax credits on such foreign dividends to declare, by clicking the ‘Add’ button. The ‘Delete’ button will display for manually captured information.

A) Maximum of 30 sub-fields will be allowed and the 30th sub-field should be a consolidated aggregate of the foreign tax credits on such foreign dividends exceeding 30.

Distribution from Real Estate Investment Trust(s) (REIT) / Taxable Local Dividends /

a) Real Estate Investment Trusts (REITs) are companies listed on the JSE that manage a portfolio of immovable property assets. The taxation of a REIT is regulated in section 25BB on the Income Tax Act. Any person can invest in a REIT. Dividends distributed by a REIT is subject to normal tax in the hands of the shareholder (s10(1)(k)(i)(aa) of the Income Tax Act) but is exempt from Dividends Tax (refer to section 64F(l) of the Income Tax Act).

b) Insert the deceased or insolvent estate’s portion of income from a Real Estate Investment Trust (REIT) / Taxable Local Dividends next to source code **4238**.

i) This field will not be pre-populated for deceased and insolvent estates.

c) Distribution from REIT / Taxable Local Dividends (Own)

i) Complete the Institution, Account No and Amount fields if you have REIT/Taxable Local Dividends to declare, by clicking the ‘Add’ button. The ‘Delete’ button will display for manually captured information.

A) “Mark with an ‘X’ if any of the amounts declared by you should be excluded from the communal estate (if married in community of property)”

I) If marked, ensure that you have a Will and/or Antenuptial Contract in place to support this declaration.

B) Maximum of 30 sub-fields will be allowed and the 30th sub-field should be a consolidated aggregate of the REIT exceeding 30.

d) Distribution from REIT / Taxable Local Dividends (Spouse)

i) Complete the Account Holder ID Number, Institution, Account No, Amount fields if you have REIT/Taxable Local Dividends to declare, by clicking the ‘Add’ button. The ‘Delete’ button will display for manually captured information.

A) Maximum of 30 sub-fields will be allowed and the 30th sub-field should be a consolidated aggregate of the REIT exceeding 30.

Dividends Deemed to be Income in terms of S8E and S8EA

a) Capture the amount for “Dividends deemed to be income in terms of s8E and s8EA” next to source code **4292**.

i) This field will not be pre-populated for deceased and insolvent estates.

b) Dividends Deemed to be Income in terms of S8E and S8EA (Own)

i) Complete the Institution, Account No and Amount fields if the taxpayer have dividends deemed to be income in terms of s8E and s8EA to declare, by clicking the ‘Add’ button. The ‘Delete’ button will display for manually captured information.

A) Maximum of 30 sub-fields will be allowed and the 30th sub-field should be a consolidated aggregate of the dividends deemed to be income in terms of s8E and s8EA exceeding 30.

c) Dividends Deemed to be Income in terms of S8E and S8EA (Spouse)

i) Complete the Account Holder ID Number, Institution, Account No and Amount fields if the taxpayer have dividends deemed to be income in terms of s8E and s8EA to declare, by clicking the 'Add' button. The 'Delete' button will display for manually captured information.

B) Maximum of 30 sub-fields will be allowed and the 30th sub-field should be a consolidated aggregate of the dividends deemed to be income in terms of s8E and s8EA exceeding 30.

5.4 Foreign Income (Excl. Investment Income, CGT and amounts received / accrued as a beneficiary of a trust(s), or deemed to have accrued in terms of s7)

a) Complete the amounts next to the applicable source codes in this section. Use the amounts in the foreign financial statements/certificates received.

b) The following codes appear in this section:

i) **4288:** Foreign Rental (from the letting of fixed property(ies)) – Profit

ii) **4289:** Foreign Rental (from the letting of fixed property(ies)) – Loss

iii) **4121:** Foreign Tax Credits on Foreign Rental Income

iv) **4222**: Business/trading – profit (excluding rental income derived from the letting of fixed property(ies))

v) **4223**: Business/trading – loss (excluding rental income derived from the letting of fixed property(ies))

vi) **0192:** Farming – profit

vii) **0193:** Farming – loss

viii) **4278:** Royalties – profit

ix) **4279:** Royalties – loss

x) **4228:** Other – Profit (Excluding Rental from the letting of fixed property(ies))

xi) **4229:** Other – Loss (Excluding Rental from the letting of fixed property(ies))

xii) **4230:** Controlled Foreign Company (CFC) – share of profit.

A) Only the deceased estate's share of the profit from a CFC must be completed here.

xiii) **4235**: **'**Income received from foreign employment services reflected on a South African IRP5/IT3(a) certificate that was subjected to tax outside the RSA and the s10(1)(o)(ii) exemption does not apply**'**.

A) For year of assessment 2020 and prior, the field will be displayed as 'Income reflected on a South African IRP5/IT3(a) certificate, that was subject to tax outside the RSA.

B) This amount is not applicable to an insolvent estate.

xiv) **4111**: Other Foreign Tax Credits (excluding rental from letting of property(ies)

A) This field will display for year of assessment 2020 and prior and 2024 year of assessment onwards.

B) From 2021 to 2023 year of assessment the field will be displayed as '*Other foreign tax credits (excluding rental from letting of property(ies) and Income received from foreign employment services and not reflected on a South African IRP5/IT3(a) certificate, subject to tax outside RSA and the s10(1)(o)(ii) exemption applies)*'

xv) **4298:** Income received from foreign employment services not reflected on a South African IRP5/IT3(a) certificate, subject to tax outside RSA and the s10(1)(o)(ii) exemption does not apply.

A) This field will be displayed from 2023 year of assessment onwards.

xvi) **4299:** Income received from foreign employment services not reflected on a South African IRP5/IT3(a) certificate, subject to tax outside RSA and the s10(1)(o)(i) exemption applies.

A) This field will be displayed from 2023 year of assessment onwards.

B) From 2024 year of assessment, this field will be moved to the "Qualifying criteria for s10(1)(o)(i)" container.

xvii) **4304:** Income received from foreign employment services not reflected on a South African IRP5/IT3(a) certificate, subject to tax outside RSA and the s10(1)(o)(i) exemption does not apply.

A) This field will be displayed from 2023 year of assessment onwards.

xviii) **4259:** Income received from foreign employment services not reflected on a South African IRP5/IT3(a) certificate, subject to tax outside RSA and the s10(1)(o)(ii) exemption applies.

A) This field will display from 2021 year of assessment onwards.

B) If the amount entered is greater than zero, the following field will be displayed and mandatory to complete.

I) Foreign tax credit on income received from foreign employment services not reflected on a South African IRP5/IT3(a) certificate, subject to tax outside RSA and the s10(1)(o)(ii) exemption applies

II) This field will only display from 2021 year of assessment onwards.

C) From 2024 year of assessment, these two fields will be moved to the "Qualifying Criteria for s10(1)(o)(ii) exemption (excluding s8A/8C gains and dividends)" container .

c) Note that all foreign income must be declared in South African currency.

d) Although financial statements that are drawn up in another currency will be acceptable as supporting documents, if so requested by SARS, it must be translated to South African currency.

Foreign Currency Translation

a) A natural person (that is a resident) who derives income measured in a foreign currency may, in translating the taxable income to Rands, make an election between either:
   i) The spot rate
   ii) The average exchange rate for the relevant year of assessment.

b) Where the information supplied is in a foreign currency, the average exchange rates can be used for conversion purposes to South African currency.

c) The average exchange rates can be obtained on the SARS website (www.sars.gov.za). Note that only the main currencies are addressed in this document. If the exchange rates of another country are applicable, it can be obtained from any of the local merchant banks.

Proof of Payment for Foreign Taxes

a) The following will be accepted as proof of payment of foreign taxes if requested by SARS:
   i) Where foreign tax has been withheld at source – the original documentation issued by the applicable institution.
   ii) Where foreign tax has not been withheld at source – an assessment or receipt issued by the relevant tax authority.
b) Limitation of foreign credits (section 6quat)
   i) Foreign tax credits will be limited to the South African tax payable in relation to the foreign income received by applying the following formula:

$$\frac{\text{Foreign taxable income x Normal tax on Total Taxable Income}}{\text{Total taxable income}}$$

c) For further details refer to "***Interpretation Note No 18: Rebates and Deduction for Foreign Taxes on Income***" on the SARS website www.sars.gov.za.

5.5 Foreign Tax Credits

a) The foreign tax that is paid on income that is taxable in South Africa may be deducted from the South African tax on that income. This is done in terms of the following provisions:
   i) Section 6quat:
      A) This refers to a foreign tax rebate in respect of foreign tax on income from a non-South African source.
      B) Section 6quat(1) provides relief for foreign taxes proved to be payable on income derived from a foreign source that is included in a resident's taxable income.
      C) Foreign taxes falling within this category do not qualify for the section 6quat(1C) deduction.

   ii) Section 6quat1(C)
      A) Under section 6quat(1C), a resident may claim foreign taxes, that do not qualify for the section 6quat(1) rebate, as a deduction in determining taxable income. That is, essentially, foreign taxes payable on South African-sourced amounts.

b) For further details refer to "***Interpretation Note No 18: Rebates and Deduction for Foreign Taxes***" on Income on the SARS website.

Foreign Tax Credits – Refunded / Discharged

a) A section 6*quat* rebate/deduction reduces the taxable income of a South African resident. This in turn reduces the normal tax liability of the taxpayer. Where a South African resident claimed a rebate/deduction for foreign tax paid/payable in terms of section 6quat and in a subsequent year of assessment the foreign tax was refunded or the taxpayer was discharged from the applicable tax liability, then the amount that was discharged (limited to the amount that was originally claimed) will be deemed to be an amount of normal tax payable by that taxpayer in the subsequent year of assessment.

b) Complete the following fields:
   i) "Specify the portion of the amount so refunded/discharged as was previously allowed by SARS as a rebate"
   ii) "Specify the portion of the amount so refunded / discharged as was previously allowed by SARS as a deduction in terms of s6quat(1C)".
      A) Insert the amount next to source code **4249**.

5.6 Trust Income

a) The section 'Trust Income – Income distributed to you/ vested in you as a beneficiary of a Trust or deemed to have accrued in terms of s7' will display for 2017 YOA onwards.

b) If a taxpayer received income from a Trust or income accrued to him/her as a beneficiary of a Trust, or a taxpayer has a vested interest in an asset held by a Trust or a capital gain is made by a Trust vested in the taxpayer; the income received, accrued or deemed to have been received/accrued from the Trust must be declared on the return.
   i) From the 2017 year of assessment onward, this income must be declared separately in this section of the return.
   ii) For years prior to 2017, this income must be declared in the specific part of the return relating to the type (source) of income prior to the distribution by the trust (e.g. interest income received must be declared next to source code 4201 in the 'Investment Income' section of the return).

c) Capture the following information:
   i) 'Trust Name'
   ii) 'Trust Registration Number'
   iii) 'Trust Tax Reference Number'
   iv) 'Interest Earned From' and 'Interest Earned To' (CCYY/MM/DD)
      A) The deceased estate "interest earned from" and "Interest earned to" field must only display for the year of assessment after the year of assessment the taxpayer passed on.
         I) Interest Earned From date field cannot be later than the date specified in the Period Interest Earned To field.
      B) From 2024 year of assessment, the following note will be displayed "*Where there is multiple interest earned, complete the earliest interest earned date and latest interest earned date.*"
   v) 'Details of Local Income'
      A) 'Local Remuneration'
         I) If an income amount is entered, insert the income source code.
         II) The source code must fall within the following range: 3601-3606, 3616, 3617 and 3667.
      B) 'Local Annuities'
         I) If an income amount is entered, insert the income source code (3610 or 3611).
      C) 'Local Interest' – 4201
      D) 'SARS Interest' - 4237
      E) 'Distribution from Real Estate Investment Trust(s) (REIT) / Taxable Local Dividends' – 4238
      F) 'Local Capital Gain/Loss'
         I) If an amount is entered, insert the source code (4250 or 4251)
      G) 'Local Rental Income from the letting of fixed property(ies)' – 4210
      H) 'Dividends deemed to be income in terms of s8E and s8EA' – 4292
      I) 'Local Business and trading Income (excluding Rental Income from letting of fixed property(ies) and income from Farming Operations)'
         I) If an amount is entered, insert the source code.
      J) 'Income from Local Farming Operations (IT48)'
         I) If an amount is entered, insert the source code.
         II) This amount will auto-populate in the new 'Income from Local Farming Operations (IT48) distributed by a trust(s)' on the IT48.
      K) 'Deemed Annuity' – 3611
      L) 'Other Local Income'

I) If an amount is entered, insert the source code.

vi) Details of Foreign Income
- A) 'Foreign Interest' – 4218
- B) 'Foreign Tax credits on foreign Interest'- 4113
- C) 'Foreign Dividends' – 4216
- D) 'Foreign Tax credits on foreign dividends' – 4112
- E) 'Foreign Capital Gain/Loss'
  - I) If an amount is entered, insert the source code (4252 or 4253)
- F) 'Foreign Tax credits i.r.o. capital gain/loss' – 4114
- G) 'Foreign Farming' – 0192
- H) 'Foreign tax credits on foreign farming income' – 4119
- I) 'Other Foreign Income' – 4220
- J) 'Imputed Net Income from Controlled Foreign Companies (CFC)' – 4276
- K) 'Foreign Tax Credit on Imputed Net Income from Controlled Foreign Companies (CFC)' - 4122
- L) 'Foreign tax credits on foreign other income' – 4110
- M) 'Amount Considered Non-Taxable'

5.7 Capital Gains Tax (CGT)

a) CGT provisions became effective from 1 October 2001. In order to give effect to the proposals relating to Capital Gain Tax (CGT), an Eighth Schedule was added to the Income Tax Act. This schedule determines a taxable capital gain or assessed capital loss and section 26A of the Act provides that a taxable capital gain is included in taxable income.

b) For detailed information on CGT, please refer to the "*Comprehensive Guide to Capital Gains Tax*" which is available on the SARS website.

c) Determining a capital gain or a capital loss: A CGT event is triggered by the disposal of an asset. Unless such disposal (or deemed disposal) occurs, no gain or loss arises. CGT applies to all assets disposed of on or after 1 October 2001 (valuation date). Only the gain or loss attributable from 1 October 2001 to date of disposal will be subject to the CGT.
- i) An asset is defined as widely as possible and includes any property of any nature and any interest therein
- ii) A disposal covers any event, act, forbearance, or operation of law, which results in a creation, variation, transfer, or extinction of an asset. It also includes certain events treated as disposals, such as the change in the use of the asset. (Paragraphs 65 and 66 of the Eighth Schedule to the Income Tax Act make provision for the election of tax relief in respect of reinvestment and involuntary disposals in respect of assets disposed of on or after 22 December 2003. Once an asset is disposed of, the amount that is received by (or which accrues to) the seller of the asset constitutes the proceeds/income from the disposal.
- iii) The base cost of the asset is generally the expenses that were actually incurred in obtaining the asset, together with the following:
  - A) Expenses directly related to the asset's improvement
  - B) Expenses and direct costs in respect of its acquisition and disposal of the asset
  - C) Certain holding costs.
- iv) The base cost does not include any amounts otherwise allowed as a deduction for income tax purposes.

Deceased Estate

a) In terms of section 9HA(1) of the Income Tax Act, a person **who dies on or after 1 March 2016** is deemed to have disposed of his/her assets at the date of death. The deceased person is regarded as having disposed of his/her assets for **an amount equal to the market value on the date of death.** This rule does not apply in the following circumstances:
- i) assets that are awarded to the surviving spouse (s9HA(2)). See discussion below;
- ii) a long term insurance policy of the deceased, of which the capital gain or loss would have been disregarded in terms of paragraph 55 of the Eight Schedule;
- iii) An interest of the deceased in a pension, pension preservation, provident, provident preservation, retirement annuity fund, or any fund, arrangement or instrument situated outside South Africa

which provides similar benefits, if any capital gain or loss that would have resulted would have been disregarded in terms of paragraph 54 of the Eight Schedule.

b) For the surviving spouse to qualify for the exclusion stated in section 9HA(1), the surviving spouse:
   i) must be a resident;
   ii) must acquire the asset:
      A) by intestate or testamentary succession;
      B) as a result of a redistribution agreement between heirs and legatees; or
      C) in settling an accrual claim (section 3 of Matrimonial Property Act No 88 of 1984).
   iii) The value to be placed on the disposal of the asset will be an amount received or accrued equal to:
      A) the expenditure incurred by the deceased person (s9HA(2)(b)) and any expenditure incurred by the deceased estate on that asset (s25(4)(b)) or
      B) the base cost of asset as laid out in paragraph 20 of the Eight Schedule.
   iv) In addition, the surviving spouse:
      A) acquires the asset on the same date as the deceased person or the deceased estate;
      B) incurs further expenditure on the date and same currency in which it was incurred by the deceased person or deceased estate; and
      C) uses that asset in the same manner as the manner in which that asset had been used by the deceased person and the deceased estate.

c) Where an asset is transferred directly to an heir or legatee by a deceased person, the heir or legatee must be treated as having acquired that asset at the market value (paragraph 31 of Eight Schedule) on at date of death of the deceased person (s9HA(3)).

d) Where the deceased estate disposes of an asset to an heir or legatee, that disposal is for an amount received or accrued equal to the amount of expenditure incurred by the deceased estate; and the heir or legatee acquires that asset at the same value (s25(3)).

e) A new time of disposal rule was inserted in terms of section 25(3)(c) on 19 January 2022, but only comes into operation on 1 March 2022 and applies in respect of liquidation and distribution accounts finalised on or after that date. Section 25(3)(c) provides that a deceased estate must be treated as having disposed of that asset on the earlier of the date on which that asset is disposed of or on which the liquidation and distribution account becomes final.

f) A deceased estate is regarded as a natural person (s25(5)*(a)*) except from rebates (s6) and medical credits (ss6A and 6B). This means that the deceased estate is entitled to the same exclusions and relief provisions below as a natural person:
   i) annual exclusion of R40 000 (prior to 1 March 2016, this was R30 000);
   ii) inclusion rate of 40% (prior to 1 March 2016, this was 33.3%);
   iii) primary residence exclusion;
   iv) personal-use asset exclusion;
   v) small business asset relief (paragraph 57 of the Eight Schedule) – this is the R1.8 million lifetime exclusion (the remainder of the exclusion amount not utilised by the deceased person);
   vi) Section 25(5)(b) provides that if the deceased person was a resident at the time of his or her death, the deceased estate will also be regarded as a resident.

g) Where a taxable capital gain results from the disposal of assets from the deceased person to the deceased estate (s9HA(1)), and the tax calculated exceeds 50% of the net value of the deceased estate (i.e. the value of estates as determined in terms of s4 of the Estate Duty Act, before taking into account the amount of tax calculated on the taxable gain and before deducting the R3.5 million abatement); and the executor is required to dispose (sell) of the asset of the estate to pay this tax:
   i) The heir or legatee who would be entitled to that asset had there been no tax liability, can elect that, that asset be distributed to that heir or legatee if that heir or legatee accepts liability for this tax debt (s25(6)).
   ii) The heir or legatee must pay this tax debt within a period of 3 years (the 3 years starts from the date after the estate was distributed in terms of section 35(12) of the Administration of Estates Act) (s25(6)).
   iii) This tax debt becomes a debt due to SARS by that heir or legatee (s25(7)).

Insolvent Estate

a) On sequestration a person's assets pass to that person's insolvent estate. The change of ownership usually triggers a disposal, however the 'one and the same person' principle brings the two entities together and since a person cannot dispose of something to himself, there is no disposal of the individual's assets on the date of sequestration.

b) Capital gains and losses are therefore determined in the hands of the insolvent estate when the assets are disposed of to third parties.

c) Under Paragraph 83(1) of the Eight Schedule, the disposal of an asset by an insolvent estate is treated in the same manner as if the natural person whose estate has been sequestrated had disposed of that asset. This means that the insolvent estate is treated as a natural person and will be entitled to the same exemptions and exclusions the insolvent person would have been entitled to, had the person disposed of the assets.

d) The purpose of this provision is to ensure that the insolvent estates will not be taxed on the disposal of the personal assets of the insolvent person such as that person's primary residence (to the maximum amount of the primary residence exclusion), furniture or private motor vehicles. It also confers the same 40% inclusion rate and annual exclusion on the insolvent estate.

e) The insolvent person before sequestration, the insolvent estate and the insolvent person on and after sequestration share the annual exclusion, in that order, in the year of sequestration. Therefore, to the extent that the insolvent person before sequestration has not used the annual exclusion during the applicable period of assessment, the excess will be available for set-off against capital gains and capital losses arising firstly in the insolvent estate and secondly, if any excess remains, in the insolvent person on and after sequestration.

f) In the subsequent years, the insolvent estate and the insolvent person on or after sequestration will each be entitled to the full annual exclusion.

g) Under section 25C the "one and the same person" rule in relation to determining any taxable capital gain or assessed loss of the insolvent estate, an assessed loss in the hands of the insolvent person before sequestration may be carried forward to the insolvent estate. Any assessed capital loss remaining in the insolvent estate at the time it is finally terminated will be forfeited.

h) In an instance whereby CGT annual exclusion R 40 000 is not fully used on Tax reference number 1, then the remaining balance must be used on Tax reference number 2 or vice versa during the same year of assessment.
   i) Example for Insolvent Estate
      A) Where the annual exclusion of R25 000 was used on tax number 1, the remaining annual exclusion of not more than R15 000 will be used on tax number 2.

Completion of the Capital Gains Tax Section

a) The income tax return makes provision for ten local and ten foreign capital gain or loss transactions to be declared. Each transaction must be declared separately. Where multiple disposals of shares (that is administered by a single administrator) take place and the disposal of such shares are reported on a single certificate, the disposals reflected on the certificate can be treated as one disposal.

b) 'Mark here with an 'X' if this amount should be excluded from the communal estate (if married in community of property).'
   i) The communal indicator will be repeated based on the number of transactions indicated.

c) 'Mark with an "X" if this transaction is deemed disposal'
   i) This field is applicable from 2025 year for the deceased person for the deemed disposal that takes place at the date of death. This field does not apply to deceased estates.

d) With regard to the disposal of a primary residence, the return caters for the insertion of the primary residence exclusion. If a primary residence was disposed and the difference between the proceeds and the base cost is less than the primary residence exclusion, the gain must be indicated as a '0'. See the example below:

Example:1	
Proceeds on the disposal of a primary residence	R 3 800 000
Base cost	R 2 500 000
Gain prior to primary residence exclusion	R 1 300 000
Primary residence exclusion R2 000 000 (this will be limited to the R1 300 000)	R 1 300 000
Gain	R 0

e) Select the applicable Main Asset Type Source Code relating to the local/foreign capital gain/loss transaction:
   i) 6502: GAIN: Immovable assets
   ii) 6503: LOSS: Immovable assets
   iii) 6504: GAIN: Primary residence – If selected, complete the Primary Residence section.
   iv) 6505: LOSS: Primary residence – If selected, complete the Primary Residence section.
   v) 6506: GAIN: Financial instruments – Listed, including assets of which prices are regularly published in newspaper
   vi) 6507: LOSS: Financial instruments – Listed, including assets of which prices are regularly published in newspaper
   vii) 6508: GAIN: Financial instruments – Unlisted
   viii) 6509: LOSS: Financial instruments – Unlisted
   ix) 6510: GAIN: Intangible assets
   x) 6511: LOSS: Intangible assets
   xi) 6514: GAIN: Plant and machinery
   xii) 6515: LOSS: Plant and machinery
   xiii) 6516: GAIN: Other movable property used mainly for trade purposes
   xiv) 6517: LOSS: Other movable property used mainly for trade purposes
   xv) 6518: GAIN: Other movable property used mainly for trade purposes other than personal-use assets
   xvi) 6519: LOSS: Other movable property used mainly for trade purposes other than persona-use assets
   xvii) 6520: GAIN: Financial instruments – crypto assets
   xviii) 6521: LOSS: Financial instruments – crypto assets

Note: Depending on the specific Main Asset Type Source code selected, the applicable fields will be displayed for completion.

Primary Residence

a) "Do you confirm that this transaction relates to a primary residence?" – Select 'Y' or 'N'
   i) This is a mandatory field.
   ii) "If Yes, indicate whether the primary residence is held jointly?"
   iii) "Is the primary residence held in a partnership?" – Select 'Y' or 'N'.
      A) 'If Yes, state the percentage held'.

b) "Mark the applicable field with an 'X' to confirm that the full amounts relating to proceeds and base cost of the primary residence are declared"
   i) "Does any exemption/rollover other than primary residence exemption apply to this transaction" – Select 'Y' or 'N'

c) These questions must be answered in respect of each capital gain/loss transaction.

d) Complete the following fields if a '**Local Gain/Loss'** is applicable:
   i) "Proceeds"
      A) If 'yes' is selected for the question 'Does the transaction relate to a primary residence?' and the amount captured in this field is less than or equal to R2 000 000, a pop-up message will display to indicate that proceeds on the disposal of the primary residence does not exceed R2 000 000, therefore capital gain/ loss is disregarded.
   ii) "Base cost"
   iii) "Primary residence / Other Exclusions (excl. annual exclusions)"

A) If ‘yes’ is selected for the question “Does the transaction relate to a primary residence?” this field will be auto-populated with R2 000 000

iv) Exclusion/Roll-over (excluding annual exclusion)

v) “Gain” (**4250**)
  A) This field is auto-calculated by the system
  B) The capital gain will be disregarded if the proceeds on the disposal of the primary residence does not exceed R2 000 000.
  C) If an amount greater than 0 is captured, complete the field ‘Less: Prior year clogged loss brought forward and deductible from the capital gains listed above derived from a disposal to the same connected person (par. 39 of the Eighth Schedule)’

vi) “Loss” (**4251**)
  A) This field is auto-calculated by the system
  B) The capital loss will be disregarded if the proceeds on the disposal of the primary residence does not exceed R2 000 000.
  C) If amount is entered, complete the field ‘Was the disposal made to a connected person (including the parent, child, stepchild, brother, sister, grandchild or grandparent of that natural person) in terms of paragraph 39 of Eighth Schedule?’

vii) Was the disposal made to a connected person (including the parent, child, stepchild, brother, sister, grandchild or grandparent of that natural person) in terms of paragraph 39 of Eighth Schedule? (Select Y/N)
  A) If ‘Yes’, complete the ‘Details of connected person’ container.
  B) This field is applicable from 2022 year of assessment.

viii) Less: Prior year clogged loss brought forward and deductible from the capital gains listed above derived from a disposal to the same connected person (par. 39 of the Eighth Schedule)
  A) This field is applicable from 2022 year of assessment.

ix) In which year was the disposal made?
  A) Select the relevant year that the disposal was made.
    I) This field is applicable from 2022 year of assessment.

Details of Connected Person

a) Applicable from 2022 year of assessment

b) Type of connected person
  i) Individual;
  ii) Company; or
  iii) Trust.

c) ‘Is the connected person an RSA resident?’ (Select Y/N)
  i) For 2024 year of assessment and prior the field will be displayed as ‘Is the connected person a SA resident?’
  ii) If ‘Yes’, complete the following information of the connected person:
    A) For Individual:
      I) Name and Surname;
      II) Identity Number;
      III) Passport Number;
      IV) Tax Ref No.
    B) For Company or Trust:
      I) Name of Trust / Registered Name;
      II) Registration No.;
      III) Tax Ref No.

d) Complete the following fields if a ‘**Foreign Gain/Loss’** is applicable:

  i) ‘Mark here with an ‘X’ if this amount should be excluded from the communal estate (if married in community of property).’
    A) The communal indicator will be repeated based on the number of transactions indicated.
  ii) ‘Mark with an “X” if this transaction is deemed disposal’

A) This field is applicable from 2025 year for the deceased person for the deemed disposal that takes place at the date of death. This field does not apply to deceased estates.

iii) "Proceeds"

A) If 'yes' is selected for the question 'Does the transaction relate to a primary residence?' and the amount captured in this field is less than or equal to R2 000 000, a pop-up message will be displayed to indicate that proceeds on the disposal of the primary residence does not exceed R2 000 000, therefore capital gain/ loss is disregarded.

iv) "Base cost"

v) "Primary residence / Other Exclusions (excl. annual exclusions)"

A) If 'yes' is selected for the question 'Does the transaction relate to a primary residence?' this field will be auto-populated with R2 000 000.

vi) Exclusion/Roll-over (excluding annual exclusion)

vii) "Gain" (**4252**)

A) This field is auto-calculated by the system

B) The capital gain will be disregarded if the proceeds on the disposal of the primary residence does not exceed R2 000 000.

C) If an amount greater than 0 is captured, complete the field 'Less: Prior year clogged loss brought forward and deductible from the capital gains listed above derived from a disposal to the same connected person (par. 39 of the Eighth Schedule)'

viii) "Loss" (**4253**)

A) This field is auto-calculated by the system

B) The capital loss will be disregarded if the proceeds on the disposal of the primary residence does not exceed R2 000 000.

C) If amount is entered, complete the field 'Was the disposal made to a connected person (including the parent, child, stepchild, brother, sister, grandchild or grandparent of that natural person) in terms of paragraph 39 of Eighth Schedule?'

ix) "Foreign tax credit in respect of Foreign Capital Gain/Loss" (**4114**)

A) This field will be locked and un-editable until an amount greater than zero is entered in either the Gain or Loss field (source codes 4252 or 4253)

x) Was the disposal made to a connected person (including the parent, child, stepchild, brother, sister, grandchild or grandparent of that natural person) in terms of paragraph 39 of Eighth Schedule? (Select Y/N)

A) If Yes, complete the 'Details of connected person' container.

B) This field is applicable from 2022 year of assessment.

xi) Less: Prior year clogged loss brought forward and deductible from the capital gains listed above derived from a disposal to the same connected person (par. 39 of the Eighth Schedule)

A) This field is applicable from 2022 year of assessment.

xii) In which year was the disposal made?

A) Select the relevant year that the disposal was made.

I) This field is applicable from 2022 year of assessment.

Details of Connected Person

a) Applicable from 2022 year of assessment

b) Type of connected person

i) Individual;

ii) Company; or

iii) Trust.

c) Is the connected person an RSA resident? (Select Y/N)

i) For 2024 year of assessment and prior the field will be displayed as 'Is the connected person a SA resident?'

ii) If 'Yes', complete the following information of the connected person:

A) For Individual:

I) Name and Surname;

II) Identity Number;

III) Passport Number;

IV) Tax Ref No.

B) For Company or Trust:

I) Name of Trust / Registered Name;

II) Registration No.;
III) Tax Ref No.

5.8 Local Rental Income from the Letting of Fixed Property(ies)

a) Only the deceased or insolvent estate's portion of rental income must be declared on the return.

b) Each rental activity must be captured separately on the return (maximum of 20 is allowed).

c) Leave the following field blank as it is not applicable to a deceased estate.
   i) "Mark with an 'X' if this amount should be excluded from the communal estate (if married in community of property)".
      A) This field will be displayed for 2022 Year of Assessment and prior.
   ii) "Mark with an 'X' if the property is not used for trading purposes anymore (e.g., the property was sold)".
      A) This field will be displayed for 2023 Year of Assessment onwards.
   iii) Was the property still used for trading purposes for part of this year of assessment?
      A) From 2024 year of assessment, this question will be displayed. Select 'Y' or 'N'.

Name of Property / Description of Asset

a) Insert the name of property or description of asset.
   i) For 2022 Year of Assessment and prior, the field name will be displayed as 'Description' and editable.
   ii) From 2023 Year of Assessment onwards, this field will be pre-populated and locked.

Correct Description

a) If the name of the property or description of the asset is incorrect, complete the correct details in this field.

Unique Identifier

a) If this is the first income tax return being submitted for the deceased or insolvent estate (since the date of death of the natural person or date from sequestration), leave this field blank. The SARS system will allocate a new unique identifier to each property applicable to the deceased or insolvent estate.

b) If rental income from fixed property was declared in a previous year of assessment for the deceased or insolvent estate, a unique identifier will have been allocated by SARS.

c) Please complete the "unique identifier" number as allocated by SARS.
   i) You can obtain this number from the previous notice of assessment (ITA34) issued.
   ii) From 2023 Year of Assessment onwards, this field will be pre-populated and locked.

Income Details

a) Insert the portion of the "Rental Income" amount received by the deceased or insolvent estate for the letting of the fixed property.

Expenditure Details

a) Complete the applicable fields for expenditure incurred for the letting of the fixed property:
   i) "Accounting Fees"
   ii) "Agency Fees"
   iii) "Bad Debts"
   iv) "Depreciation"
   v) "Electricity / Rates and Taxes"
   vi) "Insurance"
   vii) "Interest / Finance Charges"
   viii) "Levies Paid"
   ix) "Repairs / Maintenance"

x) "Other" – Insert a description relating to other expense
xi) "Total" – the total expenditure will be auto calculated.

Determination of Profit / Loss

a) If the return is completed electronically, the profit or loss amount will be automatically calculated and inserted in the applicable field below:
   i) "Taxable Profit" (4210)
   ii) "Taxable Loss" (4211)

b) "Should the loss incurred be excluded (ring-fenced) for the calculation of your tax liability?" – select Y or N.

c) "Are you in a partnership?" – select 'N' as this is not applicable to deceased estates.
   i) This question will only be available for selection, if you have answered the Partnership question in the Wizard as "Yes".

d) "Mark with an 'X' if variable ratios should be applied for the sharing of income and/or expenses."
   i) Only applicable for 2023 year of assessment and prior.

e) "Mark here with an 'X' if variable ratios has been applied for the sharing of income and/or expenses."
   i) This field is applicable from 2025 year of assessment onwards.

5.9 Local Business, Trade and Professional Income (Including crypto asset(s)) (Other than Rental Income from the Letting of Fixed Property(ies) and Distributions received / accrued as a Beneficiary of a Trust(s) or deemed to have accrued in terms of s7)

a) The information required refers to the activities in respect of local business, trade and/or profession carried on by the deceased or insolvent estate.

b) Complete financial information must be prepared in respect of each local business, trade or profession where such income is not considered as a single trade with reference to section 20A of the Income Tax Act.
   i) The return makes provision for a maximum of 8 activities to be declared. If there are more than 8 activities to declare, similar trades must be added together.
   ii) For example: if the deceased or insolvent estate has 9 trades to declare, add together two trades that result in profits or two that result in losses. Please do not add one trade that results in a loss with one that results in a profit.

Name of Business / Trade

a) Insert the description of each local business, trade, or profession.
   i) For 2022 Year of Assessment and prior, the field name will be displayed as 'Description' and editable.
   ii) From 2023 Year of Assessment onwards, this field will be pre-populated and locked.

Correct Description

a) If the name of the property or description of the asset is incorrect, complete the correct details in this field.

Unique Identifier

a) SARS automatically allocates a unique identifier to each property, local business, trade and/or profession as per the information declared on the return.

b) If this is the first income tax return being submitted for the deceased or insolvent estate (since the date of death of the natural person or from date of sequestration), leave this field blank. The SARS system will allocate a new unique identifier to each business activity applicable to the deceased or insolvent estate.

c) If the business activity was declared in a previous year of assessment for the deceased estate, a unique identifier will have been allocated by SARS.
   i) Please complete the 'unique identifier' number as allocated by SARS.
   ii) You can obtain this number from the previous notice of assessment (ITA34) issued.
   iii) From 2023 Year of Assessment onwards, this field will be pre-populated and locked.

d) Mark with an "X" if the business is no longer trading / operational (e.g. the business was sold or ceased operation)
   i) This field will be displayed for 2023 Year of Assessment onwards.

e) Was the business still trading for part of this year of assessment?
   i) From 2024 year of assessment, this question will be displayed. Select 'Y' or 'N'.

Dual – Purpose Expenditure

a) Some of the expenses incurred may be partly personal and partly business. These may include amounts paid for fuel and oil, rent, electricity, telephone, car maintenance, repairs, insurance, interest and overseas travelling expenses. The personal portion of these expenses is not deductible as business expenditure and must be allocated accordingly. Full details of calculations must be retained for a period of five years after the date of submission of the return.

b) Reasonable allocation – It is not easy to determine what portion of dual-purpose expenditure should be allocated to the business and what portion to non-business activities. No rule can be prescribed, but the allocations must be reasonable.

Capital Expenditure

a) In general, capital expenditure is an amount paid or a debt incurred for the acquisition, improvement, or restoration of a capital asset. However, capital expenditure is not necessarily confined to capital assets. Expenditure designed to extend the scope of a business, incurred to create or to protect a source of income or to acquire an enduring advantage for the benefit of trade is regarded for tax purposes as expenditure of a capital nature.

b) Examples of capital expenditure:
   i) Acquisition of land and building (including transfer costs)
   ii) Additions, alterations and improvements to any assets used by the business, for example: buildings, plant, machinery, furniture and fittings, etc.
   iii) Cost of material, labour and installation of capital assets
   iv) Goodwill
   v) Expenditure to eliminate competition
   vi) Expenditure to protect capital or intangible assets, including rights
   vii) Certain legal expenses.

Trading stock taken for Private Use

a) If such goods have already been accounted for, this adjustment must not be taken into account again in the determination of taxable income. A note must be made on the statement, which must be retained for five years, indicating the value of the goods and how this was accounted for.

Legal Expenses

a) Any expenses in respect of any dispute or action at law, other than those of a capital nature, which were actually incurred in the production of income or which arose in the course of or by reason of the ordinary operations undertaken by the taxpayer in the carrying on of the trade, may be claimed as a deduction. Details of the expenses must be retained.

General Expenses

a) General or sundry expenses claimed in the accounts must be detailed in a separate statement as well as expenses contained therein which are not allowable. Such statement must be retained for inspection purposes.

Private Use of Business Premises

a) If the deceased taxpayer's or the insolvent person's family member occupied, free of charge, part of the premises from which the business or profession is carried out, only the expenditure in respect of the portion used for business purposes can be claimed.

Elected Depreciable Asset Allowance

a) Section 11(o) provides for an election in respect of the deduction of any loss incurred as a result of the alienation, loss or destruction of any asset that qualified for a capital allowance or deduction provided that the expected useful life of that asset for tax purposes did not exceed ten years. The deduction must be equal to the difference between the amount received or accrued from the disposal and the cost price of the asset.

b) Where an asset was brought into use during a non-taxable period, that period must be taken into account in the determination of the deduction provided for in terms of section 11(o).

c) No election may be made if the amount received or accrued from the alienation, loss or destruction of the asset was received or accrued from a connected person.

d) **Note**: Cognisance must be taken of the provisions of paragraph 65 and paragraph 66 of the Eighth Schedule to the Act that came into effect on 22 December 2003.

Expired Lease Agreements

a) Full details must be retained if, at the expiry of a lease agreement in respect of moveable assets, such assets:
   i) Were sold and the proceeds paid to the taxpayer
   ii) Were transferred to the taxpayer free or for some consideration
   iii) Any other benefit accrued to the taxpayer in these circumstances.

b) Copies of documentation from the relevant financial institution/s must be retained.

Recoupment of Expenditure

a) Any items of expenditure or losses, which were allowed as deductions in the determination of the taxable income for the current or a previous year of assessment and recovered or recouped during this year of assessment, must be reflected if not already accounted for in the financial accounts.

Reserves

a) Details of all reserves which were not disclosed as such in the balance sheet must be retained, showing the amounts transferred to reserve during the year of assessment and indicating where those amounts were debited in the accounts.

Interest Paid

a) If interest has been paid, the information regarding the purpose for which the capital (on which the interest is payable) was utilised must be retained.

Finance Charges

a) These must not, for wear and tear purposes, be added to the cost price of assets purchased but must instead be shown separately.

Doubtful Debts

a) Retain full details with regard to source, amounts, dates, nature of debt and reasons for regarding debt as bad.

b) In the case of doubtful debt, a similar list must be retained and the amount claimed as an allowance for such debt must be shown.

Ring-Fencing of Assessed Loss of certain Trades

a) Section 25(5)(a) states that a deceased estate must be treated as if that estate were a natural person (except for purposes of primary, secondary and tertiary rebates and medical scheme fees tax credits). Therefore, section 20A is applicable to a deceased estate. It is important to note that even though the deceased estate is treated as a natural person, it is not regarded as the same natural person as the deceased person, Therefore, under section 20, an assessed loss incurred by the deceased person before the dated of death cannot be carried forward to the deceased estate as they are regarded as separate persons under the Income Tax Act. The deceased estate can incur an assessed loss and be ring-fenced under section 20A.

b) Section 20A provides that, subject to certain tests, an assessed loss incurred by a natural person may not be set off against any income derived by the person otherwise than from carrying on that trade. The effect is that trading losses will in certain circumstances and/or in respect of certain identified trades, be subject to potential ring fencing unless the 'facts and circumstances test' provided for in subsection 3 indicates that the trade constitutes a business in respect of which there is a reasonable prospect of deriving taxable income within a reasonable period of time.

c) A pre-requisite for the application of section 20A is that, in the year in which the ring-fencing is applied, the sum of the taxpayer's taxable income (determined without having regard to other provisions of this section) and any assessed loss and balance of assessed loss which were set off in terms of section 20 in determining that taxable income, equals or exceeds the amount at which the maximum marginal tax rate chargeable in respect of individuals becomes applicable.
   i) For the 2018, 2019 and 2020 years of assessment, the top marginal tax rate applied to taxable income above R 1 500 000.
   ii) For the 2021 year of assessment onwards the maximum marginal tax rate will apply to taxable income in excess of R 1 577 300.

d) In any trade contemplated under section 20A(2)(a) and (b) of the Income Tax Act, the potential ring fencing will be applied as from the 2005 year of assessment, unless the 'facts and circumstances test' indicates that the particular activity constitutes a business which has a reasonable prospect of deriving taxable income within a reasonable period of time.

e) The potential ring-fencing can be applied in respect of losses from all the identified trades or other trades, in terms of the three-out-of-five-year-rule, and ring fencing of any trade loss (excluding farming activities) will occur in terms of the six-out-of-ten-year-rule.

f) The identified trades listed in section 20A(2)(b) are as follows:
   i) Any sport practiced by the taxpayer (or relative)
   ii) Dealing in collectibles by the taxpayer or any relative
   iii) The rental of residential accommodation, unless at least 80% of the residential accommodation is used by persons who are not relatives of that person, for at least half of the year of assessment
   iv) The rental of vehicles, aircraft or boats, unless at least 80% of the vehicles, aircraft or boats are used by persons who are not relatives of that person, for at least half of the year of assessment
   v) Animal showing by the taxpayer or any relative
   vi) Farming or animal breeding (unless the taxpayer carried on the farming or animal breeding on a full time basis)
   vii) Any form of performing or creative arts
   viii) Gambling or betting
   ix) Acquisition or Disposal of any Crypto Asset(s).

Note: a relative is defined in relation to any person, as 'a spouse, parent, child, stepchild, brother, sister, grandchild or grandparent of that person'.

g) **The Three-out-of-Five-Year-Rule**
   i) The three-out-of-five-year-rule applies to any trade that is not included in the list of identified trades mentioned above. The current year must be taken into account in determining the three-out-of-five-year-rule. Losses incurred in respect of other trading activities not listed above could, therefore, be subject to potential ring fencing commencing on or after the 1 March 2004 year of

assessment in terms of section 20A(2)(a). This would occur if the specific trading activity has realised a loss for at least three years out of five years. Should any trading activity realise a profit in any one of the three years mentioned above, the potential ring fencing is delayed.

i) The trade in respect of which the three-out-of-five-year-rule applies includes:
   - A) Rental of residential accommodation where at least 80% of the residential accommodation is used for at least half of the year of assessment by persons who are not relatives
   - B) The rental of vehicles, aircraft or boats where at least 80% of the vehicles, aircraft or boats are used by persons for at least half of the year of assessment who are not relatives of that person
   - C) Farming or animal breeding carried on a full time basis
   - D) Any other trade not specifically identified.

h) **Facts and Circumstances**

i) In respect of both the identified trades, as well as the other trades listed above, ring-fencing can be avoided in terms of subsection 3 of section 20A. This section provides an escape route in terms of which the taxpayer can prove that the particular activity constitutes a business that has a reasonable prospect of deriving taxable income within a reasonable period of time. The factors to which special regard must be made, are the following:
   - A) The proportion of the gross income derived from that trade in relation to the amount of allowable deductions incurred in carrying on that trade
   - B) The level of activities carried on by the person or the amount of expenses incurred by the person in respect of advertising, promoting or selling, in carrying on that trade
   - C) Whether that trade is carried on in a commercial manner, taking into account
     - I) The number of full time employees appointed to that trade
     - II) The commercial setting of the premises where the trade is carried on.
     - III) The extent of the equipment used exclusively for the purpose of carrying on the trade
     - IV) The time the person spends at the premises conducting that business
   - D) The number of years of assessment in which assessed losses were incurred in relation to the total number of years that the specific trade was carried on, taking the following into account
     - I) Any unexpected events giving rise to the losses
     - II) The nature of the business involved.
   - E) The business plans and any changes thereto, to ensure that the business will in future derive taxable income
   - F) The extent to which any asset attributable to the trade is available for recreational use or personal consumption by the person or any relative of the person.

i) **The Six-out-of-Ten-Rule**

i) Where losses have been realised in at least six-out-of-ten-years of assessment the ‘facts and circumstances test’ will, in terms of subsection (4), no longer be available to prevent the ring fencing of a loss in respect of the trades identified in subsection (2)(b). This means that where a loss pertaining to an identified trade was not ring fenced after having applied the ‘facts and circumstances test’, the loss will, however, be ring fenced where the specific trade has incurred a loss in at least six-out-of-ten-years of assessment. The ‘facts and circumstances’ escape route will, therefore, no longer be available to prevent the ring fencing of the specific trade loss. Although this provision applies to all identified trades, subsection 4, however, specifically provides that this rule is not applicable to farming activities. This is in recognition of the fact that many forms of legitimate farming activities entail long-term losses before the expectation of profit can be realised.

j) **Losses to be taken into account**

i) In the application of both the three-out-of-five-year-rule and the six-out-of-ten-year-rule any losses incurred on or before 29 February 2004 will not be taken into account.

ii) For further details, please refer to the brochure on section 20A, which is available on the SARS website.

iii) Please note that each trading activity is evaluated separately for the application of the potential ring fencing. Financial statements must therefore be drawn up separately and the profit or loss declared separately in respect of each trade/property/asset (rental income).

iv) In certain circumstances where more than one property/asset is let, the letting of such properties/assets could be considered as a single trade. Should this be the case the profit/loss must be declared as a single entry in which case a combined set of financial statements can be prepared and retained.

k) **Should the loss incurred be excluded (Ring-Fenced) in the calculation of the Tax Liability?**
   i) Indicate on the return whether the loss should be ring fenced or not by marking the applicable 'Y' or 'N' block. Should a 'yes' be indicated, the loss, if incurred would not be taken into account in the determination of the taxable income. Should it be indicated that the loss should not be ring fenced substantiating documentation based on the information contained in the paragraph dealing with 'facts and circumstances' (escape clause) must be retained, to support the claim. The documentation must be based on the factors specifically mentioned in the relevant paragraph.
   ii) All documentation in this regard must be available on request for a period of five years after the submission of the return.

l) **Source Code**
   i) Use the following list of source codes together with the Source Code Booklet available on the SARS website to complete this section.

      A) 4280 Profit: Sporting
      B) 4281 Loss: Sporting
      C) 4282 Profit: Collectables
      D) 4283 Loss: Collectables
      E) 4284 Profit: Animal showing
      F) 4285 Loss: Animal showing
      G) 4286 Profit: Gambling
      H) 4287 Loss: Gambling
      I) 2428 Profit: Renting of boats
      J) 2429 Loss: Renting of boats
      K) 4210 Profit: Local – Rental
      L) 4211 Loss: Local – Rental
      M) 2408 Profit: Renting of trucks/cars/etc.
      N) 2409 Loss: Renting of trucks/cars/etc.
      O) 3110 Profit: Author/composer/artist
      P) 3111 Loss: Author/composer/artist
      Q) 2416 Profit: Renting of aircraft
      R) 2417 Loss: Renting of aircraft
      S) 2572 Profit: crypto assets
      T) 2573 Loss: crypto assets

m) Mark here with an 'X' if you are mining in crypto assets.

n) Mark with an 'X' if variable ratios should be applied for the sharing of income and/or expenses.
   i) Only applicable for 2023 year of assessment and prior.

o) Mark here with an 'X' if variable ratios has been applied for the sharing of income and/or expenses.
   i) This field is applicable from 2025 year of assessment onwards.

p) Are you in a partnership?
   i) Select 'N' as this is not applicable to a deceased or insolvent estate.

q) Did you or the partnership make any pension / provident / retirement annuity fund contribution(s) for your benefit as a deemed employee of the partnership?
   i) Select 'N' as this is not applicable to a deceased or insolvent estate.

5.10 Additional Information

Urban Development Zones (UDZ) – Section 13*quat*

a) Due to the insertion of section 13*quat* 'Deductions in respect of erection/acquisition or improvement of buildings in urban development zones' in the Income Tax Act, an allowable deduction was introduced in the form of an accelerated depreciation allowance. This deduction was initially available until 31 March 2009, but has been extended to 31 March 2030.

i) With the extension of the sunset date from 31 March 2023 to 31 March 2030, this would be reportable with effect from the 2031 year of assessment. The sunset date has been extended to 31 March 2030.

ii) This field will be available to complete in the case of a deceased estate for the 2026 year of assessment.

iii) A deduction will be allowed in respect of the cost of the erection, extension, acquisition, or improvements of any commercial or residential building within an approved urban development zone which is to be used solely for the purpose of that trade.

iv) The deduction will cease where the building ceases to be used solely for the purpose of trade or if it is sold.

v) The allowable amount will be calculated as follows:

A) Refurbishment of a building - 20% straight-line depreciation allowance over a five-year-period (where the existing structural or exterior framework is preserved)

B) Construction of a new building - 11 year write-off period (20% in the first year and 8% per annum thereafter for the next 10 years).

C) Refurbishment of existing or part of the building – 20% straight-line depreciation allowance over five years.

D) Refurbishment of a low-cost residential unit – 25% straight-line depreciation allowance over a four year period

E) Construction of a new low-cost residential, extension of or addition of unit – seven year write-off period (25% in year one, 13% over the next five succeeding years and 10% in the seventh year)

F) A deduction will also be allowed for first time buyers who buy from a bona-fide developer. The first time buyer, although not having incurred the actual cost of construction of refurbishment, could qualify for the tax incentive and be able to claim an allowance on a percentage of the purchase price as prescribed in section 13*quat* which is deemed to be cost incurred by the buyer.

vi) Where a building or part of a building is purchased from a developer the following must be available:

A) The purchase price of that building or part thereof

B) The amount of the purchase price deemed to be the cost incurred in terms of subsection 3B

C) A certificate from the developer (UDZ 3) confirming that the requirements in terms of section 13quat have been met.

vii) The following forms can be downloaded from the SARS website and must be completed and retained for a period of five years after the date of submission of the return in which the amount was claimed:

A) **UDZ1**: 'Deduction claimed in terms of s13quat: Erection or extension of or addition to or improvement of a building/part of a building within an Urban Development Zone'

B) **UDZ2**: 'Deduction claimed in terms of s13quat: Purchase of a building/part of a building within an Urban Development Zone'

C) **UDZ4**: 'Developer information'. This form must be submitted to the Legal Section at the SARS Head Office

b) Where the taxpayer has completed an amount in the adjustment allowable container in respect of the Urban Development Zone (UDZ) – the question "Was the building or part of the building for which these allowances were claimed brought into use after 31 March 2023?" will be mandatory to complete.

i) Applicable from 2024 year of assessment.

ii) If "Yes", the "Total cost incurred i.r.o. erection/acquisition or improvements of a building" field will be greyed-out.

iii) If 'No', complete the "Total cost incurred i.r.o. erection/acquisition or improvements of a building" field.

c) If the deceased estate qualifies for a deduction under section 13*quat* (UDZ) indicate the total cost incurred in the field: "Total cost incurred i.r.o. erection/acquisition or improvements of a building".

d) **Note**: The above total cost must also be allocated as follows in the "Adjustments: Allowable" section of your return:

i) "Improvements allowable in respect of this year"

ii) "Erection/acquisitions of a new building allowable in respect of this year"

iii) "Other Deductions in respect of Buildings: excluding s13*quat*"

5.11 Recoupment in respect of Venture Capital Companies (VCC): S12J

a) In order to assist small and medium-sized businesses and junior mining exploration companies in terms of equity finance, government implemented a tax incentive for investors in such enterprises through a Venture Capital Company (VCC) regime.
   i) Section 12J came into effect on 1 July 2009.
   ii) Investors can claim income tax deductions in respect of the expenditure incurred in exchange for the issue of VCC shares.
   iii) On request from SARS, the investor must verify a claim for a deduction by providing a VCC Certificate that has been issued by an approved VCC, stating the amount of the investment and the year of assessment in which the investment was made.
   iv) Except in the case of VCC shares held by a taxpayer for a period longer than five years (effective January 2015), the deduction is recouped (recovered) if the taxpayer disposes of the VCC shares to the extent of the initial VCC investment (under the general recoupment rules of section 8(4) of the Act)).
   v) For more information refer to the external guide: *'**Venture Capital Companies**' published on the SARS website.*

b) Insert the full amount of all investments for the year in the following field:
   i) "Total amount invested in Venture Capital Companies in exchange for shares during the year of assessment before 21 July 2019" – source code 4051.
      A) This field will be displayed for 2020 YOA and prior.
   ii) "Total amount invested in Venture Capital Companies in exchange for shares during the year of assessment on or after 21 July 2019" – source code 4051.
      A) This field will be displayed for 2020 YOA only.
   iii) 'Total amount invested in Venture Capital Companies in exchange for shares during the year of assessment'- source code 4054
      A) This field is applicable to the 2021 year of assessment.
   iv) "Total amount invested in Venture Capital Companies in exchange for shares during the year of assessment on or before 30 June 2021" – source code 4054.
      A) This field will be displayed for 2022 YOA.
      B) This deduction will no longer be allowed after 30 June 2021 and the field will not be displayed from the 2023 year of assessment.

c) Complete the details of each investment:
   i) "Name of SARS approved VCC"
   ii) "VCC number"
   iii) "Date of issue of VCC shares" – CCYY/MM/DD.
      A) From 2022 year of assessment this date may not be after 30 June 2021.
   iv) "Amount invested in a Venture Capital Company in exchange for shares during the year of assessment"

d) **Note**: For 2019 YOA and prior, if the insolvent/deceased estate invested in 10 or more venture capital companies, then only the details of the top 10 investments must be completed on the return.
   i) For 2020 YOA and onwards, the maximum allowable investments to be completed is 20.

e) "Recoupment in respect of Venture Capital Companies (VCC) shares sold: S12J"
   i) Insert the "Amount recouped in respect of VCC shares sold, for which a tax deduction was allowed" – source code 4245

f) **Note**: This is not applicable from 2023 YOA and onwards.

5.12 Other Taxable Receipts and Accruals (Including remuneration from foreign employer for services rendered in South Africa) (Excluding amounts received / accrued as a beneficiary of a trust(s), or deemed to have accrued in terms of s7)

a) This section of the return must be used to declare any amount that has not been addressed by previous sections. The income that must be declared here relates to income that must be included in taxable income to calculate the tax liability (e.g. royalties).

b) Please note that if income is distributed from a trust, such income retains its identity and must therefore be declared in the specific part of the return relating to the source of the income prior to distribution from the trust.

c) Complete the following information on the return if applicable:
   i) "Remuneration from Foreign employer for services rendered in SA" (source code 4236) – leave this field blank as it is not applicable to the deceased/insolvent estate.
   ii) "Royalties – profit" (source code 4212)
   iii) "Royalties – loss" (source code 4213)
   iv) Severance benefit received from foreign employer for services rendered in SA (3925)
   v) Directive No. – this field is mandatory from 2023 year of assessment
   vi) For any other income, insert the amount in the field for "Other" (next to source code 4214) and also complete the "Description relating to other".

5.13 Amounts Received / Accrued considered Non-Taxable (Excluding amounts received / accrued as a beneficiary of a trust(s), or deemed to have accrued in terms of s7)

a) The income that must be declared here relates to income such as donations or foreign income, which is not taxable and will not be included in gross income when calculating the tax liability.

b) Complete the applicable fields below:
   i) "Donations"
   ii) "Exempt Local Dividends"
      A) Source Code 4306 will be displayed from 2025 year of assessment onwards.
      B) Applicable from 2020 year of assessment onwards.
      C) For 2019 year of assessment and prior, the field will be 'Exempt Local and Foreign Dividends'
   iii) "Exempt Foreign Dividends"
      A) Source code 4307 will be displayed from 2025 year of assessment onwards.
      B) Applicable from 2020 year of assessment onwards.
   iv) "Interest earned by non-resident in terms of s10(1)(*h*)"
      A) Applicable from 2020 year of assessment and prior.
      B) For 2021 year of assessment onwards, this field will be displayed in the "*Investment Income – Local Interest"* container and the amount must be included in the Local Interest amount.

c) Where an amount is considered non-taxable, and has not been specified in the list provided, the amount must be completed under "Other" and the 'Description relating to other' field must be completed.

5.14 Tax Free Investments (TFI)

a) Section 12T of the Income Tax Act came into operation on 1 March 2015 and is an incentive to encourage household savings.

b) A Tax Free Investment is a financial instrument or policy (as defined in section 29A) owned by a natural person or deceased/insolvent estate of a natural person and administered by a person or entity designated by the Minister of Finance (e.g. banks, long term insurers, national government, collective investment scheme companies).

c) In terms of section 12T:
   i) Any amount received by or accrued to a natural person or deceased/insolvent estate of a natural person in respect of a tax free investment is exempt from:
      A) normal tax in respect of interest & profit/loss in share trading
      B) dividends tax
      C) capital gains or losses.
   ii) The contributions made by a person to a tax free investment:
      A) Must be in cash

B) Is limited to R36 000 (R30 000 from 1 March 2015 to 28 February 2017; R33 000 from 1 March 2017 to 29 February 2020) in aggregate during any year of assessment

C) Is limited to R500 000 in aggregate (during the natural person's lifetime).

iii) The annual and lifetime contribution limits:

A) Apply in respect of multiple tax free investment accounts.

B) Are not affected if the person transfers amounts between tax free investments.

C) Are not affected by the income or proceeds received from a tax free investment (in other words, the capitalised returns are not regarded as contributions).

iv) Any capital gain or capital loss from the disposal of the tax free investment is also disregarded for CGT purposes.

v) If a person contributes more than R36 000 to a tax free investment during any tax year, 40% penalty will be payable on the amount that exceeds R36 000.

A) Example: Mr Taxpayer contributes R60 000 to a tax free investment account during the 2020 year of assessment. The annual limit is exceeded by R24 000 therefore R9 600 ((R60 000 – R36 000) x 40%) will be added to normal tax payable after rebates.

vi) If a person contributes more than R500 000 in aggregate to a tax free investment, 40% penalty will be payable on the amount in excess of R500 000 (reduced by any penalty paid under the annual limit).

d) For Insolvency, whereby Tax-Free Investment annual limitation of R36 000 is not fully used on Tax reference number 1, then the remaining balance must be used on Tax reference number 3 during the same year of assessment. For example, R20 000 is used for tax number 1 and R16 000 for tax number 3.

e) From 2020 YOA onwards, a sub-container with the Tax Free Investment Account Details will be displayed, based on the amount entered in the 'Indicate the number of tax free investment(s)' in the wizard.

i) Complete the Institution, Policy/Client No and Investment Type fields if the taxpayer have tax free investment(s) to declare.

A) Maximum of 10 sub-containers will be allowed.

B) A note will be displayed on the 10th sub-container to consolidate the remaining amounts.

f) Complete the total "Contributions made to a TFI during the year of assessment" (source code 4219)

g) Any amounts transferred out of a tax free investment account; and transferred to another tax free investment account must be declared on the return. Note these transfers are only effective from 1 March 2017 onwards and are not regarded as withdrawals.

i) If funds were transferred between tax free investment accounts and the 'transfer in' amount exceeded the 'transfer out' amount, the excess amount will be considered as a new contribution and is added to the annual contribution. If the annual contribution limit (R36 000) is exceeded, a 40% penalty will be imposed.

ii) Complete the following if applicable:

A) "Transfer in (from another TFI) during this year of assessment" (source code 4246)

B) "Transfer out (to another TFI) during this year of assessment" (source code 4247)

C) "Amounts withdrawn out of a TFI during the year of assessment" (source code 4248)

D) "Net return on Investment – Profit" (source code 4239)

E) "Net return on Investment – Loss" (source code 4240)

F) "Interest" (source code 4241)

G) "Dividends" – (source code 4242)

H) "Capital Gain" (source code 4243)

I) "Capital Loss" (source code 4244)

J) "Other (For example: Manufactured dividends)" (source code 4257)

6 INCOME FROM FARMING OPERATIONS

a) All income derived directly from any farming operations will be regarded as farming income. Income from farming activities will also include, for example, grazing fees derived by a person who carries on farming operations, recoupment of wear and tear allowed on vehicles, implements and machinery used to carry on farming activities and subsidies received by farmers, whether in respect of farm products or capital expenditure on dams.

- i) Retain a schedule detailing the amounts received in respect of each type of subsidy and type of subsidy received, e.g. for bond interest, dams, fencing, soil erosion, approved bulls, etc.
- ii) Local and foreign farming activities must be reported separately.

b) If a farmer's spouse has conducted farming operations for his/her personal account, he/she must submit a separate return.

c) Stakes won by a farmer as a result of racing horses bred by him/her and a fixed rental income received in respect of farming property will, for example, not constitute farming income.

d) Income derived from foreign farming activities must not be included in this section for farming operations but rather declared in the 'Foreign Income' section of the return.

e) Any natural person who derives income from farming operations may elect that the normal tax chargeable on the taxable income from farming be determined in accordance with the rating formula.

f) The trustee of the insolvent estate of a natural person may also elect that the normal tax chargeable on the taxable income from farming be determined in accordance with the rating formula if –
- i) The farming operations commenced by the insolvent person were carried on by the insolvent estate in the period of assessment commencing immediately after insolvency (that is, commencing on date of sequestration); and
- ii) The election is made within three months after the end of such period of assessment or within such further period as the Commissioner may approve.

g) Once the election has been made, it is binding on the insolvent estate for that period of assessment and all future periods of assessment and the insolvent estate will be taxed in accordance with the rating formula.

h) The average taxable income from farming will be calculated having regard to the figures determined for the insolvent person before the date of sequestration.

i) **Private Consumption**
- i) If livestock/produce was utilised for private consumption, an amount equal to the cost of such livestock/produce must be included in the income. If the cost price cannot be readily determined, the market value of the livestock/produce must be included in the income.

j) **Livestock sold on account of drought, stock diseases damage to grazing and livestock reduction schemes (paragraph 13 and 13A)**
- i) If proceeds in respect of the sale of livestock has been received on account of drought, stock disease or damage to grazing by fire or plague or by reason of participation in a livestock reduction-scheme organised by the Government, it must be included in the farming income in the year of assessment in which such a sale takes place as it is taxable.
- ii) In the event of such sale, the following information is required to be submitted:
  - A) The names and addresses of persons to whom such livestock were sold or to whom such livestock were given in exchange
  - B) A description of the livestock
  - C) The amount of the proceeds received.
- iii) The Act allows a taxpayer to elect, subject to certain conditions, to deduct the cost of replacement livestock purchased in, either:
  - A) The year of assessment during which such livestock was purchased
  - B) The year of assessment during which the original livestock was sold.
- iv) If a taxpayer wants the cost of the replacement livestock purchased to be deducted in the year of sale, SARS must be notified of the selection. The assessment for that year of assessment will be reduced.
- v) If a taxpayer wants to deduct the cost in the year of disposal, please submit full particulars of the purchases as the concession will only be granted if the Commissioner is satisfied that:
  - A) The taxpayer has replaced the livestock sold on account of drought; stock disease or damage to grazing by fire or plague within four years after the close of the year of assessment during which the livestock was sold
  - B) The taxpayer has replaced the livestock sold by reason of the participation in a livestock reduction scheme organised by the Government within nine years after the close of the year of assessment during which the livestock was sold.

vi) Farmers are allowed to deduct the cost of livestock purchased, within a fixed period, to replace livestock sold in a previous year of assessment on account of drought, fire or other specified reasons, by reopening the assessment for the previous year of assessment. Having regard to the time-periods allowed in paragraph 13 for a taxpayer to exercise this option, the original assessments may have prescribed. This addition enables the Commissioner to issue a reduced assessment where such deductions were claimed in terms of the time-periods set out in paragraph 13 of the First Schedule, but such time-periods fall outside the prescription periods listed in section 99 of the Tax Administration Act. The record retention periods contained in section 29 and 97 of the Tax Administration Act will also be adjusted in line with the time-periods set out in paragraph 13 of the First Schedule.

vii) The Commissioner may, notwithstanding the provisions of sections 99 and 100 of the Tax Administration Act, raise an assessment for any year of assessment with respect to which a deduction in terms of subparagraph (1) is allowed. Where a deduction in terms of subparagraph (1)(a) or (b) may be claimed in respect of a year of assessment, the period prescribed under section 29(3) of the Tax Administration Act after which records, books of account or documents need not be retained shall be extended to six years or eleven years respectively for such year of assessment. Where a deduction in terms of subparagraph (1)(b) may be claimed in a year of assessment, the period prescribed under section 97(4) of the Tax Administration Act after which a record of assessment may be destroyed shall be extended to eleven years for such year of assessment.

k) **Livestock sales deposited with Land Bank**

i) Where a farmer has disposed of livestock on account of drought on or after 1 March 1982 and the whole or any portion of the proceeds of such disposal has been deposited into an account in the name of the farmer with the Land Bank of South Africa, the amount of such deposit will be deemed not to be gross income for the year of assessment. Only that portion of the proceeds deposited within three months after receipt thereof will qualify for this concession.

ii) The amount, so deposited, will be deemed to be gross income in any of the following scenarios:
- A) On the date of disposal, if it is withdrawn within six months after the last day of the year of assessment in which such disposal took place
- B) On the date of withdrawal, if it is withdrawn after a period of six months, but within six years after the last day of the year of assessment in which such disposal took place
- C) On the day before the death or insolvency, in the event of a farmer's death or insolvency before the expiration of the six year period
- D) On the last day of the six year period if it is not withdrawn within the six year period.

iii) Taxpayers cannot make use of this concession if they have selected to claim a deduction for the cost of livestock purchased in replacement in the year of assessment in which the livestock was sold on account of drought.

iv) Livestock and produce sold or bartered or donated – prepare and retain a list of:
- A) The names and addresses of persons to whom livestock and/or produce were donated
- B) A description of the livestock or produce donated
- C) The market value thereof.

v) Livestock and produce removed from South Africa:
- A) If livestock or produce were removed from South Africa for purposes other than sale, retain a description of the livestock or produce removed, and the market value thereof.

vi) Value of livestock and produce consumed by the farmer, his/her family and domestic workers
- A) Retain a list of the number of persons in the family, the number of domestic workers and the estimated value (based on the cost of production or market value) of the livestock and produce consumed

vii) Any other farming income, including a withdrawal from Land Bank account of the amount invested in respect of livestock sold on account of drought:
- A) Retain details of any other farming income not specifically mentioned - this includes bonuses from agricultural co-operatives. Rental received from farming property must be reflected as trading income in the return

viii) Recoupment of expenditure incurred in respect of development and improvements
- A) If the farmer or any person other than an employee occupied, during the year of assessment, any farm building, the cost of which has previously been allowed as a deduction for tax purposes, retain full particulars for a period of five years.
  - I) The total amount received or accrued in respect of immoveable assets must be included as a recoupment.
  - II) The total amount recouped will be included in the income, except where a balance in respect of expenditure on development and improvements has been brought forward from the previous year of assessment where the expenditure could not be deducted. In such a case the amount recouped will be set off against the relevant balance and only the excess, if any, will be brought into account as farming income.
- B) The following information in respect of assets sold, given in exchange or donated must be retained:
  - I) Description of asset
  - II) Original purchase price
  - III) Date sold, exchanged or donated
  - IV) Selling price or market value of asset given in exchange or donated.

ix) Examples of farming expenditure that is deductible in terms of s11(a):
- A) Purchase of livestock
- B) Rent
  - I) This includes hiring of farm land and equipment
  - II) Keep a record of the description of the property/properties for which rent was paid; the names and addresses of persons to whom payment was made; the amount that was paid in respect of each property.
- C) Animal feed, fertilizers, manure
  - I) Retain a list detailing the names and addresses of persons from who purchases were made and the amounts paid.
- D) Wages of farm employees
  - I) Retain a list detailing the number of employees normally employed, and number of casual employees.
  - II) The actual amounts paid do not include wages of domestic workers
  - III) Wages paid in respect of improvements is regarded as part of the cost of capital works and must be claimed under improvements.
- E) Rations for farm employees
  - I) The value of livestock and produce used by a farmer as rations for farm employees must be included in both income as well as expenditure deductible. In effect, the rations to farm employers are therefore not taxable.
  - II) Retain a list detailing the names and addresses of persons or firms from whom the farmer purchased rations and the amounts paid.
  - III) Do not include the value of farm produce produced by the farmer or stock bred or purchased by the farmer which has already been included
- F) Seeds, plants and trees
- G) Expenses related to the clearing of land on condition that income from farming is derived in the same year that the expenditure is incurred.
  - I) Includes the cost of material and/or contract price in respect of eradication of noxious plants and prevention of soil erosion (par 12(1)(a) of the Frist Schedule)
  - II) Only the actual costs which were specifically incurred in eradicating noxious plants or soil conservation must be claimed
  - III) Wages, rations, fuel, materials, etc., which have already been claimed under other headings must not again be claimed here
  - IV) If independent contractors undertook the work, the names of the contractors and the amounts paid to them must be retained. The nature of the work done by the farmer him/herself or the contractor must be available on request; and
  - V) If the work includes the building of dams, weirs or the erection of fences, an explanation of why the expenses are claimed under this section must be retained
- H) Veterinary surgeons fees for services rendered to animals and medicine for animals
- I) Rates and taxes
  - I) Retain a list detailing the nature of the taxes and the amounts paid.
- J) Packing materials such as grain-bags, wool packs, binding wire
- K) Medical services for employees
- L) Interest on loans or bank overdrafts used for farming purposes

I) Retain a schedule detailing the names and addresses of persons or institutions to whom payment was made, the amount of each loan, rate of interest payable on each loan, purpose for which each loan was utilised, the amount of interest paid on each loan.

II) Capital repayments must not be included.

M) Travelling and entertainment expenses

x) **Note**: Expenses in respect of the farmers dwelling or household must be excluded.

xi) A farmer is also entitled to claim the special deductions granted to other taxpayers, for example repairs (s11(d)), lease premiums (s11(f)) and wear and tear (s11(e)).

A) Repairs

I) This part only refers to repairs to vehicles, machinery and implements.

II) Retain a list detailing the nature of the repairs and the cost of the work done.

III) Only repairs to buildings (except the farmer's private dwellings or the dwellings of persons who are not employees), windmills or pumping plant, etc. or expenses for the maintenance of other assets used for farming purposes may be claimed. Wages paid to own farm employees must not be included in this part.

B) Wear and tear allowance of an asset owned by the farmer or acquired in terms of an instalment credit agreement

I) This allowance may only be claimed in respect of motor vehicles (of which the exclusive or primary function is the transportation of people), caravans, aircraft (except an aircraft used solely or mainly for crop-spraying), and office furniture or office equipment used for farming purposes

II) The following information must be retained:

- Particulars and value of assets on which wear and tear is claimed and which were on hand at the beginning of the year of assessment
- Dates, description and purchase price of assets purchased or received in exchange during the year of assessment
- Dates and descriptions of assets sold, exchanged, traded in or scrapped during the year of assessment and the amounts received for such assets
- The original date of purchase and cost price of each asset must be stated.

l) **Expenditure on developments and improvements**

i) Paragraph 12(1) allows the following development expenditure to be deducted:

(a) Dipping tanks
(b) Dams, irrigation schemes, boreholes and pumping plant
(c) Fences
(d) Erection of, or extensions or additions or improvements to buildings used in connection with farming operations, other than those used for domestic purposes
(e) Planting of trees, scrubs or perennial plants for the production of grapes or other fruit, nuts, tea, coffee, hops, sugar, vegetable oils or fibers and the establishment of an area for such purposes
(f) Building of roads and bridges used in the farming operations
(g) Carrying of electric power from the main transmission lines to the farm apparatus

ii) The following details must be retained in respect of development and improvement works:

A) Description of the work undertaken

B) How the expenses were compiled, i.e. what amounts were spent on wages, materials, etc.

C) If an independent contractor undertook the work, the name and address of the contractor and the amount paid to him/her must be retained.

iii) The allowance for housing used by farm employees must be claimed under section 13sex. For more information refer to the 'Guide to Building Allowances' on the SARS website

iv) Deduction – machinery and implements owned by the farmer or acquired in terms of an instalment credit agreement (section 12B):

A) A deduction in respect of machinery, implements and utensils brought into use for farming purposes for the first time, will be allowed as follows:

I) 50% of the cost of the asset in the year of assessment in which the asset is brought into use
II) 30% of such cost in the following year of assessment
III) 20% of such cost in the third year of assessment

B) This deduction also applies to an aircraft used solely or mainly for the purpose of crop-spraying. The cash cost of a new asset, acquired to replace an asset, which was damaged or destroyed, must be reduced by the amount recouped in respect of the latter asset

C) The amount recouped is deferred, and therefore, not included in the farmer's income.

m) **Livestock purchased and received in exchange**

Example: 1

Farming income	R 5,000
Closing stock Livestock	R 1,500
	R 6,500
Less: Opening stock Livestock	R (1,000)
Livestock purchases	R (8,000)
	R (9,000)
Balance of expenditure not allowed	R (2,500)

- The amount of R2 500 in respect of the purchase is not allowable and is limited and the amount not allowed is carried forward to the following year of assessment.
- This limitation is not applicable if the farmer can show that he/she no longer held and had not disposed of the livestock that he/she acquired on or after 31 May 1988.
- If the farmer can prove that, for example, due to drought, the fair market value of his/her livestock at the end of the year of assessment is less than the loss on livestock as shown above, together with the value of opening stock, such loss is reduced by the difference.

Example: 2

Amount to be carried forward (loss on livestock)	R 2,500
Plus: Opening stock of livestock	R 1,000
	R 3,500
Less: Fair market value of closing stock	R 3,000
Allowable	R 500

- The amount of R2 500 is reduced to R 2 000.

n) **Standard classification and standard values of livestock**

i) In terms of paragraph 6(1), the standard value of any class of livestock is either the:
A) Standard values fixed by regulation under the Act; or
B) Any other standard value adopted by the farmer when rendering his first income tax return for his farming operations or when including a particular class of livestock in his income for the first time.

ii) In terms of paragraph 6(2), the standard value adopted by a farmer that is not fixed by regulation may not be more than 20% higher or lower than the standard values fixed by regulation in respect of livestock of that class. The standard value adopted by the farmer is binding in respect of all subsequent income tax returns and cannot be altered.

iii) The standard values fixed by regulation under the Act are as follows:

STANDARD CLASSIFICATION		**STANDARD VALUES (R)**
Cattle	Bulls	50
	Oxen	40
	Cows	40
Tollies and Heifers	Two to three years	30
	One to two years	14
	Calves	4
Sheep	Wethers	6
	Rams	6
	Ewes	6
	Weaned lambs	2
Goats	Fully grown	4
	Weaned kids	2
Horses	Stallions over four years	40
	Mares over four years	30
	Geldings over three years	30
	Colts and fillies three years	10
	Colts and fillies two years	8
	Colts and fillies one year	6
	Foals under 1 year	2
Donkeys	Jacks over three years	4
	Jacks under three years	2
	Jennies over three years	4
	Jennies under three years	2
Mules	Four years and over	30
	Three years	20
	Two years	14
	One year	6
Ostriches	Fully grown	6
Pigs	Over six months	12
	Under six months (weaned)	6
Poultry	Over nine months	1
Chinchillas	All ages	1

iv) Should you not apply the standard values as prescribed and you have not yet made an election in this regard, you are requested to complete a declaration conforming to the example below and retain it for inspection purposes, for a period of five years from the date of submission of the last return in which you declared any farming activities:

> I hereby select the following classification and values and understand that my selection may be altered only with the consent and approval of the Commissioner for the South African Revenue Service.

Mark with an 'X':

(a) The standard classification and standard values as fixed by the Regulations under the Income Tax Act and set out above.
(b) The standard classification, but at my own values as detailed above.
(c) My own classification and my own values, as detailed.

Date: ……………............... Signature: ………………………………..

o) **Selection in respect of equalised normal tax rates**

i) If you selected to have your normal tax calculated at equalised tax rates and you have not previously exercised such a selection, complete a declaration conforming to the example below and retain it for a period of five years after the last return was submitted in which you declared farming income:

I...
..... hereby select that, with effect from the year of assessment ended ...., my normal tax be calculated at the equalised tax rate in terms of the provisions of paragraph 19 of the First Schedule to the Income Tax Act.

I understand and accept that this decision is binding for all future years of assessment.

Date

……………………………..…

Taxpayer/Executor/ Trustee

………………………………………..

Note: This selection must be exercised only if the farmer wishes to adopt the system of equalised normal tax rates. If normal tax is to be calculated at ordinary rates the selection need not be made.
The selection must be made by the person who is carrying on farming operations. In the case of a deceased or insolvent person, the executor or trustee, as the case may be, must make the selection.

6.1 Income from Local Farming Operations (IT48)

Farming Operations

a) Complete the information regarding the farming operations

b) If par 13(1)(a), 13(1)(b), 13A, 15, 17, or 20 of the First Schedule to the Income Tax Act applies, mark the applicable box with an "X".
   i) Par13 was replaced by par13(1)(a) and 13(1)(b) – this is applicable from 2022 year of assessment.

c) Insert the '**Description'** of each farming operation.
   i) From 2024 year of assessment, a note will be displayed to ensure that the farming operations description is correct.

d) '**Unique Identifier'**
  i) Insert the number allocated by SARS.
  ii) If the deceased or insolvent estate received farming income that was declared in the previous year's returns, a unique identifier would have been allocated to the specific operations. You can obtain this number from the previous notice of assessment (ITA34) issued.
  iii) If the deceased or insolvent estate only started farming operations in the current year of assessment leave this field blank. A new number will be allocated by SARS.

e) Mark with an "X" if the farming operations ceased (e.g., the farm was sold).
  i) This field will be displayed for 2023 Year of Assessment onwards.

f) Were the farming operations still active for part of this year of assessment?
  i) This field will be displayed from 2024 year of assessment onwards.
  ii) Select 'Y' or 'N'.
    A) If 'Y", the financial schedule will be available to complete.
    B) If 'N':
      I) And no amounts are pre-populated on the financial schedule, the financial schedule will not be displayed for completion.
      II) Amounts have been pre-populated on the financial schedule, then ensure that the financial schedule is completed.

g) Complete the information in the applicable fields:
  i) "Gross Receipts and Accruals (including private usage, but excluding partnership income and distributions from a trust(s))";
  ii) "Partnership Income (Add Profit/Deduct Loss)".
    A) This field will be editable for 2023 year of assessment and prior.
    B) From 2024 year of assessment, this field will be auto-calculated and locked.
  iii) "Income from local Farming Operations (IT48) distributed by a trust(s)"
    A) This field will be editable if no amount is declared on trust container for 2023 year of assessment and prior.
    B) From 2024 year of assessment, this field will be auto-calculated and locked.
  iv) "**Plus**: Livestock on hand at the end of the current year of assessment"
  v) "**Plus**: Produce on hand at the end of the current year of assessment".
  vi) Add the above amounts and insert the total amount in the field "Sub-Total (i)".
  vii) **Note**: Exclude the market value of 'Livestock' and 'Produce' acquired otherwise than by purchase, natural increase or in the ordinary course of farming operations (e.g. donations and inheritance).
    A) This note is only applicable for the 2024 year of assessment and prior.

h) Insert the applicable amounts for:
  i) "Livestock on hand at the end of the preceding year of assessment";
    A) From 2024 year of assessment this field will be pre-populated and locked.
  ii) "Plus: Livestock acquired otherwise than by purchase (e.g. inheritances)"
    A) This field will be applicable from 2025 year of assessment onwards.
  iii) "Plus: Private livestock brought into the farming stock"
    A) This field will be applicable from 2025 year of assessment onwards.
  iv) "**Plus**: Livestock purchase and received in exchanged";
  v) "**Plus**: Balance of livestock not allowed in the preceding year of assessment"
    A) From 2024 year of assessment this field will be pre-populated and locked.
  vi) "Sub-Total (ii)" will be auto-calculated.
  vii) "Less: Amount deducted" [Sub-Total(ii) limited to Sub-Total (i)];
    A) The amount of this field cannot be greater than the amount in the field for 'Sub-Total (ii)';
    B) Populate the amount from "Less: Amount deducted [Sub-Total (ii) limited to Sub-Total (i)]" into the Allowable Amount field.
  viii) "Less: Balance carried forward to the following year of assessment" (this amount may not create or increase a loss)
    A) This field will be auto-calculated and locked.
  ix) "Sub-Total"
    A) This amount is auto-calculated and locked.
  x) "Less: Allowable Expenses"
    A) From the 2016 YOA onwards if there are allowable expenses, then the 'Details of Farming Expenses' section must be completed.

B) From 2024 year of assessment this field will be populated from the IT48 expenses schedule and locked.

xi) "Less: Produce on hand at the end of the year in the preceding year of assessment"
   A) From 2024 year of assessment this field will be pre-populated and locked.

xii) "Less: Produce acquired otherwise than by purchase (e.g. inheritances)"
   A) This field will be applicable from 2025 year of assessment onwards.

xiii) "Less: Special Depreciation"
   A) For year of assessment 2023 and prior, this field will be editable.
   B) From 2024 year of assessment, this field will be populated with the amount from the "Amount allowable current year" field from the Special Depreciation Information container IT48 and locked.

xiv) "Sub-Total of Expenditure'"
   A) For 2023 year of assessment and prior, the amount in the field adjacent to 'Special Depreciation' field will be auto calculated.

xv) "Net Profit/Loss"
   A) For year of assessment 2023 and prior, this field will be populated and editable.
   B) From 2024 year of assessment, this field will be auto-calculated and locked.

xvi) "Less: Amount of improvements deductible from Net Profit"
   A) This value must be equal to the 'Less: Allowable deductions current year' field in the section 'Information on Capital Improvements'
   B) This field will be populated and locked.

xvii) Insert the amount for "Taxable Income / Loss from Farming Operations"
   A) This field will be populated and locked.

xviii) Select the applicable income/loss "source code" from the drop down list of codes.

xix) "If a loss incurred was incurred, should it be excluded (ring fenced) for the calculation of your tax liability" – select Y or N.
   A) This question is mandatory if a loss source code is selected

xx) "Equalisation Rate Selection"
   A) Select the applicable option from the drop down list:
      I) "None"
      II) "3 year" – this option will only display for plantation farming source codes 0132 and 0133.
      III) "5 year".

xxi) "Note: Please remember to complete the Statement of Assets and Liabilities of this return."

Details of Farming Expense (IT48)

a) Complete the applicable fields for '**Expenses'**:
   i) "Accounting fees"
   ii) "Administration costs and bank charges"
   iii) "Bad debts'
   iv) "Costs of residential buildings for employees (s13ter)"
   v) "Electricity, rates and taxes"
   vi) Enhanced machinery, plant, implements, utensils, and articles used in the production of renewable energy deduction – (s12BA)
      A) This field is applicable to 2024 and 2025 year of assessment only.
      B) If an amount greater than zero is completed, display the "Enhanced Renewable Energy Deduction – s12BA container for completion.
   vii) "Entertainment expenses"
   viii) "Expenses for cleaning land"
   ix) "Fuel, oil and related expenses"
   x) "Insurance and licenses"
   xi) 'Interest and finance charges"
   xii) "Lease payments (s11(f))"
   xiii) "Legal expenses"
   xiv) "Livestock feeds"
   xv) "Packing materials"
   xvi) "Protective clothing"
   xvii) "Rations and other staff costs (excl. housing, salary and wages)"
   xviii) "Rent (incl. hiring of farm land, equipment, etc.)"
   xix) "Repairs and maintenance"

xx) "Salaries and wages"
xxi) "Security expenses"
xxii) "Seeds and fertilizers"
xxiii) "Telephone and fax expenses"
xxiv) "Travelling and accommodation – Local"
xxv) "Travelling and accommodation – Foreign"
xxvi) "Veterinary expenses (incl. medicines)"
xxvii) "Wear and tear allowance (s11(e)) – excl. special depreciation in terms of s12B"
  A) This field is applicable for 2023 year of assessment and prior.
xxviii) Wear and tear allowance (s11(e) – excl. special depreciation in terms of s12B and s12BA)
  A) This field is applicable for 2024 year of assessment onwards.
xxix) Learnership Allowance: Agreements in effect / completed in current year (Agreements entered into on or before 1 October 2016): s12H
  A) For 2016 year of assessment and prior this field will not be displayed.
xxx) Learnership Allowance: Agreements in effect / completed in current year (Agreements entered into before 1 October 2016): s12H
  A) This field is applicable for 2017 to 2024 year of assessment and prior.
xxxi) Learnership Allowance: Agreements in effect / completed in current year (Agreements entered into on or after 1 October 2016): s12H
  A) This field is applicable from 2025 year of assessment onwards.
xxxii) "Other"
  A) 'Please provide a description relating to other expenses indicated above'
xxxiii) "Total expenses"
  A) This field will be auto calculated

b) Complete the fields for the applicable '**Adjustments – Add back**':
  i) "Disallowable foreign expenses"
  ii) "Donations"
  iii) "Finance charges"
  iv) "Legal expenses"
  v) "Private/personal expenses"
  vi) "Recoupment (excl. capital improvements)"
    A) This field is applicable for 2024 year of assessment and prior.
  vii) Recoupment (excl. capital improvements and Enhanced Renewable Energy Assets as contemplated in s12BA)
    A) This field is applicable to 2025 and 2026 year of assessment only.
  viii) "Unproductive interest"
  ix) "Other"
    A) 'Please provide a description relating to other indicated above'
  x) "Total Adjustments – Add back"
    A) This field will be auto calculated and locked.
  xi) "Total Allowable Expenses"
    A) This field will be auto calculated and locked.
    B) Calculation: 'Total Expenses' – 'Total Adjustments: Add Back'

Special Depreciation

a) For 2024 year of assessment and prior, this section will follow the Farming Income section. From 2025 year of assessment onwards, this section will follow the farming expenses section.

b) Complete the following:
  i) "Balance b/f Previous Year" (Current Year column)
    A) From 2024 year of assessment this field will be pre-populated and locked.
  ii) "Balance b/f Current Year" (Subsequent Year column)
    A) From 2024 year of assessment this field will be pre-populated and locked.
  iii) "Purchases Current Year"
  iv) "Plus: Deductions in respect of Purchases Current Year" (*Current Year column*)
    A) This field will be auto calculated and locked.
    B) Calculation: 'Purchases current year' x 50%
  v) "Deductions in respect of Purchases Current Year" (*Subsequent Year column*)
    A) This field will be auto calculated and locked.
    B) Calculation: 'Purchases current year' x 30%

- vi) “Deductions in respect of Purchases Current Year” (*Year Following Subsequent Year column*)
  - A) This field will be auto calculated and locked.
  - B) Calculation: ‘Purchases current year’ x 20%
- vii) “Deductions Added Back in respect of Assets Sold” (Subsequent Year column)
- viii) “Deductions Added Back in respect of Assets Sold” (Year Following Subsequent Year column)
- ix) “Amount Allowable Current Year”
  - A) This field will be auto calculated and locked.

Capital Improvements Incurred during the Year of Assessment (Paragraph 12(1) of the First Schedule)

a) This section is only applicable from the 2016 YOA assessment onwards.

b) Complete the following:
- i) “Dipping tanks”
- ii) “Dams, irrigation schemes, boreholes and pumping plants”
- iii) “Fences”
- iv) “Eradication of noxious plants and alien invasive vegetation”
- v) “Erection of, or additions or improvements to farm buildings (other than buildings used for domestic purposes)”
- vi) “Planting of trees, shrubs or perennial plants for the production of grapes or other fruit, nuts, tea, coffee, hops, sugar, vegetable oils or fibres and the establishment of an area for such purposes”
- vii) “Building of roads and bridges used in farming operations”
- viii) “Carrying of electric power from the main transmission lines to the farm apparatus or under an agreement concluded with the Electricity Supply Commission as stipulated”
- ix) “Wages paid to employees employed in construction of capital works as set out above”
- x) “Prevention of soil erosion”
- xi) “Total Purchases/Costs – Current Year”
  - A) This field will be auto calculated and locked.

Information on Capital Improvements

a) For 2024 year of assessment and prior, this section will follow the Farming Income section. From 2025 year of assessment onwards, this section will be displayed as a sub-container of the capital improvements incurred during the year of assessment container.

b) Complete the following:
- i) “Balance b/f from Previous Year”
  - A) From 2024 year of assessment this field will be pre-populated and locked.
- ii) “Less: Recoupments”
  - A) The value in this field cannot be greater than the ‘Balance b/f from Previous Year’
  - B) This field will be locked if there is no balance brought forward from Previous Year.
- iii) “Plus: Purchases/Costs - current year”
  - A) For 2023 year of assessment and prior this field will not be populated and editable.
  - B) From 2024 year of assessment onwards this field will be populated from the capital improvement container and locked.
- iv) “Plus Total brought forward from Partnership IT48V’s”
  - A) For 2023 year of assessment and prior this field will be populated and editable.
  - B) From 2024 year of assessment onwards this field will be populated from the IT48V schedule and locked.
- v) “Total Improvements”
  - A) This field will be auto calculated and locked.
- vi) “Less: Allowable Deductions current year”
  - A) Note: The amount cannot exceed ‘Total Improvements’
- vii) “Balance carried forward to subsequent year”
  - A) This field will be auto calculated and locked.
  - B) Calculation: ‘Total improvements’ less ‘Allowable deductions current year’.
  - C) This amount will be populated on the IT48.

6.2 Income from Local Partnership Farming Operations (IT48V)

Partnership Farming Operations

a) Complete the information regarding the farming operations

b) Insert the 'Partnership Name' of the farming partnership operation.
   i) For 2023 year of assessment and prior, this field will be populated and editable.
   ii) From 2024 year of assessment, this field will be pre-populated and locked.

c) Mark with an "X" if the farming operations ceased (e.g. the farm was sold).

d) Were the farming operations still active for part of this year of assessment
   i) This field will be displayed from 2024 year of assessment onwards.
   ii) Select 'Y' or 'N'.
      A) If 'Y", the financial schedule will be available to complete.
      B) If 'N':
         I) And no amounts are pre-populated on the financial schedule, the financial schedule will not be displayed for completion.
         II) Amounts have been pre-populated on the financial schedule, then ensure that the financial schedule is completed.

e) Complete the information in the applicable fields:
   i) "Gross Receipts and Accruals (including private usage)";
   ii) "Plus: Livestock on hand at the end of the current year of assessment"
   iii) "Plus: Produce on hand at the end of the current year of assessment".
   iv) Add the above amounts and insert the total amount in the field "Sub-Total (i)".
   v) **Note**: Exclude the market value of 'Livestock' and 'Produce' acquired otherwise than by purchase, natural increase or in the ordinary course of farming operations (e.g. donations and inheritance).
      A) This note will only be displayed for 2024 year of assessment and prior.

f) Insert the applicable amounts for:
   i) "Livestock on hand at the ends of the preceding year of assessment";
      A) From 2024 year of assessment this field will be pre-populated and locked.
   ii) "Plus: Livestock acquired otherwise than by purchase (e.g. inheritances)"
      A) This field will be applicable from 2025 year of assessment onwards.
   iii) "Plus: Private livestock brought into the farming stock"
      A) This field will be applicable from 2025 year of assessment onwards.
   iv) "Plus: Livestock purchase and received in exchanged";
   v) "Plus: Balance of livestock not allowed in the preceding year of assessment"
      A) From 2024 year of assessment this field will be pre-populated and locked.
   vi) "Sub-Total (ii)" will be auto-calculated and locked.
   vii) "Less: Amount deducted" [Sub-Total(ii) limited To Sub-Total (i)];
      A) The amount of this field cannot be greater than the amount in the field for 'Sub-Total (ii)';
      B) Calculation: Sub-Total (ii) less 'Amount deducted [Sub-Total(ii) limited To Sub-Total (i)] on the allowable amount line item.
   viii) "Less balance carried forward to the following year of assessment" (this amount may not create or increase a loss)
      A) This field will be auto-calculated and locked.
      B) Calculation: Sub-Total (ii) less 'Amount deducted [Sub-Total(ii) limited To Sub-Total (i)] on allowable amount line item.
   ix) "Less: Allowable Expenses"
      A) From the 2016 YOA onwards if there are allowable expenses, then the 'Details of Farming Expenses' section must be completed.
      B) From 2024 YOA onward this field will be populated and locked.
   x) "Less: Produce on hand at the end of the year in the preceding year of assessment"
      A) From 2024 year of assessment this field will be pre-populated and locked.
   xi) "Less: Produce acquired otherwise than by purchase (e.g. inheritances)"
      A) This field will be applicable from 2025 year of assessment onwards.
   xii) "Less: Special Depreciation"
      A) For year of assessment 2023 and prior, this field will be editable.
      B) From 2024 year of assessment, this field will be populated with the amount from the "Amount allowable current year" field from the Special Depreciation Information container IT48V and locked.
      C) The amount in the field adjacent to 'Special Depreciation' field will be auto calculated.

D) From 2024, the field adjacent to Special Depreciation will be Sub-Total of Expenditure field.

xiii) "Net Profit/Loss Partnership"

A) This field will be populated and locked.

xiv) Insert the amount for "Your share % of Taxable Income/Loss from partnership farming operations (Carry this amount forward to your personal IT48)"

A) This field will be applicable from 2023 year of assessment and prior.

B) From 2024 year of assessment onwards, the field will be displayed as *'Your share % of Taxable Income/Loss from partnership farming operations (This amount will be forwarded to your personal IT48)'*

Partner's Information for Share Distribution (Farming)

a) Complete the applicable fields for each partner:

i) "Surname / Trading Name"

ii) "Income Tax Ref No"

iii) "Initials (if applicable)"

iv) "Share %"

v) "Profit / Loss"

A) This field will be populated and locked.

vi) Amount for "Improvements"

A) This field will be populated and locked.

b) From 2024 year of assessment, this container will be displayed up to a maximum of 10 times.

Details of Farming Expense (IT48V)

a) Complete the applicable fields for '**Expenses'**:

i) "Accounting fees"

ii) "Administration costs and bank charges"

iii) "Bad debts'

iv) "Costs of residential buildings for employees (s13ter)"

v) "Electricity, rates and taxes"

vi) Enhanced machinery, plant, implements, utensils, and articles used in the production of renewable energy deduction – (s12BA)

A) This field is applicable to 2024 and 2025 year of assessment only.

B) If an amount greater than zero is completed, display the "Enhanced Renewable Energy Deduction – s12BA container for completion.

vii) "Entertainment expenses"

viii) "Expenses for cleaning land"

ix) "Fuel, oil and related expenses"

x) "Insurance and licenses"

xi) 'Interest and finance charges"

xii) "Lease payments (s11(f))"

xiii) "Legal expenses"

xiv) "Livestock feeds"

xv) "Packing materials"

xvi) "Protective clothing"

xvii) "Rations and other staff costs (excl. housing, salary and wages)"

xviii) "Rent (incl. hiring of farm land, equipment, etc.)"

xix) "Repairs and maintenance"

xx) "Salaries and wages"

xxi) "Security expenses"

xxii) "Seeds and fertilizers"

xxiii) "Telephone, fax and internet expenses"

xxiv) "Travelling and accommodation – Local"

xxv) "Travelling and accommodation – Foreign"

xxvi) "Veterinary expenses (incl. medicines)"

xxvii) "Wear and tear allowance (s11(e)) – excl. special depreciation in terms of s12B"

A) This field is applicable for 2023 year of assessment and prior.

xxviii) Wear and tear allowance (s11(e) – excl. special depreciation in terms of s12B and s12BA)

A) This field is applicable for 2024 year of assessment onwards.

xxix) "Learnership Allowance: Agreements in effect / completed in current year (Agreements entered into on or before 1 October 2016): s12H"
  A) For 2016 year of assessment and prior this field will not be displayed.

xxx) "Learnership Allowance: Agreements in effect / completed in current year (Agreements entered into before 1 October 2016): s12H"
  A) This field is applicable for 2017 to 2024 year of assessment and prior.

xxxi) "Learnership Allowance: Agreements in effect / completed in current year (Agreements entered into on or after 1 October 2016): s12H"
  A) This field is applicable from 2025 year of assessment onwards.

xxxii) "Other"
  A) 'Please provide a description relating to other expenses indicated above'

xxxiii) "Total expenses"
  A) This field will be auto calculated

b) Complete the fields for the applicable '**Adjustments – Add back**':
  i) "Disallowable foreign expenses"
  ii) "Donations"
  iii) "Finance charges"
  iv) "Legal expenses"
  v) "Private/personal expenses"
  vi) "Recoupment (excl. capital improvements)"
  vii) "Unproductive interest"
  viii) "Other"
    A) 'Please provide a description relating to other indicated above'
  ix) "Total Adjustments – Add back"
    A) This field will be auto calculated and locked.
  x) "Total Allowable Expenses"
    A) This field will be auto calculated and locked.
    B) Calculation: 'Total Expenses' – 'Total Adjustments: Add Back'

Special Depreciation Information

a) For 2024 year of assessment and prior, this section will follow the Farming Income section. From 2025 year of assessment onwards, this section will follow the farming expenses section.

b) Complete the following:
  i) "Balance b/f Previous Year"(Current Year column)
    A) From 2024 year of assessment this field will be pre-populated and locked.
  ii) "Balance b/f Previous Year" (Subsequent Year column)
    A) From 2024 year of assessment this field will be pre-populated and locked.
  iii) "Purchases current year"
  iv) "Plus: Deductions in respect of purchases current year" (*Current Year column*)
    A) This field will be auto calculated and locked.
    B) Calculation: 'Purchases current year' x 50%
  v) "Deductions in respect of purchases current year" (*Subsequent Year column*)
    A) This field will be auto calculated and locked.
    B) Calculation: 'Purchases current year' x 30%
  vi) "Deductions in respect of purchases current year" (*Year Following Subsequent Year column*)
    A) This field will be auto calculated and locked.
    B) Calculation: 'Purchases current year' x 20%
  vii) "Deductions added back in respect of assets sold" (Subsequent Year column)
  viii) "Deductions added back in respect of assets sold" (Year Following Subsequent Year column)
  ix) "Amount allowable current year"
    A) This field will be auto calculated and locked.

Capital Improvements incurred during the Year of Assessment (Paragraph 12(1) of the First Schedule)

a) This section is only applicable from the 2016 YOA assessment onwards.

b) Complete the following:
  i) "Dipping tanks"
  ii) "Dams, irrigation schemes, boreholes and pumping plants"

iii) "Fences"
iv) "Eradication of noxious plants and alien invasive vegetation"
v) "Erection of, or additions or improvements to farm buildings (other than buildings used for domestic purposes)"
vi) "Planting of trees, shrubs or perennial plants for the production of grapes or other fruit, nuts, tea, coffee, hops, sugar, vegetable oils or fibres and the establishment of an area for such purposes"
vii) "Building of roads and bridges used in farming operations"
viii) "Carrying of electric power from the main transmission lines to the farm apparatus or under an agreement concluded with the Electricity Supply Commission as stipulated"
ix) "Wages paid to employees employed in construction of capital works as set out above"
x) "Prevention of soil erosion"
xi) "Total Purchases/Costs – Current Year"
    A) This field will be auto calculated and locked.

Information on Capital Improvements

a) For 2024 year of assessment and prior, this section will be displayed under the Farming Income section. From 2025 year of assessment onwards, this section will be displayed as a sub-container of the capital improvements incurred during the year of assessment container.

b) Complete the following:
   i) "Purchases/costs current year"
      A) From 2024 year of assessment this field will be pre-populated and locked.

b) The following note is displayed on the form 'Your % share of this amount will be reflected on the IT48.'

7 DEDUCTIONS

7.1 Donations allowable in terms of S18A

a) In terms of Section 18A the deduction for the year of assessment will be limited to 10% of taxable income and before taking into account any deduction in terms of this section. This limitation will be done programmatically by SARS. Any excess amount will be carried forward programmatically to the following year of assessment for possible deduction in subsequent years of assessment.

b) The carried-forward balance for excess deductible donations made by the deceased donor taxpayer up to the date of death is forfeited at death. No carried forward balance is carried over to the deceased estate as it is a separate taxpayer from the deceased person.

c) The donation amount will only qualify as a deduction if the receipt issued by the donee states that it is issued in terms of section 18A of the Income Tax Act.

d) "Solidarity Fund Donations (excl. any amount already on the IRP5 certificate and any other allowable donations made)
   i) Insert the "Total amount donated during the period 1 April 2020 to 30 September 2020" next to source code 4055.
   ii) Complete the PBO number – this is the reference number as indicated on the receipt received from the organisation.
   iii) This field is only applicable for 2021 year of assessment.
   iv) Note: Any solidarity donation made from 1 October 2020 must be reported under source code 4011.

e) Donations (excl. Solidarity Fund Donations made during the period 1 April 2020 to 30 September 2020) – This field description will only be displayed for 2021 YOA.

f) Donations (excluding any amount already on the IRP5 certificate and any other allowable donations made).
   i) Insert the "Total amount donated during the year of assessment" next to source code 4011
   ii) Complete the following fields for each PBO:
      A) Name of Entity/Organisation

B) "PBO number" – this is the reference number as indicated on the receipt received from the organisation.
C) "Amount donated to this organisation"

g) If donations were made to more than ten Public Benefit Organisations (PBO's), then only the details of the top twenty PBO's must be completed on the return.

h) **Note**: The PBO number declared on the return will be validated on assessment to determine if it was active/approved and applicable for that particular year of assessment. If the PBO number does not pass the validation, the deduction will be disallowed and the applicable reason below will display on your notice of assessment (ITA34):
i) 'Valid PBO number not approved for sec 18A'
ii) 'Invalid PBO number'
iii) 'PBO number invalid for the reported year of assessment'
iv) 'Not a S18A approved institution for this year of assessment'

7.2 Other Deductions

Deductions allowed for Deceased or Insolvent Estates:

a) "Allowable Accountancy / Administration expense – section 11(a)"
i) The deduction for Accountancy / Administration Expense for the completion of Income Tax returns will be allowed when business income or any of the following income sources are applicable:
A) Local Interest
B) Royalties
C) Other Receipts and Accruals
D) Foreign Dividends
E) Foreign Interest
F) Other Foreign Income
G) Purchased annuity
ii) Only professional fees which were actually paid or are payable for the completion of the Income Tax return, can be considered as a deduction
iii) Investment income will only be considered if the amount was above the exempt threshold. For deceased estates, the threshold as from 2015 year of assessment onwards is R23 800.
iv) The amount paid or payable must be completed next to source code 4043.
v) For more information refer to Practice Note: 37 on the SARS website.

b) Deduction of interest repaid to SARS (in terms of s7F) that was previously taxed in terms of s7E. – source code 4052

8 STATEMENT OF LOCAL AND FOREIGN ASSETS AND LIABILITIES

a) This section is not applicable to insolvent estates.
i) If the question 'Mark with an "X" if you have assets in excess of R50 million.' has been selected, complete this section.

b) From 2024 year of assessment, this section is mandatory to be completed for deceased estates.

c) Complete the following information relating to Local Assets and Liabilities:

i) **Local Assets (at cost)**
A) Fixed Properties and all Improvements to Properties
B) Shares in Private Company or Member's Interest in Close Corporation
C) Loan Accounts
D) Financial Instruments Listed (shares, unit trusts, etc.) – excluding crypto asset(s)
E) Financial Instruments - crypto asset(s)
F) Net Capital of Business, Trade, Profession or Farming
G) Equipment, Machinery, Implements
H) Motor vehicles, Caravans, Boats
I) Debtors

J) Stock
K) Livestock – elected value(s)
L) Cash on Hand, in Bank and Other Similar Institutions
M) Personal Effects (e.g. jewellery, paintings, furniture, etc.)
N) Other Assets
O) Total Local Assets
I) This field is auto calculated.

ii) **Local Assets (at Market value)**
A) Fixed Properties and all improvements to properties
B) Shares in Private Company or Member's Interest in Close Corporation
C) Financial Instruments Listed (Shares, unit trusts, etc.) – excluding crypto asset(s)
D) Financial Instruments - crypto asset(s)
E) Net Capital of Business, Trade, Profession or Farming
F) Other Assets
G) Total Local Assets at Market Value
I) This field is auto calculated.

iii) **Local Liabilities (at cost)**
A) Mortgage Bonds
B) Loan Accounts
C) Creditors
D) Bank Overdraft
E) Other Liabilities
F) Total Local Liabilities
I) This field is auto calculated.

d) Complete the Statement of Foreign Assets and Liabilities
i) This section is not applicable to the insolvent estate.
ii) From 2024 year of assessment, this section is mandatory to complete for deceased estates.
iii) Complete the following information relating to Foreign Assets and Liabilities:
A) Total Foreign Assets at Cost
B) Total Foreign Assets at Market Value
C) Total Foreign Liabilities

9 VOLUNTARY DISCLOSURE PROGRAMME (VDP)

a) What is the purpose of the Voluntary Disclosure Programme (VDP)?
i) The purpose of the VDP is to allow taxpayers an opportunity to regularise their tax affairs with SARS.
ii) Taxpayers must voluntarily apply to SARS to disclose their defaults or non-compliance.
iii) A VDP application number will be allocated by SARS.
iv) Once the VDP application has been evaluated by the VDP Unit, and where voluntary disclosure relief is granted, a written agreement will be concluded between the taxpayer and SARS in order to effect the necessary assessments.

b) Should you require more information, a Comprehensive Guide concerning VDP is available on the SARS website www.sars.gov.za .

c) If the deceased estate or insolvent person applied for voluntary disclosure, please insert the VDP application number in the field provided on your return.

d) **Note**: When completing the return, remember include all income and expenditure applicable for the tax year as per the VDP agreement concluded with SARS.

10 DECLARATION AND SIGNATURE

a) A personal income tax return is a legal declaration to SARS declaring all the income received during a specific tax year (a tax year runs from 1 March of each year until the last day of February of the following year).

b) You are obliged to ensure that a full and accurate disclosure is made of all relevant information as required in the income tax return. Misrepresentation, neglect or omission to submit a return or supplying false information is liable to penalties and/or additional assessments (together with interest) and/or prosecution.

c) You must read the declaration before signing the return.
   i) If the return is completed and submitted at a SARS office, you will be requested to sign the return.
   ii) If the return is submitted electronically via eFiling, the password received during registration as an eFiler will serve as the digital signature for the return.

11 CONCLUSION

a) Should you require any further information which might not be addressed in this brochure, visit the SARS website www.sars.gov.za or make an appointment to visit your nearest SARS Office or contact SARS on 0800 00 7277 for assistance.

12 DEFINITIONS, ACRONYMS AND ABBREVIATIONS

Link for centralised definitions, acronyms, and abbreviations: Glossary A-M | South African Revenue Service (sars.gov.za)

For more information about the contents of this publication you may:
- Visit the SARS website at www.sars.gov.za;
- Make a booking to visit the nearest SARS branch;
- Contact your own Tax Advisor / Tax Practitioner;
- If calling from within South Africa, contact the SARS Contact Centre on 0800 00 7277; or
- If calling from outside South Africa, contact the SARS Contact Centre on +27 11 602 2093 (only between 8am and 4pm South African time).