# Frequently Asked Questions

## Liquidations



## Income Tax

# Frequently Asked Questions: Liquidations

The frequently asked questions (FAQs) in this document have been compiled on the basis of questions that liquidators and the public at large have about the tax treatment of companies and close corporations in liquidation.

These FAQs are drafted purely to assist liquidators and the public at large to obtain clarity and to ensure consistency on certain practical and technical aspects relating to the liquidation of a company or close corporation. They are therefore not intended to be used as legal reference.

These FAQs are also intended to solicit further questions regarding the practical aspects and tax treatment of companies and close corporations in liquidation. They will therefore be updated periodically to address these questions, as well as any changes to the legislation.

All forms and guides referred to in these FAQs are available on the **SARS website**. Unless indicated otherwise, the latest issues of these documents should be consulted.

**Estate Segment**
**SOUTH AFRICAN REVENUE SERVICE**
19 November 2026

## General

| Question | | Answer |
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| 1. | When is a company or a close corporation liquidated? | The liquidation or the "winding-up" of a company takes place –<br>• when the company is unable to pay its debts by application of its creditors; or a voluntary application by shareholders of the company or members of the close corporation (commonly referred to as a creditors' voluntary liquidation); or<br>• in the case of a solvent company or close corporation, by an application by shareholders of the company or members of the close corporation. |
| 2. | When is a company or close corporation regarded as solvent? | Under section 4(1)(*a*) of the Companies Act, 2008 a company satisfies the solvency test at a particular time when considering –<br>• all the reasonably foreseeable financial circumstances of the company at that time;<br>• the assets of the company, as fairly valued; and<br>• such assets are equal to or exceed the liabilities of the company, as fairly valued.<br>The same test for solvency will apply to a close corporation. |
| 3. | What does the liquidation of a *solvent* company or close corporation entail? | The winding-up of a solvent company is regulated by the Companies Act, 2008 and to the extent applicable, by Chapter 14 of the Companies Act, 1973. A solvent company may be dissolved by a voluntary winding-up or by court order.<br>A voluntary winding-up of a company begins when the resolution of the company has been filed (section 80(4) of the Companies Act, 2008).<br>The winding-up of a company by a court begins when an application has been made to court or the court has made an order applied for (section 81(4) of the Companies Act, 2008). |
| 4. | What does the liquidation of an insolvent company or close corporation entail? | An insolvent companies must be wound up under the Companies Act, 1973, either through a creditors' voluntary winding-up or by court order. |
| 5. | What does a liquidation entail? | When a company or close corporation undergoes a voluntary or compulsory liquidation (also known as the "winding-up" of a company or close corporation), it involves the process of selling all the assets, paying off creditors, issuing any remaining assets to the shareholders, and closing the company or close corporation. |

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| | | The foremost duty of a liquidator in any winding up of a company is –<br>• to recover and reduce into possession all the assets and property of the company;<br>• to apply the proceeds in satisfaction of the costs of the winding-up and the claims of the creditors; and<br>• to distribute the balance to the shareholders.<br>Under the "General Powers" provisions of the Companies Act, 1973 the liquidator may sell the assets of the company individually or the entire undertaking of the company as a going concern. |
| 6. | What is the impact of the liquidation process on the status of the directors or members? | From the commencement of the winding-up, all the powers of the directors or members of the company or close corporation concerned shall cease, except insofar as their continuance is sanctioned by the liquidator or the creditors in a creditors' voluntary winding-up or by the liquidator or the company or close corporation in a members' voluntary winding-up. |
| 7. | Are the liquidation process for a company and a close corporation different? | **No.** The procedures that apply in the winding-up of a close corporation are similar to those that apply in relation to companies under the Companies Act, 2008 and the Companies Act, 1973. |
| 8. | What is the effect of a liquidation on a *solvent* company and the removal from the companies register? | The liquidation of a solvent company results in the dissolution of the company and the removal from the companies register.<br>Once the winding-up process is completed, the Master must file a certificate of winding-up of the company in the prescribed form. Once the Master's certificate is received, the Companies and Intellectual Property Commission (CIPC) records the dissolution and removes the company from the companies register. |
| 9. | What is the effect of a liquidation on an *insolvent* company? | Once the liquidation of the insolvent company is completed, the Master issues a certificate to the CIPC and sends a copy of the certificate to the liquidator.<br>The CIPC records the dissolution and publishes a notice in this regard. The date of dissolution of the company shall be the date of recording.<br>In the case of any other body corporate, the certificate of the Master shall constitute its dissolution. |

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| **Responsibilities of the liquidator in respect of the liquidated company or close corporation** | | |
| 10. | Who is responsible for the administrative duties regarding a company or close corporation in liquidation? | The appointed liquidator is acting as the public officer for the company or close corporation in liquidation and is also the representative taxpayer of such company or close corporation in liquidation. In that capacity, the liquidator is subject to the duties, responsibilities and liabilities of the company or close corporation. |
| 11. | What are the duties of the liquidator as representative taxpayer at SARS? | The duties of the liquidator as representative taxpayer include –<br>• informing SARS of the liquidation of a taxpayer;<br>• engagement with SARS regarding the liquidated entity;<br>• submission of tax returns (if applicable); and<br>• payment of outstanding tax liabilities. |
| 12. | What are the consequences if the liquidator fails to fulfil his or her duties? | If a liquidator fails to comply with the requirements of the Income Tax Act and the Tax Administration Act relating to a company or close corporation in liquidation, that person could be held *personally liable* for any tax payable in representative capacity. Such liability will arise if the liquidator alienates, charges or disposes of the income in respect of which the tax is chargeable, or disposes of any fund or money that is in that person's possession from which the tax could legally have been paid. |

**Operational aspects**

| Question | | Answer |
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| **Reporting a liquidation to SARS** | | |
| 13. | How to report a company or close corporation in liquidation to SARS? | From the date and time that the incorporation of a company is registered, the company is a juristic person that exists continuously until its name is removed from the companies register in accordance with the Companies Act.<br>A new estate must be reported to SARS by sending it through the **SARS Online Query System** available on the **SARS website**, by selecting **Submit an Estate Query**, and the **Report New Estate** option.<br>To report a new estate case to SARS, it is important that the correct supporting documentation are submitted to SARS. SARS may also code from the advertisement of the liquidation (notice to all creditors) that is placed in the *Government Gazette*.<br>Part of the process involves the verification of the representative taxpayer. |

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| 14. | How is a representative taxpayer verified? | This process takes place automatically by SARS at the stage of coding. However, to avoid unnecessary delays, all representative taxpayers should ensure that their personal tax profile with SARS is up to date and reflects the correct contact details and e-mail address. No changes and amendments to the representative taxpayer's profile will be done at the time of updating the relationship between the estate and the representative taxpayer.<br><br>The registered representative can only be done through one of the following channels:<br>• The **SARS Online Query System** available on the **SARS website**, by selecting **Submit an Estate Query**, and the **Report New Estate** option;<br>• By making an **e-booking appointment** with SARS<br><br>For more details on how to make an appointment, visit the *External Guide – Book an Appointment at a SARS Service Centre*. |
| 15. | What documents does SARS require when reporting a company or close corporation in liquidation and for purposes of verifying and updating the representative taxpayer's details? | The following supporting documents are required:<br>• Notice of Motion (if applicable)<br>• CM26 Special Resolution (if applicable)<br>• Final court order of liquidation (Provisional court order to be provided if final court order is not available)<br>• Certificate of Appointment of the liquidator(s) (J327)<br>• Proof of identification of the liquidator(s) and/or the agent (if applicable)<br>• Where an agent is appointed to act on behalf of the liquidator, a Power of Attorney is required<br>• The name, address, e-mail address and telephone number of the representative taxpayer (the liquidator(s)) and his or her agent. |
| 16. | How do I find out at which SARS service centre a company or close corporation is registered as the offices where the income tax and value-added tax (VAT) are registered may differ? | An appointed liquidator(s) must ensure that when the case is reported to SARS, and all the relevant details of the liquidator is provided to ensure that he or she is linked to the estate as the representative taxpayer. Information can then be provided in relation to the company or close corporation. The inquiry can be addressed through the SARS service centre. |

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| 17. | If I do not have access to the company or close corporation in liquidation's eFiling details, how can I lodge the documents? | For the submission of documents, access to eFiling is not required. Documents can be submitted by sending it through the **SARS Online Query System**, by selecting the relevant document type option to submit, for example:<br>• Submit Notice of Motion<br>• Submit Creditors' Report<br>• Submit L&D Account. |
| 18. | What information does SARS require from a liquidator and who should the information be submitted to? | Once a liquidation is reported to SARS, an engagement letter will be issued to the liquidator, requesting any relevant documents not provided upon reporting of the estate.<br>Supporting documents must be submitted through the SARS website, using the **Online Query System** (**www.sars.gov.za**), and selecting "Submit an Estate Query" and the relevant document type the liquidator must submit. |
| 19. | What information is available to a liquidator from SARS? | The liquidator must be updated with SARS as the representative taxpayer as soon as the company is coded in liquidation. Only at that point can all information be shared and can the liquidator request a transfer of the eFiling profile to investigate and finalise the company's tax affairs in respect of outstanding debt and returns. If the liquidator appoints an agent to attend to any affairs of the estate on behalf of the liquidator, a Power of Attorney must also be submitted to SARS as proof that the liquidator appointed an agent. |
| 20. | Is there any form applicable to change a taxpayer's reference number when an individual is sequestrated in comparison to when a legal entity is liquidated? | For a legal entity that is liquidated, all the tax numbers in respect of the different tax types before liquidation remains the same during the post-liquidation process.<br>Separate income tax numbers are applicable only in the case of an individual who is sequestrated. The insolvent person will automatically receive a new tax reference number for the period after sequestration and must continue to submit returns on this new tax number for any income received after sequestration. Only if there is income or capital gains tax that must be declared by the insolvent estate will the trustee need to apply for a tax reference number for the insolvent estate. |
| 21. | Is there specialised assistance available to liquidators regarding queries or walk-in assistance? | **No**, liquidators may use the SARS service centre or tax practitioner (if applicable) options available. Only if the liquidator has established contact with the SARS official working on a relevant case, may the liquidator relay his or her query to the SARS official. |

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| 22. | What is the SARS process regarding requisitions? | When a nomination request is received from a liquidator, requesting support for appointment in an estate, SARS will confirm that the name of the liquidator appears on the list of approved liquidators. If the liquidator is on the panel, SARS will proceed to determine what the exposure is. If there is any exposure, SARS will complete the requisition document provided by the liquidator. This document is then sent for to management for approval. Once the signed document is received, it will be provided to the liquidator via e-mail. |
| 23. | What is the ranking of creditors, including the SARS claim according to the Insolvency Act? | With an insolvent estate there is a hierarchy of three levels of creditors, namely, secured creditors, preferent creditors, and concurrent creditors.<br><br>A secured creditor is one who holds real security for the claim is entitled to be paid out of the proceeds of the property subject to the security. The proceeds of the liquidation of a secured property will be used to pay the claim of only that secured creditor. Only if there is any balance after full payment of this claim, can the preferent and concurrent creditors share in the proceeds of that asset.<br><br>A preferent creditor does not hold any security for the debt but is entitled to payment of the claim before concurrent creditors. The preferent rights include examples such as tax and employees' salaries for a specific period. The preferent creditors' claims will be paid only if all the secured creditors' claims have been paid in full.<br><br>Only if all the claims of secured and preferent creditors have been paid in full will concurrent creditors share in the balance of the estate. If there is no money available for concurrent creditors in the residue of the estate, the concurrent creditors may have to make contribution to the administration costs of the insolvent estate, that is, have to pay in.<br><br>SARS is a preferent creditor. |
| 24. | What is the role of SARS in enquiries? | During an enquiry, and provided SARS is a creditor, SARS will enjoy all the rights just like other creditors. Creditors fund the enquiry out of their own pockets-SARS will support the enquiry only if there will be a benefit. |

| **Change of banking details** | | |
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| 25. | Can banking details at SARS be changed without going to a service centre? | The following process can be followed:<br>• The liquidator or the nominated person in the case of joint liquidators can make an online appointment. **www.sars.gov.za/contact/pages/make-an-appointment.aspx**. A case number will be generated. (Note: The Power of Attorney must be presented to confirm that the nominated person can act on behalf of the joint liquidators).<br>• All the required documents need to be scanned in under this case number before the meeting.<br>• The meeting is an online face-to-face meeting where SARS will validate that the person who is appointed as the representative is the person who is attending to the online meeting. |
| 26. | How must changing of banking details for post-liquidation be done? | Change of bank details can be requested via **one** of the following channels:<br>• On eFiling, by completing the Registration, Amendment and Verification form (RAV01) in the SARS Registered Details tab, Maintain SARS Registered Details menu;<br>• SARS Mobile Tax units;<br>• By e-mail for Exceptional Circumstances Only<br>• "In Person" at a SARS service centre, where it is impossible for the requestor to use electronic means (you may be required to make an appointment).<br>If the taxpayer is coded as an entity in liquidation state, only the person appointed by the Master can request the changes. However, authority can be delegated to a registered tax practitioner to act on behalf of the liquidator. The tax practitioner must have a Power of Attorney from the liquidator(s) and all required supporting documents for the change of banking details and authenticating the tax practitioner.<br>For more information on how to change banking details, refer to the *Change of Banking Details External Guide* available on the **SARS website**. |

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| 27. | If the liquidator does not have access to the company or close corporation's eFiling details, what steps must be taken to transfer the profile to the liquidator for further action? | The liquidator first needs to be registered as a Registered Representative (RR) at SARS. The RR can be registered through **one** of the following channels:<br>• The **SARS Online Query System** available on the **SARS website**, by selecting **Submit an Estate Query**, and the **Report New Estate** option<br>• At the **service centre**, by appointment<br>After the RR is successfully registered, the steps to **Manage Tax Types** can be followed as set out in paragraph 15 of the *External Guide – How to Register for eFiling and Manage Your User Profile*. |
| **Returns** | | |
| 28. | If a company or close corporation is in liquidation, must tax returns be filed and by whom? | Statutory obligations continue once the liquidator becomes the representative taxpayer. The liquidator, as the representative taxpayer is required to submit all outstanding returns in respect of applicable tax types. |
| **Payments** | | |
| 29. | If income tax and VAT are to be paid over to SARS and the liquidator does not have the eFiling details, how can the entity's payment reference numbers be obtained? | Statements of account can be requested from SARS through its national service centre or nearest service centre; standard verification is required.<br>For dividend payments, request a statement of account from SARS via eFiling. All payment reference numbers are reflected on the statement of account.<br>For post-liquidation tax payments, after a return was submitted and assessed, a payment reference number will be issued and will be available on the assessment. |
| 30. | Who is responsible for the taxes due up to the date of liquidation? | Once a company is placed in liquidation, the liquidator steps into the shoes of the public officer and has to fulfil all functions the public officer would have been required to fulfil. If there are outstanding liabilities in relation to a period before liquidation, it will be included as a claim in the Liquidation and Distribution Account. |
| 31. | Who is responsible for the taxes due after the date of liquidation? | Same as above. Once a company is placed in liquidation, the liquidator steps into the shoes of the public officer and must fulfil all functions the public officer would have been required to fulfil. All outstanding returns must be submitted, and if an assessment results in a liability, it must be included as a cost of liquidation in the Liquidation and Distribution Account (section 97(2)(*c*) of the Insolvency Act). |

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| 32. | How will the collection of pre-liquidation debts during the post-liquidation period be treated for income tax purposes? | The tax liability on the income received (debts collected) arose at accrual before liquidation. The tax liability forms part of the Liquidation and Distribution account as a claim if proven by SARS. |
| 33. | Who is responsible for the income tax on dividends paid to creditors? | A dividend awarded in terms of a claim against the estate is not taxable. |
| 34. | Can income tax, VAT or dividends be paid to the Guardians Funds if I do not get the required information from SARS? | **No**, the money cannot be paid to the Guardians Fund.<br>The Guardian's Fund was created to receive and manage money on behalf of persons who are legally incapable or do not have the capacity to manage their own affairs. This includes minors, unborn heirs, and missing or absent persons. The money in the Guardian's Fund is invested with the Public Investment Commission and audited annually. The High Court appoints a guardian, who can then claim maintenance for the person whose money is held in the fund. |
| **Refunds** | | |
| 35. | What is the process that must be followed to collect funds due by SARS to a company/close corporation? | The liquidator should ensure that correct banking details have been updated and all documents required for audit has been submitted (if the refund is being audited), once audit is finalised, instruction will be issued for the refund to be paid out. |
| **Income tax** | | |
| 36. | What is the income tax rate of a company or close corporation in liquidation? | The liquidation of a company does not result in a new entity coming into existence. The company remains the same person for income tax purposes until it is finally dissolved.<br>The same income tax rates as before liquidation apply. |
| 37. | What types of income are taxable in a company or close corporation in liquidation? | While it is possible for a company in liquidation to carry on a trade, most companies in liquidation do not carry on trading and their activities are usually directed to the realisation of the company's assets. Their income will often be of a passive nature in the form of interest or debts recovered.<br>The receipts and accruals of a company in liquidation (other than those of a capital nature) are included in the gross income of the company under the definition of the term "gross income" in section 1(1). |
| 38. | What taxes are due on the repayment of capital to shareholders and who is responsible for these? | A return of capital to a shareholder has capital gains tax implications for the shareholder. Generally, the base cost of the shares is reduced by the amount of the return of capital. Any excess is treated as a capital gain. |

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| 39. | Is the payment of interest on claims under section 103 of the Insolvency Act deductible for income tax purposes? | **No**. Section 23(*g*) of the Income Tax Act prohibits the deduction of any money to the extent to which such moneys were not laid out or expended for the purposes of trade. |
| 40. | What deductions are allowed in the post-liquidation income tax calculation? | Expenditure incurred in the liquidation of a company, whether solvent or insolvent, will be deductible if the requirements of section 11(*a*) read with section 23(*g*) are met.<br>Expenditure incurred in the liquidation of a company is unlikely to be deductible because it invariably will –<br>• be of a capital nature;<br>• not be incurred for the purposes of carrying on a trade; or<br>• not be in the production of income.<br>Nevertheless, a company can carry on a business while it is in liquidation, with the intention of disposing of the business as a going concern or for the company's beneficial winding-up. Under these circumstances the company may be carrying on a trade with the result that expenditure incurred by it during winding-up may qualify in whole or in part as a deduction. Expenditure incurred for both deductible and non-deductible purposes must be apportioned on a reasonable basis.<br>The facts and circumstances of each case must be considered. |
| 41. | What assets must be accounted for? | All assets recovered in the estate by the liquidator must be accounted for. This is encumbered assets and unencumbered assets. |
| 42. | Should bad debts recovered be included in gross income? | **Yes**. Bad debts recovered must be included in gross income. |
| **Value-added tax (VAT)** | | |
| 43. | What is the difference between input VAT and output VAT? | When a vendor supplies taxable goods or services, VAT must be included at the standard rate in the price charged (unless the supply concerned attracts VAT at the zero rate). This VAT is collected from the customer by the supplier and is known as **output tax** (sometimes referred to as "output VAT"). When a vendor buys taxable goods or services, the VAT paid by that vendor to the supplier is known as **input tax** (sometimes referred to as "input VAT"). |

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| 44. | How is VAT calculated for a company or close corporation in liquidation? | There is no specific method for calculating VAT that applies to vendors in liquidation. VAT is therefore calculated in the same general manner for all vendors. There may, however, be slight differences between vendors based on whether the vendor is registered to account for VAT on the invoice or payments basis, and the duration of the tax period allocated to that vendor.<br><br>The calculation is done for each tax period (usually monthly or every second month) on a VAT return known as a VAT 201 form. The VAT 201 is divided into two main parts, namely, output tax and input tax. The difference between the amounts of output tax collected from customers by a vendor and the input tax paid to suppliers by that vendor is the net amount of VAT for the tax period. Usually this will result in a net amount of VAT payable by that vendor to SARS for the tax period. However, if the input tax exceeds the output tax, the net VAT will be refunded to the vendor by SARS.<br><br>For further details see Chapter 10 of the *VAT 404 – Guide for Vendors* |
| 45. | What income and deductions can be included in the VAT calculation? | See **Question 43** above for the basics of how VAT is calculated.<br><br>See Chapters 6 to 10 of the *VAT 404 – Guide for Vendors* for details on all the different kinds of income and expenditure items that feature in the calculation of VAT for a particular tax period, including what constitutes taxable supplies and allowable deductions. |
| 46. | When must be VAT be paid over to SARS? | The VAT 201 return must be submitted together with payment of the VAT on or before the 25th day of the following month after the end of the tax period. Should the 25th day fall on a Saturday, Sunday or public holiday, the return must be submitted, and payment made on the last working day before such 25th day.<br><br>Alternatively, if the vendor is registered for eFiling, the return and payment is made by electronic means (that is, payment submitted on eFiling or effected by electronic funds transfer (EFT) through internet banking), the payment can be made on the last business day of the month after the end of the tax period concerned.114F<br><br>***Example:*** *If the tax period ends on 31 March, the vendor has until 25 April to submit the return and to make payment (or until 30 April if using eFiling to submit the return and make payment electronically).*<br><br>SARS considers payment to have been made successfully, and on time, if the payment has been received into the SARS bank account by the due date for payment and not when the vendor gives instruction for payment to be made. |

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| 47. | How does the interest and penalties work on VAT calculations? | **Penalty**<br>A percentage-based penalty of 10% is imposed on any VAT that has not been paid by the due date for payment for the tax period concerned. Section 213 of the TA Act imposes the penalty and section 39 of the VAT Act prescribes the applicable percentage. The procedure for the imposition and remittance of a percentage-based penalty is regulated by the TA Act.<br>**Interest**<br>Interest at the prescribed rate is charged per month or part of the month on late payments of VAT. The prescribed rate is linked to the rate determined under section 80 of the Public Finance Management Act (PFMA). Interest is calculated from the first day of the month after the month in which payment was due, until the outstanding amount is paid. Interest is also charged on any late payment of any understatement penalty (USP) which has been levied upon assessment.<br>For more information, see Chapter 11 of the *VAT 404 – Guide for Vendors*. |
| 48. | When can a VAT-registered entity in liquidation be exempt from VAT? | Exempt supplies are listed in section 12 of the VAT Act and generally the VAT legislation does not provide for any exemption based on the entity type or financial status of an entity. Therefore, an entity in liquidation is not afforded any special VAT treatment in the form of an exemption from the liability to register for VAT or to charge VAT on any taxable supplies made. |
| 49. | If assets are realised over two to three years when must the VAT be paid over to SARS? | As mentioned in **Questions 44** to **46** above, the VAT charged on the assets supplied (sold or realised) must be reported on the VAT 201 return for the tax period concerned and paid by the due date for payment relating to that return.<br>The relevant tax period is determined by the time of supply for that particular asset. Generally, the time of supply is the earlier of the time an invoice is issued by the supplier (or the recipient in certain instances), or the time any payment of consideration is received in respect of that supply. Specific time of supply rules apply to certain transactions. For more details on the time of supply rules, see Chapter 5 of the *VAT 404 – Guide for Vendors*.<br>The VAT concerned must therefore be paid as and when those assets are supplied, in the manner explained above, and as more fully set out in Chapter 10 of the *VAT 404 – Guide for Vendors*. |