

**BINDING PRIVATE RULING: BPR 423**

DATE: 4 December 2025

**ACT : INCOME TAX ACT 58 OF 1962 (the Act)**  
**SECTION : SECTIONS 1(1) – DEFINITION OF A “DIVIDEND” AND 55(1) – DEFINITION OF A “DONATION”**  
**SUBJECT : AMOUNT PAID BY A COMPANY TO THE SOLE BENEFICIARY OF ITS SHAREHOLDER CONSTITUTES A DIVIDEND**

***Preamble***

This binding private ruling is published with the consent of the Applicant(s) to which it has been issued. It is binding between SARS and the Applicant and any Co-Applicant(s) only and published for general information. It does not constitute a practice generally prevailing.

**1. Summary**

This ruling determines that the payment of an amount by a resident company to the sole beneficiary of a trust that is the sole shareholder of the resident company constitutes a dividend and not a donation.

**2. Relevant tax laws**

In this ruling references to sections are to sections of the Act applicable as at 23 September 2025. 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 1(1) – definition of a “dividend”; and
- section 55(1) – definition of a “donation”.

**3. Parties to the proposed transaction**

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

The Trust: A trust established in and a resident of South Africa.

The Union: A trade union duly registered in South Africa.

**4. Description of the proposed transaction**

The Applicant is wholly-owned by the Trust. The sole beneficiary and founder of the Trust is the Union.

The Union is an approved entity under section 30B of the Act and its receipts and accruals are exempt from normal tax in terms of section 10(1)(d)(iii).

The Applicant was incorporated to invest any surplus funds arising from the Union's operations; and to supplement the Union's finances as and when necessary. The Trust as the Applicant's sole shareholder plays a key role in achieving this objective.

The Memorandum of Incorporation of the Applicant allows the Applicant to make distributions from time to time provided that any such distributions are –

- pursuant to an existing legal obligation of the Applicant or a court order; or
- authorised by the board of directors by resolution.

The principle objectives of the Trust include the following –

- to pursue an active investment agenda with the aim of creating a pool of resources to ensure the Union can be sustained into the future;
- to hold shares in the Applicant and other companies;
- to exercise all its rights as a shareholder of the Applicant to the benefit of the Union and ensure that the board of directors of the Applicant remain accountable to it;
- to monitor all investments made by the Applicant and any decisions made in relation thereto with a view to ensuring that those investments create optimal benefit for the Union; and
- to apply the proceeds of any investment for the benefit of the Union and its members, at the direction of the National Executive Committee.

The trust property of the Trust vests in the trustees of the Trust who have complete discretion to dispose and appropriate trust property provided they do so in a manner that is consistent with the principle objectives of the Trust and after consultation with the Union.

The trust fund and income of the Trust must be utilised solely for the purpose of the principle objectives.

The Applicant proposes making annual payments to the Union or incurring expenditure on behalf of the Union to assist the Union with its operating costs. The Union will not give any consideration for the payments or incurrance of expenditure. The Applicant requested confirmation that each payment or expenditure to be incurred on behalf of the Union will be a "donation" as defined in section 55(1) of the Act.

## **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) Each annual payment to the Union or incurrance of expenditure on behalf of the Union by the Applicant will constitute a "dividend" as defined in section 1(1) of the Act to the Trust.

- b) Each annual payment to the Union or incurral of expenditure on behalf of the Union by the Applicant will not constitute a “donation” as defined in section 55(1) of the Act made by the Applicant to the Union.

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

This binding private ruling is valid for a period of three years from 23 September 2025.

**Leveraged Legal Products: Advance Tax Rulings  
SOUTH AFRICAN REVENUE SERVICE**