



SOUTH AFRICAN REVENUE SERVICE

BINDING PRIVATE RULING: BPR 030

DATE: 14 May 2009

The guidance contained in this ruling is affected by subsequent law changes.

ACT : INCOME TAX ACT, NO. 58 OF 1962 (the Act)

SECTION : SECTION 10(1)(iA)

SUBJECT : DISTRIBUTIONS MADE BY A COLLECTIVE INVESTMENT SCHEME WHICH ARE REINVESTED WITH THE SCHEME

1. Summary

This ruling deals with the tax implications for a collective investment scheme in respect of distributions to be made by the collective investment scheme to its participatory interest holders and the immediate reinvestment in full of such distributions with the collective investment scheme on behalf of its participatory interest holders.

2. Relevant tax laws

This is a binding private ruling issued in accordance with section 76Q of the Act.

In this ruling legislative references to sections are to sections of the Act applicable at 8 January 2008 and unless the context indicates otherwise, any word or expression in this ruling bears the meaning ascribed to it in the Act.

This ruling has been requested under the provisions of section 10(1)(iA).

3. Parties to the proposed transaction

The Applicant: The management company on behalf of the Collective Investment Scheme

Collective Investment Scheme:

A Collective Investment Scheme established in securities in terms of the Collective Investment Schemes Control Act, No. 45 of 2002

Investors: Participatory interest holders in the Collective Investment Scheme

4. Description of the proposed transaction

The Collective Investment Scheme will make periodic distributions of the income earned on the securities held by the Collective Investment Scheme to the Investors. These distributions will not be paid in cash to the Investors but immediately reinvested in full with the Collective Investment Scheme on behalf of the Investors and the reinvestment costs will be added to the cost of the existing participatory interests.

5. Conditions and assumptions

The ruling made is not subject to any condition and assumption.

6. Ruling

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

- The distributions to be made by the Collective Investment Scheme to the Investors, in circumstances where the full amounts of such distributions are not paid in cash to the Investors but reinvested in the Collective Investment Scheme on their behalf, will be treated as dividends declared by the Collective Investment Scheme.
- The amounts of the income to be received by or accrued to the Collective Investment Scheme, which have been so distributed to the Investors, will be exempt from income tax in the hands of the Collective Investment Scheme under the provisions of section 10(1)(iA).

7. Period for which this ruling is valid

This binding private ruling is valid for a period of five (5) years as from the date of this ruling until 7 January 2013.

Issued by:

**Legal and Policy Division: Advance Tax Rulings
SOUTH AFRICAN REVENUE SERVICE**