

INTERPRETATION NOTE 74 (Issue 4)

DATE: 30 September 2026

ACT : INCOME TAX ACT 58 OF 1962
SECTION : SECTION 11(d) AND 8(4)(a)
SUBJECT : DEDUCTION AND RECOUPMENT OF EXPENDITURE INCURRED ON REPAIRS

Preamble

In this Note unless the context indicates otherwise –

- **"paragraph"** means a paragraph in the Eighth Schedule to the Act;
- **"section"** means a section of the Act;
- **"the Act"** means the Income Tax Act 58 of 1962; and
- any word or expression bears the meaning ascribed to it in the Act.

All interpretation notes and guides referred to in this Note are available on the SARS website at www.sars.gov.za. Unless indicated otherwise, the latest version of these documents should be consulted.

1. Purpose

This Note provides guidance on the interpretation and application of section 11(d), which allows a deduction for expenditure incurred on repairs for the purposes of trade.

The question whether the cost of repairs deducted under section 11(d) can be recovered or recouped under section 8(4)(a) when the property is sold, is also considered.

2. Background

Expenditure incurred on repairs to an asset not comprising trading stock is generally capital in nature, particularly when it is not incurred at regular intervals.¹ This is because the expenditure relates to the protection of a capital asset.²

Expenditure of a capital nature does not qualify as a general deduction under section 11(a). Section 11(d), however, specifically allows for the deduction of expenditure incurred on repairs for the purposes of trade provided the requirements of that section are met.

¹ In *Rhodesia Railways Ltd v Collector of Income Tax Bechuanaland* 1935 AC 368, 6 SATC 225 the court held that the periodic replacement of railway lines was not of a capital nature.

² ITC 849 (1957) 22 SATC 82 (C).

For purposes of section 11(d) it is important to distinguish between a “repair” and an “improvement” since only expenditure incurred on repairs qualifies for a deduction under section 11(d). No hard and fast rules can be provided for this distinction and the nature and extent of the work performed must be considered. Each case, therefore, must be decided on its own facts.³

3. The law

Section 11(d)

11. General deductions allowed in determination of taxable income.—For the purpose of determining the taxable income derived by any person from carrying on any trade, there shall be allowed as deductions from the income of such person so derived—

- (d) expenditure actually incurred during the year of assessment on repairs of property occupied for the purpose of trade or in respect of which income is receivable, including any expenditure so incurred on the treatment against attack by beetles of any timber forming part of such property and sums expended for the repair of machinery, implements, utensils and other articles employed by the taxpayer for the purposes of his trade;

4. Application of the law

Section 11(d) provides for the deduction of expenditure actually incurred during the year of assessment on repairs of –

- property occupied for the purposes of trade or from which income is receivable, including the treatment against attack by beetles of timber which forms part of such property; and
- machinery, implements, utensils and other articles employed by the taxpayer for the purposes of trade.

The first category mentioned above refers to repairs effected to immovable property and the second category to repairs pertaining to movable property.

No deduction for expenditure incurred on repairs will be permissible if the expenditure is recoverable under any contract of insurance, guarantee, security or indemnity.⁴

4.1 The meaning of “repairs”

In order to determine whether an expense will constitute a repair it is necessary to establish the meaning of the word “repairs” as used in section 11(d). The Act does not contain a definition of the word “repairs” and it must, therefore, be given its ordinary grammatical meaning.

The *Dictionary.com*⁵ defines a “repair” as –

“to restore to a good condition after decay or damage; mend”.

³ *Flemming v KBI* 1995 (1) SA 574 (A), 57 SATC 73 at 75 and 79.

⁴ Section 23(c).

⁵ www.dictionary.com/browse/repair [Accessed 30 September 2026].

The *CollinsDictionary.com*⁶ defines a “repair” as –

“to restore (something damaged or broken) to good condition or working order”.

Various court cases have considered the meaning of the word “repairs” extensively and produced relevant principles.

The Supreme Court of Appeal analysed the dictionary meaning ascribed to the word “repair” in *Flemming v KBI*.⁷

From this analysis the court concluded that “repair” involves the process of renewing, renovating or restoring decayed or damaged parts.⁸ The court held that a deduction under section 11(d) will be available only if the original structure was in need of repair.⁹

In ITC 491¹⁰ it was held that in the ordinary sense of the word, “repairs” means replacement or renewal of something that has become defaced or worn out or worn down by use or possibly by wear-and-tear.

In ITC 617¹¹ various court cases were reviewed from which the following principles emerged:

- Repair is restoration by renewal or replacement of subsidiary parts of the whole. Renewal as distinguished from repair is reconstruction of the entirety, meaning by the entirety not necessarily the whole but substantially the whole subject matter under discussion.
- In the case of repairs effected by renewal it is not necessary that the materials used should be identical with the materials replaced.
- Repairs are to be distinguished from improvements. The test for this purpose is – has a new asset been created resulting in an increase in the income-earning capacity or does the work undertaken merely represent the cost of restoring the asset to a state in which it will continue to earn income as before?

In ITC 626¹² it is mentioned that these tests are not exhaustive but are merely of assistance to the general enquiry. It is necessary in each case to determine whether what has been done actually constitutes “repairs” in the ordinary meaning of the word, and the extent to which it falls under that heading.

It is immaterial whether repairs occur because of some fortuitous act, such as a storm, fire, civil unrest or as a result of the wearing out, damage or deterioration of an asset by use. Restoration involves a renewal or replacement of subsidiary parts of the structure and the expenditure incurred will be deductible. However, if the damage is of such an extent that the asset is partially destroyed, it will then be necessary to consider whether the repair or renovation is a reconstruction of the entire asset, in which event

⁶ www.collinsdictionary.com/dictionary/english/repair [Accessed 30 September 2026].

⁷ 1995 (1) SA 574 (A), 57 SATC 73.

⁸ Above at 79.

⁹ Above at 80. See also ITC 1097 (1966) 28 SATC 290 (T) in which the taxpayer, who let his farm and was therefore not a farmer, incurred expenditure on sinking a new borehole. The court held that the cost of the new borehole was not a repair but rather an addition or improvement.

¹⁰ (1941) 12 SATC 77 (U).

¹¹ (1946) 14 SATC 474 (U).

¹² (1946) 14 SATC 530 (U).

the expenditure will not be deductible.¹³ To the extent that the cost of repairs is recoverable under a policy of insurance the deduction will be prohibited by section 23(c)¹⁴ (see 4.12).

4.2 The meaning of “maintenance”

The *Dictionary.com*¹⁵ defines “maintenance” as –

“the act of maintaining; the state of being maintained”;

and defines “maintain” as –

“to keep in existence or continuance; preserve; retain; to keep in an appropriate condition, operation or force; keep unimpaired”.

In *Heerman’s Supermarket (Pty) Ltd v Mona Road Investments (Pty) Ltd*¹⁶ van Heerden J considered the meaning of the words “repair” and “maintenance” within a lease agreement and whether the wide dictionary meaning of the word “repair” was wide enough to cover “maintenance”. The lessor claimed it was liable for repairs but not maintenance under the provisions of the lease agreement. The court found that the word “repairs” was capable of covering “maintenance”.

In *Clanwilliam Municipality v Braude* the court expressed the view that –¹⁷

“[t]he words ‘maintenance’ and ‘repair’ have ‘connotations which differ in accordance with the objects and circumstances to which they are applied’ ”.

The court accepted in *Natal Motor Industries Ltd v Crickmay* what was said at 859 by Donovan J in *Reilly v British Transport Commission*,¹⁸ that –¹⁹

“the terms ‘repair’, ‘maintenance’ and ‘adjustment’ are not mutually exclusive. One cannot, therefore, by describing some operation as ‘maintenance’ or ‘adjustment’, exclude the possibility that it is also a ‘repair’ ”.

The court held that –²⁰

“[t]he whole object of ‘free service’ is to ensure that the car is maintained in good working order and condition by doing such limited repair work as is necessary to keep or place it in good working order and condition”.

4.3 Maintenance deductible as repairs under section 11(d)

Expenditure incurred on maintenance will be deductible under section 11(d) provided it complies with the essential elements of a repair and the other requirements of that section.

¹³ De Koker, AP & Williams, RC (March 2022) *Silke on South African Income Tax* in § 8.98. My LexisNexis [online].

¹⁴ Zulman, J *et al.* (August 2022). *Income Tax Practice Manual* in [A:R16]. My LexisNexis [online].

¹⁵ www.dictionary.com/browse/maintenance and www.dictionary.com/browse/maintain [Accessed 30 September 2026].

¹⁶ 1975 (4) SA 391 (D) at 396.

¹⁷ 1954 (3) SA 657 (C) at 666. An appeal was allowed on the basis that Braude was not liable under the contract and not on the maintenance versus repairs issue.

¹⁸ (1956) 3 All E.R. 857.

¹⁹ 1962 (2) SA 93 (N) at 97.

²⁰ Above at 98.

Maintenance generally requires keeping the asset in good working order and condition which implies that it has become defaced or worn out or worn down by use or possibly by wear-and-tear, a requirement considered by the courts that meets the broader meaning of repairs.²¹

4.4 Repairs in relation to the entire property

In judging whether a renewal or repair has been carried out, regard must be had to the extent of the restoration work in relation to the entire property of which the portion restored forms a part. The greater the restoration work in relation to that entirety, the less likely it is that a repair has taken place.²²

In ITC 617²³ the court considered the deductibility of various expenses incurred on a racecourse comprising a number of buildings and the racetrack. The court stated the following on what constituted the subject matter:

“[A]s far as the buildings are concerned the general principles applicable to the repair of each building as constituting a separate and distinct subject matter, are applicable to that particular building, whether used for one purpose, or conjointly for several purposes. In the case of the race-track or course itself the whole subject matter is to be regarded as comprising the track itself, the rails along it and the starting gates, discs indicating distances and so on.”

One of the stands had been blown down and reconstructed of new materials. The court held that it was substantially a reconstruction of the whole of a separate subject matter and therefore not a repair.

In ITC 709²⁴ a weir which had suffered flood damage consisted of three parts, namely, a platform, a rock support and a wall. The platform remained intact but the greater number of rocks making up the rock support had to be replaced and the wall was rebuilt to a greater height. The court found on the facts that the entirety of the weir had not been replaced and allowed the cost of replacement as a repair with the exception of a sluice valve which was not present previously.

In *B v COT*²⁵ the appellant had embarked on a large scheme of reconstruction, which converted a building comprising doctors' consulting rooms from three suites of consulting rooms to five. In the course of these operations about half the original walls were pulled down and rebuilt, many in positions other than they had originally occupied, while doors and windows were placed in new positions. Only one room in the original building was entirely unchanged. In addition, the roof was reconstructed on new plan and some 60 per cent of the timber replaced, a large portion of the flooring replaced, and the electric wiring entirely replaced as the old installation did not conform with existing municipal regulations. Having regard to the extent of the work undertaken, the court held that there had been a substantial reconstruction and renewal of the building as a whole which constituted expenditure of a capital nature. The court noted that the operation must be viewed as a whole and that it was not permissible in such a case to isolate individual items of expenditure and attempt to allocate some to repairs of the old building.

²¹ ITC 491 (1941) 12 SATC 77 (U).

²² *Rhodesian Railways v Collector of Income Tax Bechuanaland* 1935 AC 368, 6 SATC 225.

²³ (1946) 14 SATC 474 (U).

²⁴ (1950) 17 SATC 227 (C).

²⁵ 1955 (1) SA 404 (SR), 19 SATC 353.

In ITC 925²⁶ the appellant had derived rental income from the letting of five dwelling houses. During the year of assessment certain building work was carried out on each of the five houses which the appellant sought to allocate between repairs and improvements. On the facts and viewing the work done on the houses as a whole, the court concluded that the work was one of reconstruction of substantially the whole subject matter and not one of repairs and it was accordingly not permissible for the appellant to isolate individual items of expenditure and to allocate them to repairs.

In ITC 1408²⁷ the appellant replaced the brick façade of a commercial building which had deteriorated with concrete panels. The court found that the work related to a subsidiary part of the whole, namely, the exterior walls. The cost of replacing the brick façade with the concrete panels was accordingly allowed as a repair.

Even if a subsidiary part of the whole subject matter is replaced it must still be determined whether it constitutes a repair or an improvement.

It has become common for employers to require or permit employees to work from home. Such arrangements could be temporary in nature or may have a degree of permanency. Persons in employment or persons holding an office may therefore wish to claim a deduction for certain expenses incurred in relation to a home office. A taxpayer who renovates a room in the home for the sole purpose of creating an office space would have to consider whether the alterations amount to repairs and not improvement in order to be deductible.²⁸ Expenditure incurred in creating, adapting or improving an office space would generally not be considered as repairs and will not qualify for deduction under section 11(d) merely because the room is thereafter used for trade purposes.

Any repairs to the property must be related to the home office (that is, the part occupied for purposes of trade) in order for the deduction not to be prohibited under section 23(b). For example, if the garage interior or bathroom is repainted, or a window in the master bedroom repaired, no portion of such repair may be claimed, as that expense has no connection with and was not incurred for the part of the premises occupied for trade. Conversely, a repair to the wall or window of a home office room (not a part of a room) is permitted to be claimed in full and no apportionment is necessary.

An apportionment will be required if the expense relates to both the part of premises not used for purposes of trade and the part used for purposes of trade. For example, if the entire roof of the property had to be repaired because it was in a state of disrepair, the cost of such repair apportioned based on the floor area, may be claimed as a home office deduction if the requirements of section 11(d) read with the exclusions in section 23(b) or section 23(m)²⁹ are met.

²⁶ (1959) 24 SATC 252 (C).

²⁷ (1985) 48 SATC 21 (T).

²⁸ See Interpretation Note 28 "Deductions of Home Office Expenses Incurred by Persons in Employment or Persons Holding Office".

²⁹ Section 23(m) is applicable if the expenditure, loss, or allowance contemplated in section 11 relates to any employment of, or office held by, any taxpayer in respect of which he or she derives remuneration, unless the taxpayer is an agent or representative whose remuneration is normally derived mainly from commission based on sales or turnover attributable to him or her. For further detail, see Interpretation Note 28 "Deductions of home Office Expenses Incurred by Persons in Employment or Persons Holding an Office".

4.5 Capital gains tax (base cost) and replacement of part of an asset comprising a repair

A person who replaces part of an asset in the course of repairing it, disposes of part of the main asset by removing the worn out or damaged part. For example, the replacement of a broken window in a building will constitute the disposal of a part of the building.

In order to prevent the triggering of numerous small capital losses, paragraph 33(3)(d) prevents the allocation of any part of the base cost of the main asset to the part-disposal when the replacement of part of the asset is a repair. This provision does not affect those persons who are entitled to claim repairs under section 11(d), since their base cost allocation would have been eliminated by paragraph 20(3)(a). Any proceeds derived from the disposal of the worn out part will be recognised as a capital gain at the time of its disposal with no base cost deduction.³⁰

4.6 Distinction between repairs and improvements

In view of the sometimes narrow distinction between “repairs” and “improvements”, there are a variety of cases on this subject which are not always consistent. However, the following general principles have emerged:

- Has a new asset been created resulting in an increase in the income-earning capacity or does the work undertaken merely represent the cost of restoring the asset to a state in which it will continue to earn income as before?³¹
- Unless the structure or article on which repairs are deemed to have been done was damaged or had deteriorated and replacement was required, no repair for the purposes of section 11(d) has taken place and no further inquiry need be made.³²
- Materials used for the repair need not be identical to the original materials that are being replaced. As long as the purpose of the work is to restore the asset to its original condition, as distinct from creating an improvement, the work constitutes a repair. The fact that new materials are substituted for the old at a greater cost than would have been incurred had the same materials been used is not relevant. Each situation must be decided on its own merits in order to determine whether the use of new materials is for the purpose of improvement or merely for the purpose of restoring the asset to its original condition.³³
- Repairs undertaken at the same time as improvements may qualify for deduction under section 11(d) if they can be clearly and separately identified from the improvements. Much will depend on the facts of the specific case and the taxpayer will bear the onus of showing that what was undertaken was a repair. In ITC 1457³⁴ the taxpayer converted residential flats on the upper floor of a two-storey building into offices after the flats had fallen into disrepair. A quantity surveyor could identify certain of the work as repairs. The court found that the work so identified comprised repairs notwithstanding that it had been undertaken at the same time as the overall improvements. The amounts

³⁰ See *Comprehensive Guide to Capital Gains Tax* (Issue 9) in paragraph 8.37.6.4.

³¹ ITC 617 (1946) 14 SATC 474 at 476.

³² ITC 626 (1946) 14 SATC 530 (U).

³³ *CIR v African Products Manufacturing Co Ltd* 1944 TPD 248, 13 SATC 164; ITC 1408 (1985) 48 SATC 21 (T).

³⁴ (1989) 51 SATC 131 (T).

in question were in fact severable from the overall improvements and were allowable under section 11(d). Similarly, in ITC 915³⁵ certain work done in the process of improving a roof was accepted by the court as repairs on the basis that it could be separately identified from the improvements.

- The addition of something to an asset that was not previously there will usually be considered to be an improvement rather than a repair. The underpinning of foundations to remedy cracks in a building,³⁶ the strengthening of retainer walls by the construction of new beams³⁷ and the replacement of an existing solar heater with a better one³⁸ were held to be improvements because something was added that was not there before.

The enquiry remains one of fact and degree. The description as a repair given to the work by the taxpayer, contractor, or supplier is not decisive. Regard must be had to the nature of the work performed, the condition of the asset before the work was undertaken and whether the work restored the asset to its previous condition or resulted in the creation, replacement or improvement of the asset or a substantial part of it.

4.7 For purposes of trade or for which income is receivable

In respect of repairs of a property, a distinction is made between property occupied for the purposes of trade and property from which income is receivable. The reference to the word “receivable” in section 11(d) has the effect that repairs will be deductible regardless of whether income was received during the relevant year of assessment or not, as long as the property is capable of generating rental income during that year of assessment.

The preamble to section 11 clearly states that deductions will be allowed against the income derived by a person when determining the person’s taxable income from carrying on any trade. The taxpayer must thus have carried on a trade in order to qualify for the deduction of repairs.

In ITC 243³⁹ the cost of repairs to a building was incurred before the letting of the property. The cost of repairs was allowed as a deduction. In this case rent was received during a portion of the year of assessment in which the repairs were effected. The court held, allowing the appeal, that the meaning of the word “receivable” was “capable of being received” and that it was not necessary for the admission of the expenditure as a deduction that there should be in existence an agreement for the receipt of income.

In ITC 1475⁴⁰ the taxpayer had vacated residential premises with a view of earning income from those premises. Whilst the premises were empty, expenditure was incurred on repairs in order to render the property attractive to a prospective lessee and in anticipation of finding one. The court held that trading had commenced and that expenditure was accordingly deductible, but issued the warning that a determination

³⁵ (1960) 24 SATC 219 (F).

³⁶ ITC 1213 (1974) 36 SATC 113 (R).

³⁷ ITC 626 (1946) 14 SATC 530 (U).

³⁸ ITC 1263 (1977) 39 SATC 120 (R).

³⁹ (1932) 6 SATC 370 (U).

⁴⁰ (1989) 52 SATC 135 (T).

as to when trading has commenced for this purpose must be made in the light of the facts of the case.

4.8 Spare parts used in repairs

Paragraph (a)(iii) of the definition of the term “trading stock” in section 1(1) includes in that definition “any consumable stores and spare parts acquired by the taxpayer to be used or consumed in the course of the taxpayer’s trade”. The effect of deeming spare parts to be trading stock is to bring them into section 22 with the result that the deduction is effectively deferred until the spare parts are used and no longer included in closing stock.

4.9 Treatment against the attack by beetles

Section 11(d) permits the deduction of the cost of treatment against beetle infestation of timber forming part of premises used for purposes of trade or for which income is receivable. Such expenditure will be deductible irrespective of whether it has been incurred during an initial protective treatment or in the course of replacing infested woodwork.

4.10 Limitation of section 11(d)

Section 11(d) is limited by section 23H which provides that if any person has incurred any expenditure, which was or will be allowable as a deduction under section 11(d), amongst others, the amount allowed to be deducted in any year of assessment shall be limited to the expenditure relating to goods supplied or services rendered during the relevant year of assessment.

For example, section 23H may apply when a taxpayer pays a contractor in advance to repair business premises. If any part of the repair services is rendered before the end of the year of assessment, section 23H may limit the deduction to the portion relating to services rendered during that year, subject to the exceptions contained in section 23H.

4.11 tangible assets, computer software and cloud-based systems

Section 11(d) is directed at expenditure actually incurred on the repair of physical, tangible assets such as immovable property, machinery, implements, utensils, and other articles employed for purposes of trade. (See 4 and 4.7)

Expenditure incurred on the general maintenance or support relating to computer software, cloud-based systems and similar intangible assets is not considered to be a repair and will generally not qualify for deduction under section 11(d). Routine maintenance, support and restoration costs relating to such intangible assets may, however, qualify for deduction under section 11(a), read with section 23(g) if the expense is revenue in nature. Expenditure incurred in creating, replacing, or substantially enhancing software will generally be capital in nature and will not be deductible under section 11(a) or section 11(d).

4.12 Recoupment of cost of repairs

The question whether the cost of repairs deducted under section 11(d) can be recovered or recouped under section 8(4)(a) when the property is sold was considered in *C: SARS v Pinestone Properties CC*.⁴¹

During the 1995 and 1996 years of assessment the taxpayer incurred expenditure on repairs of R626 519. On 8 November 1996 the taxpayer sold the property for R2,5 million. SARS included R626 519 in the taxpayer's income under section 8(4)(a) on the basis that a portion of the proceeds of R2,5 million represented a recoupment of the cost of the repairs. The court dismissed SARS's appeal stating the following on the relationship between the sale proceeds and the cost of the repairs:⁴²

"It is not axiomatic that repairs to a property necessarily improve its value – certainly not repairs which may have been done some time before its sale."

The court found that it was necessary for SARS to show by facts other than the mere sale at a profit greater than the cost of repairs that there had been a recoupment. However, the court emphasised that it should not be understood to hold that the costs of repairs can never be recouped under section 8(4)(a) and provided the following examples of situations in which expenditure on repairs might be recouped:

- Expenditure is incurred in order to repair defective work on a building and is recovered through a claim for damages against the builder.
- Expenditure is incurred in effecting repairs to an insured asset and is recovered through a claim against the insurer.
- An agreement is concluded to sell an income-producing property for a higher selling price on the basis that the seller conducts specified repairs before the sale takes place.

Cases can arise in which major repairs are undertaken shortly before the sale of an asset. There may well be a recoupment of the cost of the repairs when it can be shown that these repairs result in a higher selling price.

To determine if the amounts allowed to be deducted for repairs under section 11(d) is subject to a recoupment under section 8(4)(a), the interaction between sections 23(c) and 8(4)(a) must be considered. To the extent that expenditure is recoverable under a contract of insurance, guarantee, security or indemnity, section 23(c) may prohibit the deduction. Section 8(4)(a) is relevant only to the extent that an amount previously allowed as a deduction is subsequently recovered or recouped.

5. Conclusion

In order for an asset to be repaired, there must be damage or deterioration to a part of the original asset or structure and the intention of the taxpayer must be to restore the asset or structure to its original condition rather than creating, replacing, or improving the asset or a substantial part of it. Because there are no set criteria as to what constitutes a repair and only principles derived from case law, each case will have to be determined on its merits.

⁴¹ 2002 (4) SA 202 (N), 63 SATC 421.

⁴² At SATC 427.

The expenditure allowed as a deduction under section 11(d) may be recovered or recouped under section 8(4)(a) provided that there is a causal link between the cost of the repairs and the amount received or accrued.

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