

BINDING PRIVATE RULING: BPR 154

DATE: 03 September 2013

ACT : INCOME TAX ACT NO. 58 OF 1962 (the Act)
SECTION : SECTIONS 11(j) AND 45
SUBJECT : CORPORATE RULES: ACQUISITION OF A DEBTORS BOOK

1. Summary

This ruling deals with the tax consequences arising from the acquisition of a debtors book under section 45 of the Act.

2. Relevant tax laws

This is a binding private ruling issued in accordance with section 78(1), read with section 270(3), of the Tax Administration Act No. 28 of 2011.

In this ruling references to sections are to sections of the Act applicable as at 5 June 2012 and unless the context indicates otherwise, any word or expression in this ruling bears the meaning ascribed to it in the Act.

This is a ruling on the interpretation and application of the provisions of –

- section 11(j), and
- section 45.

3. Parties to the proposed transaction

The Applicant: A company incorporated in and a resident of South Africa

GroupCo: A company incorporated in and a resident of South Africa

4. Description of the proposed transaction

The Applicant and GroupCo form part of the same “group of companies” as defined in section 1(1).

GroupCo intends to dispose of one of its business units, inclusive of the book debt relating to the unit, to the Applicant. The Applicant will finance the acquisition of the business unit by way of an interest bearing loan account.

The sale and cession of GroupCo’s existing debtors book will be at their current tax value.

5. Conditions and assumptions

This ruling is subject to the following additional conditions and assumptions:

- The proposed transaction will constitute an “intra-group transaction”, as defined in section 45, which complies with the requirements under this section.

6. Ruling

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

- Section 45 will apply to the disposal of the business unit by GroupCo to the Applicant.
- The Applicant and GroupCo will be deemed to be one and the same person under section 45(3)(a)(ii) for purposes of determining the amount of doubtful debts allowance to which the Applicant will be entitled to under section 11(j). The Applicant will be entitled to utilise GroupCo’s historical financial information when calculating such allowance in respect of the debtors so acquired.

7. Period for which this ruling is valid

This binding private ruling is valid for a period of 5 years from 5 June 2012.

Issued by:

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