

BINDING PRIVATE RULING: BPR 425

DATE: 31 March 2026

**ACT : INCOME TAX ACT 58 OF 1962 (the Act)
VALUE-ADDED TAX ACT 89 OF 1991 (VAT Act)**

**SECTION : SECTIONS 11(a), 23(g) , 55, and 58 of the Act
SECTIONS 1, DEFINITION OF “ENTERPRISE” AND
“ENTERTAINMENT” AND 17(2)(a) OF THE VAT ACT**

SUBJECT : REHABILITATION OF MINING PROPERTY

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, 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 the income, donations and value-added tax consequences arising from the development of a sporting and recreational facility as part of the ongoing rehabilitation of mining property by the Applicant.

2. Relevant tax laws

In this ruling references to sections are to sections of the Act and the VAT Act applicable as at 26 January 2026. Unless the context indicates otherwise any word or expression in this ruling bears the meaning ascribed to it in the Act and the VAT Act.

This is a ruling on the interpretation and application of –

- the Act –
 - section 11(a);
 - section 23(g);
 - section 54;
 - section 55; and
 - section 58.
- the VAT Act –
 - section 1(1) – definition of “enterprise” and “entertainment”; and
 - section 17(2)(a).

3. Description of the proposed transaction

The Applicant conducts opencast mining consisting of multiple operational pits and several mined out pits are at various stages of rehabilitation.

The Applicant previously operated a public recreational facility located on its mining property. The facility was demolished to allow access to underlying mineral reserves. Mining activities are now taking place where the former facility once was.

Prior to demolition, the Applicant undertook an environmental impact assessment and conducted a formal public participation process with affected local communities. Through this engagement, and as part of its revised Environmental Management Plan approved by the Department of Mineral Resources, the Applicant committed to constructing a new recreational facility as part of the rehabilitation of a portion of the land that has reached the end of its mining life cycle.

The proposed rehabilitation involves developing a new recreational facility on a mined-out portion of land. The facility will include sporting fields and supporting structures. This development will be undertaken concurrently with ongoing mining operations and other rehabilitation activities across the Applicant's mining area.

The Applicant intends to lease the completed facility to an independent operator for a variable lease rental determined on an arm's-length basis. The rental income will constitute non-mining income and be included in the Applicant's gross income for tax purposes.

After the initial lease period of nine years and eleven months, the Applicant may renegotiate the lease or, alternatively, dispose of the property.

The Applicant holds funds in a rehabilitation trust which are specifically allocated for mining rehabilitation expenditure. It is not permissible for the funds in the trust to be applied in the proposed rehabilitation as the rehabilitation constitutes rehabilitation which occurs concurrently with the continued mining operations conducted at the mine. The proposed rehabilitation is not undertaken as part of premature closing, decommissioning, final closure or post closure coverage of any latent and residual environmental impacts as required in terms of the rehabilitation trust deed. All costs associated with the proposed rehabilitation will be incurred by the Applicant directly as part of its ongoing rehabilitation activities.

4. Conditions and assumptions

This binding private ruling is subject to the additional condition and assumption that the Applicant and the operator of the recreational facility are not connected persons as defined in section 1(1).

5. Ruling

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

- a) The expenditure to be incurred by the Applicant to develop and construct the recreational facility as part of ongoing rehabilitation will qualify for a deduction under section 11(a), read with section 23(g) of the Act.

- b) Entering into the lease agreement in respect of the recreational facility, for a variable rental, will not give rise to a donation or deemed donation for the Applicant, as contemplated in sections 55 and 58 of the Act.
- c) The Applicant will not be prohibited by section 17(2)(a) of the VAT Act from claiming any value-added tax incurred on the goods or services acquired by it for purposes of developing and constructing the recreational facility as an input tax deduction in the determination of its VAT liability in terms of section 16 of the VAT Act.

6. Period for which this ruling is valid

This binding private ruling is valid for a period of three years from 26 January 2026.

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