

BINDING PRIVATE RULING: BPR 271

DATE: 11 April 2017

ACT : INCOME TAX ACT 58 OF 1962 (the Act)

SECTION : SECTIONS 8(5) AND 47

SUBJECT : ACQUISITION OF LEASED PROPERTY BY THE LESSEE PURSUANT TO A LIQUIDATION DISTRIBUTION

1. Summary

This ruling determines the tax consequences of the transfer of immovable property, as a liquidation distribution under section 47, to the company renting the property.

2. Relevant tax laws

This is a binding private ruling issued in accordance with section 78(1) and published in accordance with section 87(2) of the Tax Administration Act 28 of 2011.

In this ruling references to sections are to sections of the Act applicable as at 22 March 2017. Unless the context indicates otherwise any word or expression in this ruling bears the meaning ascribed to it in the Act.

This is a ruling on the interpretation and application of -

- section 8(5)(b); and
- section 47.

3. Parties to the proposed transaction

The Applicant: A company incorporated in and a resident of South Africa

The Co-Applicant: A company incorporated in and a resident of South Africa that is a wholly-owned subsidiary of the Applicant

4. Description of the proposed transaction

The Co-Applicant is the owner of immovable property that is being let to the Applicant at a market related rental. The property is the only fixed asset held by the Co-Applicant. The Applicant has been occupying the property for purposes of its trade and has deducted the rental from its income in past years of assessment.

To simplify the group structure, it is proposed that the directors of the Co-Applicant will pass a resolution to liquidate the Co-Applicant and to distribute all its assets to the Applicant.

The proposed liquidation will be in accordance with section 47 and the property will be distributed to the Applicant as a dividend *in specie* in the course of the liquidation.

5. Conditions and assumptions

This binding private ruling is not subject to any additional conditions and assumptions.

6. Ruling

The ruling made in connection with the proposed transaction is as follows:

a) Section 8(5)(*b*) will not apply to the proposed transfer of the property from the Co-Applicant to the Applicant as a dividend *in specie* in pursuance of the liquidation of the Co-Applicant.

7. Period for which this ruling is valid

This binding private ruling is valid for a period of three years from 22 March 2017.

Legal Counsel: Advance Tax Rulings SOUTH AFRICAN REVENUE SERVICE