

**NOTICE OF MODIFICATION OF BINDING GENERAL RULING: INTERPRETATION NOTE NO. 47
DATED 28 JULY 2009**

Notice is hereby given under section 76M of the Income Tax Act, No. 58 of 1962 of the modification of Interpretation Note No. 47 dated 28 July 2009. This Interpretation Note is replaced by Interpretation Note No. 47 (Issue 2) dated 11 November 2009.

Set out below is a summary of the main changes to the Note (minor textual changes are not listed):

1. The contents of **7** ("Status of this Note") have been incorporated into **1** ("Purpose"). The content remains unchanged.
2. **4.1.1** – The last sentence after the definition of an "instalment credit agreement" has been deleted, since it is dealt with in **4.1.2** (previously **4.3.10**).
3. **4.1.2** – Non-qualifying assets. The contents of the previous paragraph **4.3.10** have been merged into this paragraph. See point 9 below.
4. **4.2.1** – A footnote reference to ITC 1546 (1992) 54 SATC 477 (C) has been inserted. This case confirmed that cost was to be taken as the value of an asset, even if it is acquired at a bargain price.
5. **4.2.4** – The explanation of the term "market value" has been deleted since it is explained in **4.2.1**. A reference to this paragraph has been inserted.
6. **4.2.8** – Repaired assets [paragraph (i) of the proviso to section 11(e)]. A more detailed explanation of this item has been included.
7. **4.3.3(b)** – The accounting write-off period has been included as a factor to be taken into account when determining the write-off period of an asset not listed in Annexure A.
8. **4.3.5** – The existing Note permits a 100% write-off for small items costing less than R7 000. It has been clarified that this concession does not apply to assets of lessors acquired for the purpose of letting. These assets are used directly in the production of income, the cumulative annual acquisition costs are likely to be material, and for accounting purposes detailed records would of necessity have to be maintained for these assets. The small items write-off period was previously contained in Practice Note No. 19 which did not apply to assets let by lessors. The latter were dealt with in Practice Note No. 15. As a result of the consolidation of these Practice Notes into Interpretation Note No. 47, the impression was created that the small items write-off period had been extended to assets that are let. This was not the intention and Interpretation Note No. 47 (Issue 2) dated 11 November 2009 makes it clear that the small items write-off does not apply to assets let by lessors.
9. **4.3.10** – Non-qualifying assets. This paragraph has been merged into **4.1.2**. The commentary on assets of a small business corporation referred to in section 12E has also been clarified.
10. **Annexure A:**
"Containers" – the words "(large metal type used for transporting freight)" have been added to provide clarity on the type of containers that are being referred to.
"Computers" – the word "servers" has been added after the word "mainframe" to clarify that servers must also be written off over five years.

The changes effected under point 8 (denial of small items write-off to lessors) and 10 (clarification of write-off period for computer servers) take effect on the date of issue of this notice and apply to any assets acquired on or after that date.

Legal and Policy Division
South African Revenue Service

Date of issue: 11 November 2009

WITHDRAWN - 11 NOVEMBER 2009