South African Revenue Service

BINDING PRIVATE RULING: BPR 429

DATE: 14 August 2026

ACT	**:**	**INCOME TAX ACT 58 OF 1962 (the Act)**
SECTION	**:**	**SECTIONS 1(1) – DEFINITION OF "GROSS INCOME", 11(*a*) AND 23H AND PARAGRAPHS 11(1)(*d*), 13(1)(*a*)(iiB), 20(3)(*b*), 38 AND 39 OF THE EIGHTH SCHEDULE TO THE ACT**
SUBJECT	**:**	**CASH GRANT TO AN EMPLOYEE INCENTIVE TRUST AND THE VESTING OF SHARES IN QUALIFYING EMPLOYEES**

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 the income tax and capital gains tax consequences arising from cash grants made by an employer to an employee share incentive trust, the receipt thereof by the share incentive trust, and the vesting of shares in qualifying employees.

2. Relevant tax laws

In this ruling references to sections and paragraphs are to sections of the Act and paragraphs of the Eighth Schedule to the Act applicable as at 31 July 2026. 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 "gross income";
- section 11(*a*);
- section 23H;
- paragraph 11(1)(*d*);
- paragraph 13(1)(*a*)(iiB);
- paragraph 20(3)(*b*);
- paragraph 38; and
- paragraph 39.

3. Parties to the proposed transaction

The Applicant:	A resident company
Co-Applicants 1 to 8:	Resident subsidiaries of the Applicant
Co-Applicant 9 (the Trust):	A resident discretionary trust
Qualifying employees:	Senior management employees of the Applicant and Co-Applicants 1 to 8

4. Description of the proposed transaction

The Applicant implemented a long-term share incentive scheme (the Scheme) and settled the Trust during 2014. The Scheme is a forfeitable share award scheme which entails the granting of shares by the Trust to qualifying employees on the grant date, to be held by the Trust until the respective vesting dates. The shares are subject to risk of forfeiture, if the performance targets of the companies and those of the qualifying employees are not met over the predetermined vesting periods.

The transaction steps described below are proposed in respect of the Scheme.

- The Applicant will annually, from 2026 to 2031, make a cash grant to the Trust in respect of qualifying employees of the Applicant and those of Co-Applicants 1 to 8.
- The Applicant will annually recover from Co-Applicants 1 to 8 the contributions made to the Trust in respect of qualifying employees of Co-Applicants 1 to 8.
- The Trust will annually use the total cash grant received to purchase shares in the Applicant on the open market, or the Applicant will issue new shares to the Trust at current market value.
- In terms of the rules of the Scheme, the Trust will annually, from 2026 to 2031, make share awards to qualifying employees of the Applicant and those of Co-Applicants 1 to 8.
- The Trust will from 2029 to 2034, at the respective vesting dates, transfer shares to the qualifying employees for nil consideration.

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:

<u>In respect of the Applicant and Co-Applicants 1 to 8</u>

- The Applicant will be allowed to deduct the portion of the total cash grant made to the Trust, that relates to its own qualifying employees, under section 11(*a*).

- Co-Applicants 1 to 8 will be allowed to deduct the portion of the total cash grant made to the Trust, that relates to their own respective qualifying employees, under section 11(*a*).
- The provisions of section 23H will be applicable to the section 11(*a*) deductions referred to in the two bullets above.

<u>In respect of Co-Applicant 9 (the Trust)</u>

- The cash grant received by the Trust must not be included in the gross income of the Trust.
- The granting of the shares by the Trust to qualifying employees will be a disposal under paragraph 11(1)(*d*) and the time of disposal will, under paragraph 13(1)(*a*)(iiB), be when the shares vest in the qualifying employees as contemplated in section 8C.
- Paragraph 20(3)(*b*) will not apply to the expenditure incurred by the Trust to acquire the shares.
- Paragraph 38(1) will not apply to the disposal of the shares by the Trust to qualifying employees.
- Any capital losses determined by the Trust will not be subject to paragraph 39(1) by reason of paragraph 39(4).

7. Period for which this ruling is valid

This binding private ruling is valid until 31 July 2034.

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