

GENERAL NOTE 3

Addendum A

GENERAL SUBJECT: **SECOND SCHEDULE TO THE INCOME TAX ACT,
No 58 of 1962 (the Act)**

SPECIFIC ASPECT: **LEGISLATIVE CHANGES AFFECTING THE “N-
FACTOR”**

STATUS: **CONFIRMATION**

BACKGROUND: General Note 3 interprets certain provisions relating to symbol “N” in the definitions of “formula A” and “formula B” in the Second Schedule to the Act, prior to the amendments that were introduced by the Taxation Laws Amendment Act (No 8 of 2007).

CONFIRMATION: In terms of the Taxation Laws Amendment Act (No 8 of 2007), the formula-based deduction that was determined in terms of “formula A” was repealed with effect from 1 October 2007. In addition, the above-mentioned Act replaced the formula-based calculation of the upper limit of the deduction that is represented by symbol “C” of “formula B”, with a capped amount equal to R300 000 with effect from 1 October 2007.

The number of years of employment or membership of a retirement fund is, therefore, with effect from 1 October 2007 no longer a parameter in the determination of the deduction afforded in the case of lump sum benefits payable on retirement or death.

The content of General Note 3 is therefore no longer applicable in relation to lump sum benefits that accrued on or after 1 October 2007.

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