

BINDING GENERAL RULING (INCOME TAX): NO. 31

DATE: 4 March 2016

ACT : INCOME TAX ACT NO. 58 OF 1962
SECTION : SECOND SCHEDULE
SUBJECT : INTEREST ON LATE PAYMENT OF BENEFITS

Preamble

For the purposes of this ruling –

- “**BGR**” means a binding general ruling issued under section 89 of the Tax Administration Act No. 28 of 2011;
- “**the Act**” means the Income Tax Act No. 58 of 1962; and
- any other word or expression bears the meaning ascribed to it in the Income Tax Act.

1. Purpose

This BGR provides clarity on when an amount constitutes interest, as opposed to forming part of the lump sum benefit, for purposes of the Second Schedule to the Act. This BGR replaces General Note 32.

2. Background

Different practices currently exist in the retirement fund industry relating to the payment of an amount in circumstances when the benefit is paid late. Some administrators include this amount to form part of the lump sum benefit payable to a member, whereas other administrators pay the amount separately to the member as interest.

3. Ruling

An amount that is calculated after receipt of notification of the claim form until the date that the fund is obliged to pay the benefit in terms of the rules of the fund is regarded to be part of the lump sum benefit.

An additional amount that may become payable in circumstances where the fund fails to meet this obligation and is at fault for delaying the payment of the benefit. Such an amount constitutes interest that is not part of the lump sum benefit. The fund must issue an IT3(b) to the member and send a copy to SARS.

This ruling constitutes a BGR issued under section 89 of the Tax Administration Act No. 28 of 2011.

4. Period for which this ruling is valid

This ruling applies from date of issue until it is withdrawn, amended or the relevant legislation is amended.

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