



*SOUTH AFRICAN REVENUE SERVICE*

**BINDING PRIVATE RULING: BPR 055**

The guidance contained in this ruling is affected by new legislation.

DATE: 22 October 2009

**ACT : INCOME TAX ACT, NO. 58 OF 1962 (the Act)**  
**SECTION : SECTION 1, PARAGRAPH (c) OF THE DEFINITION OF “DIVIDEND”**  
**SUBJECT : APPLICATION OF THE DEFINITION OF “DIVIDEND” TO THE REDEMPTION OF A PARTICIPATORY INTEREST BY A FOREIGN COLLECTIVE INVESTMENT SCHEME**

**1. Summary**

This ruling deals with whether the redemption or repurchase by a foreign collective investment scheme of the participatory interest held by a resident collective investment scheme, in terms of the rules of the scheme, will be a taxable foreign dividend.

**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 as at 12 December 2007 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 1, paragraph (c) of the definition of “dividend”.

**3. Parties to the proposed transaction**

The Applicant: A resident collective investment scheme in securities, as contemplated in paragraph (e)(i) of the definition of “company” in section 1, which holds a participatory interest in the form of shares in Company A

Company A: A collective investment scheme, as contemplated in paragraph (e)(ii) of the definition of “company” in section 1

**4. Description of the proposed transaction**

When realising all or a portion of its investment in Company A, the Applicant will, in terms of the scheme rules, request Company A to redeem or repurchase the requisite number of shares held by it.

**5. Conditions and assumptions**

This ruling is not subject to any conditions and assumptions.

**6. Ruling**

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

- The amounts paid by Company A to the Applicant upon the redemption or repurchase of shares, units or any other form of participatory interest held by the Applicant in Company A's portfolio of the foreign collective investment scheme, will not constitute a "dividend" as defined in section 1.

**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.

Issued by:

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