South African Revenue Service

BINDING PRIVATE RULING: BPR 433

DATE: 25 November 2026

ACT : INCOME TAX ACT 58 OF 1962 (the Act)

SECTION : SECTIONS 1(1) – DEFINITION OF "EQUITY SHARES" AND "GROUP OF COMPANIES", 9D(1) – DEFINITION OF "CONTROLLED FOREIGN COMPANY", 9D(2), 41 – DEFINITION OF "GROUP OF COMPANIES" AND 47 OF THE ACT

SUBJECT : LIQUIDATION DISTRIBUTION

Preamble

This binding private ruling is published with the consent of the Applicant(s) to which it has been issued. It is binding between SARS, the Applicant and any Co-Applicant(s) only and published for general information. It does not constitute a practice generally prevailing.

1. Summary

This ruling determines the income tax consequences of a liquidation distribution.

2. Relevant tax laws

In this ruling references to sections are to sections of the Act applicable as at 18 September 2026. 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 –

- section 1(1) – definition of "equity share" and "group of companies";
- section 9D(1) – definition of "controlled foreign company";
- section 9D(2);
- section 41(1) – definition of "group of companies";
- section 47(1) - definition of "liquidation distribution";
- section 47(2);
- section 47(3A); and
- section 47(5).

3. Parties to the proposed transaction

The Applicant: A listed resident company that holds preference shares in Companies B and D

The Co-Applicant: A resident company and a wholly owned subsidiary of the Applicant

Company B:	A non-resident company and a wholly owned subsidiary of the Co-Applicant
Company C:	A non-resident company in which Company B holds 99% of the shares
Company D:	A non-resident company and wholly owned subsidiary of Company C
Company E:	A non-resident company and wholly owned subsidiary of Company D

4. Description of the proposed transaction

Companies B, D and E are all dormant entities and no longer serve a purpose for the group. The Co-Applicant and Company C remain key operating entities for the group, providing centralised support and coordination services, particularly for multinational clients of the group.

Companies B, D and E do not hold any other assets apart from the shares held in subsidiary entities, as indicated, and nominal amounts of cash held by Companies D and E respectively.

It is proposed that Companies B, D and E be wound-up as part of a broader initiative aimed at simplifying the group structure and reducing operating expenditure. Companies B and D previously issued preference shares to the Applicant. The dividend rights attached to the preference shares issued by Company B are not limited to a specified amount.

Companies B, D and E will make final pre-dissolution distributions of their remaining assets before being wound up.

The steps to implement the proposed transaction are as follows:

- Company E will make a final pre-dissolution distribution of all its assets, consisting of a negligible amount of cash, to its sole shareholder, Company D, after which Company E will be deregistered.
- In anticipation of its deregistration, Company D will distribute all its assets to the Applicant and Company C in proportion to their respective shareholdings. This will consist of a negligible amount of cash, including the cash received from Company E. The distribution will fully and finally settle the preference shares, which will then cease to exist. Company D will thereafter be deregistered.
- In a “liquidation distribution” contemplated in section 47, Company B will transfer all its shares in Company C to the Applicant in its capacity as preference shareholder. The terms of the preference shares give the Applicant a preferential right, on Company B’s dissolution, to participate in its capital ahead of all other shareholder classes. Because of the value of the Company C shares, Company B must distribute all these shares to the Applicant. The preference shares in Company B will then cease to exist, and Company B will be deregistered.
- Under an “asset-for-share transaction” contemplated in section 42, the Applicant will transfer the Company C shares received as described above

to the Co-Applicant in exchange for additional shares in the Co-Applicant.

5. Conditions and assumptions

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

a) The Applicant will acquire the shares in Company C as a capital asset.

b) The market value of the Company C shares will exceed their base cost.

c) Company B will take the steps contemplated in section 41(4) of the Act to liquidate, wind up or de-register, within a period of 36 months after the date of the liquidation distribution.

d) Company B will not at any stage withdraw any step taken to liquidate, wind-up or deregister or do anything to invalidate any step so taken, with the result that Company B will not be liquidated, wound up or deregistered.

6. Ruling

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

a) Company B will constitute a “controlled foreign company”, as defined in section 9D(1).

b) The distribution from Company B to the Applicant will qualify as a “liquidation distribution” under paragraph (*b*) of the definition.

c) Company B will be deemed to have disposed of the shares in Company C for an amount equal to their “base cost” and will not realise a “capital gain”, as provided for in section 47(2)(*a*)(i).

d) The relief provided for in section 47(2) will apply as the requirements of section 47(3A) will be met.

e) Section 47(5)(*a*) will apply to the disposal by the Applicant of the preference shares in Company B and must disregard that disposal for purposes of determining its taxable income, assessed loss, aggregate capital gain or aggregate capital loss.

f) There will be no capital gain to attribute to the Applicant or the Co-Applicant, under the provisions of section 9D(2), by reason of the disposal of the Company C shares to the Applicant.

7. Period for which this ruling is valid

This binding private ruling is valid for a period of three years from 18 September 2026.