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STAATSKOERANT

VAN DIE REPUBLIEK VAN SUID-AFRIKA

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GOVERNMENT GAZETTE

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KANTOOR VAN DIE STAATSPRESIDENT

STATE PRESIDENT'S OFFICE

No. 1418.

4 Julie 1986

No. 1418.

4 July 1986

Hierby word bekend gemaak dat die Staatspresident sy goedkeuring geheg het aan die onderstaande Wet wat hierby ter algemene inligting gepubliseer word:—

It is hereby notified that the State President has assented to the following Act which is hereby published for general information:—

—No. 65 van 1986: Inkomstebelastingwet, 1986.

No. 65 of 1986: Income Tax Act, 1986.

INCOME TAX ACT, 1986

Act No. 65, 1986

GENERAL EXPLANATORY NOTE:

- [** **]** Words in bold type in square brackets indicate omissions from existing enactments.
- Words underlined with solid line indicate insertions in existing enactments.

ACT

To fix the rates of normal tax payable by persons other than companies in respect of taxable incomes for the years of assessment ending on 28 February 1987 and 30 June 1987, and by companies in respect of taxable incomes for years of assessment ending during the period of 12 months ending on 31 March 1987; to amend the Income Tax Act, 1962; to amend the Income Tax Act, 1984; to amend the Income Tax Act, 1985; and to provide for incidental matters.

*(Afrikaans text signed by the State President.)
(Assented to 25 June 1986.)*

BE IT ENACTED by the State President and the Parliament of the Republic of South Africa, as follows:—

1. The rates of normal tax to be levied in terms of section 5 Rates of
(2) of the Income Tax Act, 1962 (Act No. 58 of 1962), hereinafter normal tax.
5 referred to as the principal Act, in respect of—
- (a) the taxable income of any person other than a company for the year of assessment ending on 28 February 1987 or 30 June 1987; and
- 10 (b) the taxable income of any company for any year of assessment ending during the period of 12 months ending on 31 March 1987,
- shall be as set forth in the Schedule to this Act.
2. (1) Section 1 of the principal Act is hereby amended—
- 15 (a) by the substitution for paragraph (a) of the definition of “benefit fund” of the following paragraph:
- “*(a)* any friendly society registered under the Friendly Societies Act, 1956 (Act No. 25 of 1956), or any fund established before 13 June 1986 which is not so registered solely because of the provisions of section 2 (2) (a) of that Act; or”;
- 20 (b) by the substitution for the proviso to paragraph (d) of the definition of “gross income” of the following proviso:
- “Provided that—
- 25 (i) the provisions of this paragraph shall not apply to any lump sum award from any pension fund, provident fund or retirement annuity fund **[or benefit fund]**;
- 30 (ii) any such amount which becomes payable in consequence of or following upon the death of any person shall be deemed to be an amount which accrued to such person immediately prior to his death”;
- Amendment of section 1 of Act 58 of 1962, as amended by section 3 of Act 90 of 1962, section 1 of Act 6 of 1963, section 4 of Act 72 of 1963, section 4 of Act 90 of 1964, section 5 of Act 88 of 1965, section 5 of Act 55 of 1966, section 5 of Act 95 of 1967, section 5 of Act 76 of 1968, section 6 of Act 89 of 1969, section 6 of Act 52 of 1970, section 4 of Act 88 of 1971, section 4 of Act 90 of 1972,

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- (c) by the substitution in paragraph (c) of the definition of "pension fund" for the words preceding the proviso of the following words:
- 5 "any fund (other than a retirement annuity fund) not so established which is approved by the Commissioner in respect of the year of assessment in question and, in the case of any such fund established on or after 1 July 1986, is registered under the provisions of the Pension Funds Act, 1956 (Act No. 24 of 1956);";
- 10 (d) by the substitution in the definition of "provident fund" for the words preceding the proviso of the following words:
- 15 "provident fund' means any fund (other than a pension fund, benefit fund or retirement annuity fund) which is approved by the Commissioner in respect of the year of assessment in question and, in the case of any such fund established on or after 1 July 1986, is registered under the provisions of the Pension Funds Act, 1956 (Act No. 24 of 1956);"; and
- 20 (e) by the substitution in the definition of "retirement annuity fund" for the words preceding the proviso of the following words:
- 25 "retirement annuity fund' means any fund (other than a pension fund, provident fund or benefit fund) which is approved by the Commissioner in respect of the year of assessment in question and, in the case of any such fund established on or after 1 July 1986, is registered under the provisions of the Pension Funds Act, 1956 (Act No. 24 of 1956);".
- 30 (2) The amendment effected by subsection (1) (b) shall apply to any amount received or accrued on or after 13 June 1986.

3. Section 5 of the principal Act is hereby amended by the substitution for paragraph (b) of subsection (10) of the following paragraph:
- 35 (b) 'A' represents the amount of normal tax (as determined after the addition of any surcharge or the deduction of any discount but before the deduction of any rebate or the addition of any loan portion of such tax) calculated at the full rate of tax chargeable for the said year in respect of a taxable income equal to the amount represented by the expression 'B - C' in the formula;".
- 40
- Amendment of section 5 of Act 58 of 1962, as substituted by section 2 of Act 6 of 1963 and amended by section 5 of Act 90 of 1964, section 6 of Act 88 of 1965, section 7 of Act 55 of 1966, section 6 of Act 95 of 1967, section 6 of Act 77 of 1968, section 7 of Act 89 of 1969, section 7 of Act 52 of 1970, section 5 of Act 88 of 1971, section 5 of Act 90 of 1972, section 5 of Act 65 of 1973, section 5 of Act 103 of 1976, section 5 of Act 113 of 1977, section 3 of Act 104 of 1980, section 4 of Act 96 of 1981, section 4 of Act 91 of 1982, section 3 of Act 94 of 1983 and section 3 of Act 121 of 1984.

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4. (1) Section 7A of the principal Act is hereby amended—
 (a) by the addition to subsection (4) of the following proviso:

Amendment of section 7A of Act 58 of 1962, as inserted by section 6 of Act 69 of 1974 and amended by section 7 of Act 103 of 1976 and section 6 of Act 96 of 1981.

5 “Provided that the provisions of this subsection shall not apply to any such amount which becomes payable in consequence of or following upon the death of the taxpayer.”;

- (b) by the addition at the end of paragraph (c) of subsection (4A) of the word “or”; and

- 10 (c) by the insertion after the said paragraph (c) of the following paragraph:

“(d) the Commissioner is satisfied that—

- 15 (i) the termination or impending termination of the taxpayer’s services is due to his employer having ceased to carry on or intending to cease carrying on the trade in respect of which the taxpayer was employed or to the taxpayer having become redundant in consequence of his employer having effected a reduction in personnel; and

- 20 (ii) the circumstances of the case warrant this concession.”.

(2) Subsection (1) (b) and (c) shall be deemed to have taken effect as from the commencement of years of assessment ended 25 or ending on or after 28 February 1986, but shall not apply in respect of any amount which is, by reason of an option exercised by the taxpayer under section 7A (4) of the principal Act, one of three instalments of an amount which was actually received by or which accrued to him before 1 March 1985.

- 30 5. Section 8 of the principal Act is hereby amended by the substitution in paragraph (c) of subsection (1) for the words preceding the proviso of the following words:

Amendment of section 8 of Act 58 of 1962, as amended by section 6 of Act 90 of 1962, section 6 of Act 90 of 1964, section 9 of Act 88 of 1965, section 10 of Act 55 of 1966, section 10 of Act 89 of 1969, section 6 of Act 90 of 1972, section 8 of Act 85 of 1974, section 7 of Act 69 of 1975, section 7 of Act 113 of 1977, section 8 of Act 94 of 1983, section 5 of Act 121 of 1984 and section 4 of Act 96 of 1985.

35 “Where any allowance is given to the holder of any office or to any employee for expenses incurred or to be incurred in respect of personal subsistence and incidental costs while such office holder or employee is by reason of the duties of his office or employment obliged to spend at least one night away from his usual place of residence in the Republic, so much of such allowance as, together with any amounts expended by the employer in respect of any of the said costs, does not exceed an amount calculated for each day or part 40 of a day in the period during which he is so absent at the rate of—

- 45 (i) R100 per day **[for each day or part of a day in the period during which he is so absent]** if the allowance is given to him to defray the cost of accommodation (other than accommodation supplied by the employer) in the Republic as well as meals and other incidental costs; or

- 50 (ii) such amount as the Commissioner may allow if the allowance is given to him to defray the cost of such accommodation outside the Republic as well as meals and other incidental costs; or

- 55 (iii) R50 per day [for each day or part of a day in the said period] in any other case, shall be deemed for the purposes of paragraph (a) to have been actually expended by him in respect of the said expenses.”.

- 60 6. Section 9 of the principal Act is hereby amended by the substitution for subsection (2) of the following subsection:

Amendment of section 9 of Act 58 of 1962, as amended by section 7 of Act 90 of 1962, section 6 of

“(2) Any interest which has been received by or has accrued to any person (other than a company) who is ordinarily resident in the Republic or has been received by or has accrued to any domestic company, in respect of any loan to

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or deposit in any building society registered under the Building Societies Act, 1965 (Act No. 24 of 1965), or any similar institution wheresoever it is incorporated, formed or established, or any dividend or share of profits distributed by any such society or similar institution which has been received by or has accrued to any such person or company, shall be deemed to have been derived from a source within the Republic, wheresoever such loan or deposit is made or held or any share to which such dividend or share of profits relates is subscribed for or held or such interest, dividend or share of profits is payable.”.

Act 72 of 1963, section 7 of Act 90 of 1964, section 9 of Act 95 of 1967, section 12 of Act 89 of 1969, section 6 of Act 65 of 1973, section 9 of Act 85 of 1974, section 8 of Act 103 of 1976, section 9 of Act 121 of 1984 and section 5 of Act 96 of 1985.

7. Section 10 of principal Act is hereby amended—

(a) by the substitution for subparagraph (v) of paragraph (cC) of subsection (1) of the following subparagraph:

“(v) in the case of an association to which the provisions of item (bb) of subparagraph (i) apply, the directors of the association are independent persons who do not derive any remuneration for their services to the association and at least one of those directors is a person nominated by **[the Minister of Community Development]** a Minister responsible for housing matters;”;

Amendment of section 10 of Act 58 of 1962, as amended by section 8 of Act 90 of 1962, section 7 of Act 72 of 1963, section 8 of Act 90 of 1964, section 10 of Act 88 of 1965, section 11 of Act 55 of 1966, section 10 of Act 95 of 1967, section 8 of Act 76 of 1968, section 13 of Act 89 of 1969, section 9 of Act 52 of 1970, section 7 of Act 90 of 1972, section 7 of Act 65 of 1973, section 10 of Act 85 of 1974, section 8 of Act 69 of 1975, section 9 of Act 103 of 1976, section 8 of Act 113 of 1977, section 4 of Act 101 of 1978, section 7 of Act 104 of 1979, section 7 of Act 104 of 1980, section 8 of Act 96 of 1981, section 6 of Act 91 of 1982, section 9 of Act 94 of 1983, section 10 of Act 121 of 1984 and section 6 of Act 96 of 1985.

(b) by the substitution in paragraph (dA) of subsection (1) for the words preceding subparagraph (i) of the following words:

“the receipts and accruals of any fund managed and controlled in the territory or in any country the territory of which formerly formed part of the Republic, if—”;

(c) by the substitution in subparagraph (xv) of paragraph (i) of subsection (1) for the expression “R250” of the expression “R500”;

(d) by the substitution in subparagraph (xvi) of paragraph (i) of subsection (1) for the expression “R250” of the expression “R500”;

(e) by the substitution for subparagraph (ii) of paragraph (nB) of subsection (1) of the following subparagraph:

“(ii) of such costs as the Commissioner may allow which have been incurred by the employee in respect of the sale of his previous residence and in settling in permanent residential accommodation at his new place of residence; or”;

(f) by the insertion after paragraph (nF) of subsection (1) of the following paragraph:

“(nG) the value of any benefit or advantage contemplated in paragraph 2 of the Seventh Schedule derived by an employee who, after having retired from full-time service with the employer by whom such benefit or advantage was granted, has been re-employed by such employer on a part-time basis, if—

(i) the cash remuneration received by or accrued to the employee in respect of such part-time employment was payable at a rate not exceeding R5 000 per annum;

(ii) the employee retired from such full-time service on or after attaining the age of 60 years or as a result of ill-health or other infirmity; and

(iii) such benefit or advantage was granted before the employee so retired;”.

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8. (1) Section 12 of the principal Act is hereby amended by the addition to subsection (5) of the following paragraph:

“(c) For the purposes of this subsection, ‘lease’ means a lease other than an operating lease as defined in section 23A (1).”.”

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(2) The amendment effected by subsection (1) shall, for the purposes of assessments under the principal Act, be deemed to have taken effect as from the commencement of years of assessment ended or ending on or after 2 October 1981.

Amendment of section 12 of Act 58 of 1962, as substituted by section 15 of Act 55 of 1966 and amended by section 12 of Act 52 of 1970, section 11 of Act 88 of 1971, section 11 of Act 90 of 1972, section 12 of Act 65 of 1973, section 15 of Act 85 of 1974, section 11 of Act 69 of 1975, section 13 of Act 113 of 1977, section 6 of Act 101 of 1978, section 10 of Act 104 of 1979, section 9 of Act 104 of 1980, section 12 of Act 96 of 1981, section 11 of Act 91 of 1982, section 14 of Act 121 of 1984 and section 9 of Act 96 of 1985.

10 9. (1) Section 12A of the principal Act is hereby amended by the addition to subsection (5) of the following paragraph:

“(c) For the purposes of this subsection, ‘lease’ means a lease other than an operating lease as defined in section 23A (1).”.”

15

(2) The amendment effected by subsection (1) shall, for the purposes of assessments under the principal Act, be deemed to have taken effect as from the commencement of years of assessment ended or ending on or after 2 October 1981.

Amendment of section 12A of Act 58 of 1962, as inserted by section 16 of Act 55 of 1966 and amended by section 13 of Act 95 of 1967, section 12 of Act 88 of 1971, section 12 of Act 69 of 1975, section 13 of Act 96 of 1981, section 12 of Act 91 of 1982 and section 12 of Act 94 of 1983.

20 10. Section 14 of the principal Act is hereby amended by the insertion after subsection (1C) of the following subsection:

“(1D) (a) Where any subsidiary company (as contemplated in paragraph (b) of the definition of ‘South African ship’ in subsection (2)) carries on business as the owner of any South African ship and does not carry on any other type of business, the parent company (as contemplated in the said paragraph) in relation to such subsidiary company may elect that such parent company and such subsidiary company shall for the purposes of this Act be deemed to be and to have been one and the same company.

(b) Any election made under paragraph (a) shall, unless the Commissioner otherwise directs, be binding upon the companies concerned in the year of assessment in respect of which it is made and in all subsequent years of assessment.

(c) The provisions of subsections (1A) and (1B) shall not apply in any year of assessment in which the provisions of this subsection are applicable.”

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Amendment of section 14 of Act 58 of 1962, as substituted by section 19 of Act 55 of 1966 and amended by section 17 of Act 85 of 1974, section 12 of Act 103 of 1976 and section 11 of Act 104 of 1979.

40 11. (1) The following section is hereby inserted in the principal Act after section 18A:

“Sponsorship allowance. 18B. (1) For the purposes of this section— ‘international event’ means any cultural, educational or sporting event held or to be held in the Re-

Insertion of section 18B in Act 58 of 1962.

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public in respect of which the Minister of Finance after consultation with the Minister of National Education is satisfied—

- 5 (a) that it is a type of event which is commonly participated in on an international basis;
- (b) that a substantial number of the participants or the key participants are or will be persons who are not residents of the Republic; and
- 10 (c) that the holding of such event is or will be of material advantage to cultural, educational or sporting activities in the Republic, and which has been approved by the Minister of Finance for the purposes of this section;

15 'sponsorship expenditure' means so much of any expenditure incurred by the taxpayer in respect of the sponsoring of any international event (including any advertising expenditure directly connected with such sponsoring) as has been allowed to be deducted from his income under the provisions of section 11 (a) or (b).

20 (2) If any taxpayer has during any year of assessment ending on or after 1 July 1986 incurred sponsorship expenditure, there shall be allowed to be deducted from his income for that year an allowance, to be known as the sponsorship allowance, equal to 80 per cent of so much of such sponsorship expenditure as the Minister of Finance may direct.”

25 (2) The amendment effected by subsection (1) shall, for the purposes of assessments under the principal Act, be deemed to have taken effect as from the commencement of years of assessment ended or ending on or after 1 July 1986.

35 12. Section 19 of the principal Act is hereby amended by the substitution in subsection (1A) for the expression “R250” of the expression “R500”.

Amendment of section 19 of Act 58 of 1962, as amended by section 15 of Act 90 of 1962, section 6 of Act 6 of 1963, section 17 of Act 88 of 1965, section 17 of Act 88 of 1971, section 14 of Act 90 of 1972, section 18 of Act 85 of 1974, section 14 of Act 104 of 1980, section 17 of Act 96 of 1981, section 15 of Act 91 of 1982, section 17 of Act 94 of 1983, section 17 of Act 121 of 1984 and section 12 of Act 96 of 1985.

40 13. (1) Section 20A of the principal Act is hereby amended—
 (a) by the substitution for subsection (1) of the following subsection:

“(1) There shall, in the determination of the taxable income of any taxpayer in whose income there is under the provisions of section 7 (2) included any earnings of

Amendment of section 20A of Act 58 of 1962, as inserted by section 19 of Act 89 of 1969 and amended by

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- his wife, be allowed as a deduction from his income so much of the total amount of **[such] the net earnings of his wife** (whether consisting of the earnings of one wife or of more than one wife) as does not in the year of assessment exceed an amount equal to the greater of **[R1 600] R1 800 or 20 per cent of the said net earnings** **[Provided that where the period of assessment is less than a full year the amount which shall be deducted under this subsection shall be limited to an amount which bears to R1 600 the same ratio as the period assessed bears to one year].**”;
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- (b) by the addition to subsection (2) of the following paragraph:
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- “(c) ‘net earnings’ means the taxable income derived by a married woman from earnings, as determined before the deduction of any amount allowable under this section and sections 11 (k), 11 (n), 18, 18A and 21quat.”; and
- 20
- (c) by the deletion of subsection (3).
- (2) The amendment effected by subsection (1) shall, for the purposes of assessments under the principal Act, be deemed to have taken effect as from the commencement of years of assessment ended or ending on or after 28 February 1986.
14. (1) Section 22 of the principal Act is hereby amended—
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- (a) by the substitution in paragraph (d) of subsection (3) for the words preceding subparagraph (i) of the following words:
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- “Where the provisions of paragraph (c) are applicable in the case of any person and the value of the trading stock held and not disposed of by him at the end of the first year of assessment referred to in paragraph (c) exceeds the value (as determined to the satisfaction of the Commissioner) at which such trading stock would have been valued on the basis of valuation previously adopted by him (hereinafter referred to as the excess), there shall, at the option of such person, be deducted from the value of that trading stock, as determined in accordance with the provisions of paragraphs (a) and (b), and from the value of similar trading stock held and not disposed of by him at the end of each of the **[four] three** succeeding years of assessment (such succeeding years being hereinafter referred to as the second, third and fourth years, in chronological order) an amount (not exceeding the value of the trading stock held and not disposed of by such person at the end of the year of assessment in question) equal to—”;
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- (b) by the substitution for paragraph (d) of subsection (5) of the following paragraph:
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- “(d) Where, at the beginning of the first year of assessment of any person ending on or after 1 April 1984, trading stock (other than trading stock consisting of marketable securities) was held by that person in respect of any trade carried on by him, and the cost price of such trading stock was **[valued] determined** on the basis of trading stock valuation adopted by him in accordance with paragraph (a), and the **[value] cost price** of such trading stock, as determined on the said basis, was less than the cost price of that trading stock, as determined under subsection (3) (a), but without applying paragraph (a) of this subsection, the difference between the **[said value] first-mentioned cost price** and the **[said] last-mentioned cost price** (such dif-
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section 16 of Act 52 of 1970, section 15 of Act 90 of 1972, section 19 of Act 85 of 1974, section 17 of Act 69 of 1975, section 15 of Act 113 of 1977, section 12 of Act 104 of 1979, section 15 of Act 104 of 1980, section 18 of Act 96 of 1981 and section 17 of Act 91 of 1982.

Amendment of section 22 of Act 58 of 1962, as amended by section 8 of Act 6 of 1963, section 14 of Act 90 of 1964, section 21 of Act 89 of 1969, section 20 of Act 69 of 1975, section 15 of Act 103 of 1976, section 20 of Act 94 of 1983 and section 19 of Act 121 of 1984.

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ference hereinafter being referred to as the LIFO reserve) shall be dealt with as provided in paragraph (e): Provided that where any person to whom the provisions of paragraph (c) of subsection (3) are applicable has in the determination of the first-mentioned cost price adopted a basis of valuation contemplated in that paragraph, such basis of valuation shall also be applied in the determination of the last-mentioned cost price.”; and

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- 10 (c) by the substitution for subparagraph (i) of paragraph (f) of subsection (5) of the following subparagraph:
 - 15 (i) **[prior to the date of promulgation of the Income Tax Act, 1984]** any commercial or industrial undertaking has been acquired by one company from another company;”.

(2) The amendment effected by subsection (1) shall, for the purposes of assessments under the principal Act, be deemed to have taken effect as from the commencement of years of assessment ended or ending on or after 1 April 1984.

- 20 15. (1) Section 23A of the principal Act is hereby amended—
 - 25 (a) by the substitution in subsection (1) in the definition of “machinery, plant or aircraft rental” for the words following on paragraph (b) of the following words:
 - 30 “but excluding any such rental which is derived by the lessor under an operating lease or from the letting of any such machinery, plant or aircraft which was during the year of assessment mainly used by him in the course of any trade carried on by him, other than the letting of the said machinery, plant or aircraft;”; and
 - 35 (b) by the insertion in subsection (1) after the definition of “machinery, plant or aircraft rental” of the following definition:
 - 40 “‘operating lease’ means a lease of movable property concluded by a lessor in the ordinary course of a business (not being the business of a banker or financier) of letting such property, if—
 - 45 (a) such property may be hired by members of the general public for a period of less than one month;
 - (b) the cost of maintaining such property and of carrying out repairs thereto required in consequence of normal wear and tear, is borne by the lessor; and
 - (c) subject to any claim that the lessor may have against the lessee by reason of the lessee’s failure to take proper care of the property, the risk of destruction or loss of or other disadvantage to such property is not assumed by the lessee;”.

Amendment of section 23A of Act 58 of 1962, as inserted by section 21 of Act 121 of 1984 and amended by section 13 of Act 96 of 1985.

(2) The amendment effected by subsection (1) shall, for the purposes of assessments under the principal Act, be deemed to have taken effect as from the commencement of years of assessment ended or ending on or after 15 March 1984.

- 55 16. (1) The following section is hereby substituted for section 24 of the principal Act:
 - “Credit agreements and debtors allowance. 24. (1) If any taxpayer has entered into any agreement with any other person in respect of any property the effect of which is that, in the case of movable property, the ownership shall pass or, in the case of immovable property, transfer shall be passed from the taxpayer to that other person, upon or after the receipt by the taxpayer of the whole or a certain

Amendment of section 24 of Act 58 of 1962, as amended by section 22 of Act 89 of 1969, section 21 of Act 94 of 1983 and section 14 of Act 96 of 1985.

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5 portion of the amount payable to the taxpayer under the agreement, the whole of that amount shall for the purposes of this Act be deemed to have accrued to the taxpayer on the day on which the agreement was entered into [**Provided that**].

10 (2) In the case of such an agreement in terms of which **[such ownership or transfer shall not so pass or be passed before the receipt by the taxpayer of a portion of the said amount payable, which portion]** at least 25 per cent of the said amount payable only becomes due and payable on or after the expiry of a period of not less than 12 months after the date of the said agreement, the Commissioner, taking into consideration any allowance he has made under section 11 (j), may make such further allowance as under the special circumstances of the trade of the taxpayer seems to him reasonable, in respect of all amounts which are deemed to have accrued under such agreements but which have not been received at the close of the taxpayer's accounting period: **Provided [further]** that any allowance so made shall be included as income in the taxpayer's returns for the following year of assessment and shall form part of his income.

25 (3) Where—

- (a) any taxpayer has in respect of his latest year of assessment ended before 1 January 1986 in good faith claimed an allowance under this section as applicable in that year;
- 30 (b) such allowance was granted in accordance with the generally prevailing practice of the Commissioner as applicable in that year; and
- 35 (c) in consequence of the amendment to this section effected by section 14 of the Income Tax Act, 1985 (Act No. 96 of 1985), or section 16 of the Income Tax Act, 1986, such allowance may not be granted in respect of the first year of assessment of the taxpayer ended or ending on or after 1 January 1986,
- 40 there shall be allowed to be deducted from the income of the taxpayer for his said first year of assessment and each of the three succeeding years of assessment (such succeeding years of assessment being referred to in this section as the second, third and
- 45 fourth years, in chronological order) an allowance calculated in accordance with the provisions of subsection (4).

(4) The allowance under subsection (3) shall be—

- (a) in respect of the said first year, 80 per cent;
- 50 (b) in respect of the said second year, 60 per cent;
- (c) in respect of the said third year, 40 per cent; and
- (d) in respect of the said fourth year, 20 per cent,

55 of an amount equal to the lesser of the allowance contemplated in subsection (3) (b) and so much of any allowance which, but for the amendment referred to in subsection (3) (c), would have been granted under subsection (2) in respect of the relevant year but which may in consequence of such amendment not be granted.”

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(2) The amendment effected by subsection (1) shall, in so far as it relates to the addition of subsections (3) and (4) to section 24 of the principal Act, be deemed to have taken effect as from the commencement of years of assessment ended or ending on 5 or after 1 January 1986.

17. Section 28 of the principal Act is hereby amended—

(a) by the substitution for subparagraph (i) of paragraph (a) of subsection (1) of the following subparagraph:

10 “(i) amounts proved to the satisfaction of the Commissioner to have been derived by the taxpayer from the investment of funds attributable to any long-term insurance business carried on by him in the Republic with any pension fund or retirement annuity fund or to any long-term insurance business
15 carried on by the taxpayer in the territory or in any country the territory of which formerly formed part of the Republic with any fund the receipts and accruals of which are exempt from tax under the provisions of section 10 (1) (dA)”; and

20 (b) by the insertion after subsection (1) of the following subsection:

25 “(1A) There shall be deducted from the taxable income determined in terms of subsection (1) so much of any expenditure incurred by the taxpayer in respect of any regional services levy and any regional establishment levy payable in terms of the Regional Services Councils Act, 1985 (Act No. 109 of 1985), as is proved to the satisfaction of the Commissioner to have been payable in relation to any long-term insurance business carried on by the taxpayer and any managerial or secretarial or other services rendered by him, if the gross amounts derived by him from the carrying on of such long-term insurance business or the rendering of such managerial or secretarial or other services are included
30 in the said taxable income.”

Amendment of section 28 of Act 58 of 1962, as amended by section 17 of Act 90 of 1962, section 22 of Act 55 of 1966, section 24 of Act 89 of 1969, section 21 of Act 88 of 1971, section 19 of Act 65 of 1973, section 19 of Act 91 of 1982 and section 22 of Act 94 of 1983.

18. (1) Section 64C of the principal Act is hereby amended by the substitution for paragraph (a) of the following paragraph:

40 “(a) any interest accruing from the Government (including the South African Transport Services and any provincial administration [and the administration of the territory]), any local authority, the Local Authorities Loans Fund established by section 2 of the Local Authorities Loans Fund Act, 1984 (Act No. 67 of 1984), the Electricity Supply Commission, the South African Reserve Bank, the South African Broadcasting Corporation or the Development Bank of Southern Africa established on 30 June 1983;”

45 (2) Subsection (1) shall be deemed to have come into operation on 1 January 1985.

Amendment of section 64C of Act 58 of 1962, as added by section 20 of Act 95 of 1967 and amended by section 15 of Act 76 of 1968, section 36 of Act 89 of 1969, section 21 of Act 52 of 1970, section 26 of Act 88 of 1971, section 20 of Act 90 of 1972, section 42 of Act 85 of 1974, section 22 of Act 113 of 1977, section 14 of Act 104 of 1979, section 22 of Act 104 of 1980, section 24 of Act 96 of 1981, section 21 of Act 91 of 1982, section 34 of Act 94 of 1983 and section 29 of Act 121 of 1984.

50 19. Section 66 of the principal Act is hereby amended by the substitution in subsection (1) for items (aa) and (bb) of subparagraph (ii) of paragraph (b) of the following items, respectively:

Amendment of section 66 of Act 58 of 1962, as amended by

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“(aa) any amount derived by way of interest or dividends contemplated in section 19 (5A) if the aggregate of such interest and dividends exceeded **[R100] R500**; or
 5 (bb) any amount derived otherwise than by way of interest **[dividends]** and remuneration (as defined in paragraph 1 of the Fourth Schedule).”

section 10 of Act 6 of 1963, section 19 of Act 90 of 1964, section 27 of Act 88 of 1971 and section 22 of Act 91 of 1982.

20. (1) Section 89 of the principal Act is hereby amended by the substitution for subsection (2) of the following subsection:

Amendment of section 89 of Act 58 of 1962, as substituted by section 13 of Act 6 of 1963 and amended by section 25 of Act 91 of 1982 and section 31 of Act 121 of 1984.

10 “(2) If the taxpayer fails to pay any tax in full within the period for payment notified by the Commissioner in the notice of assessment **[for any extension of such period which the Commissioner may grant having regard to the circumstances of the case]** or within the period for payment prescribed by this Act, as the case may be, interest shall, **[subject to the provisions of section 89quin]** unless the Commissioner having regard to the circumstances of the case grants an extension of such period and otherwise directs, be paid by the taxpayer at the prescribed rate on the outstanding balance of such tax in respect of each completed month (reckoned from the date for payment specified in the notice of assessment or the date on which the tax has become payable in terms of this Act, as the case may be) during which any portion of the tax has remained unpaid.”

25 (2) Where prior to the commencement of subsection (1) any taxpayer has in accordance with generally prevailing practice paid or become liable to pay any interest in consequence of his failure to pay any tax in full within the period for payment notified by the Commissioner for Inland Revenue in the relevant notice of assessment or within the period for payment prescribed by the principal Act, as the case may be, such interest shall, notwithstanding anything to the contrary contained in section 89 of the principal Act prior to the amendment thereof by subsection (1), be deemed to have been properly payable under the provisions of that section.

35 21. Section 89bis of the principal Act is hereby amended by the deletion of the proviso to subsection (2).

Amendment of section 89bis of Act 58 of 1962, as inserted by section 14 of Act 6 of 1963 and amended by section 21 of Act 95 of 1967, section 28 of Act 88 of 1971, section 45 of Act 85 of 1974, section 26 of Act 91 of 1982, section 35 of Act 94 of 1983 and section 32 of Act 121 of 1984.

22. (1) The following section is hereby substituted for section 89quat of the principal Act:

Amendment of section 89quat of Act 58 of 1962, as inserted by section 34 of Act 121 of 1984.

40 “Interest on underpayments and overpayments of provisional tax.
 45 **89quat. (1) For the purposes of this section—**
 ‘credit amount’, in relation to any year of assessment of any provisional taxpayer, means the sum of—
 (a) the provisional tax paid by the taxpayer under the provisions of paragraph 21, 22 or 23 of the Fourth Schedule in respect of such year;

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- 5 (b) any additional provisional tax paid by the taxpayer in respect of such year under the provisions of paragraph 23A of that Schedule;
- (c) any amounts of employees tax deducted or withheld by the taxpayer's employer during such year; and
- 10 (d) any other amount standing to the credit of the taxpayer on the date of assessment of his liability for normal tax for such year and which is available to be set off against such liability;
- 15 'effective date', in relation to any year of assessment of a provisional taxpayer, means the date falling 6 months after the last day of such year as applicable for the purposes of the provisions of paragraph 21, 22 or 23 of the Fourth Schedule.

20 (2) If the taxable income of any provisional taxpayer as finally determined for any year of assessment exceeds—

- (a) R20 000 in the case of a company; or
- (b) R50 000 in the case of any person other than a company,

25 and the normal tax payable by him in respect of such taxable income exceeds the credit amount in relation to such year, interest shall, subject to the provisions of subsection (3), be payable by the taxpayer at the prescribed rate on the amount by which such normal tax exceeds the credit amount, such interest being

30 calculated from the effective date in relation to the said year until the date of assessment of such normal tax.

35 (3) Where the Commissioner having regard to the circumstances of the case is satisfied that any amount has been included in the taxpayer's taxable income or that any deduction or allowance claimed by the taxpayer has not been allowed, and the taxpayer has on reasonable grounds contended that such amount should not have been so included or that such deduction or allowance should have been allowed, the

40 Commissioner may direct that interest shall not be paid by the taxpayer on so much of the said normal tax as is attributable to the inclusion of such amount or the disallowance of such deduction or allowance.

45 (4) If in the case of any provisional taxpayer the credit amount in relation to any year of assessment exceeds the normal tax payable in respect of his taxable income as finally determined for that year and such taxable income exceeds R20 000 in the case of a

50 company or R50 000 in the case of any person other than a company, interest shall be payable to the taxpayer at the prescribed rate on the difference between the credit amount and such normal tax, such interest being calculated from the effective date in

55 relation to the said year until the date on which such difference is refunded to the taxpayer."

(2) The amendment effected by subsection (1) shall apply—

- 60 (a) in relation to any company, with effect from the commencement of years of assessment ended or ending on or after 28 February 1986; and
- (b) in relation to any person other than a company, with effect from the commencement of years of assessment ending on or after 28 February 1987.

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23. The following section is hereby inserted in the principal Act after section 105:

Insertion of section 105A in Act 58 of 1962.

“Reporting of unprofessional conduct.”

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- 105A. (1)** For the purposes of this section ‘controlling body’ means any professional association, body or board which has been established, whether voluntarily or by or under any law, for the purpose of exercising control over the carrying on of any profession, calling or occupation and which has power to take disciplinary action against any person who in the carrying on of such profession, calling or occupation fails to comply with or contravenes any rules or code of conduct laid down by such association, body or board.
- (2) Where any person who carries on any profession, calling or occupation in respect of which a controlling body has been established has, in relation to the affairs of any taxpayer, done or omitted to do anything which in the opinion of the Commissioner—
- (a) was intended to enable or assist such taxpayer to avoid or unduly postpone the performance of any duty or obligation imposed on such taxpayer by or under this Act, or by reason of negligence on the part of such person resulted in the avoidance or undue postponement of the performance of any such duty or obligation; and
- (b) constitutes a contravention of any rule or code of conduct laid down by the controlling body which may result in disciplinary action being taken against such person by that body, the Commissioner may lodge a complaint with the said controlling body.
- (3) (a) Notwithstanding the provisions of section 4 of this Act the Commissioner may in lodging any complaint under subsection (2) disclose such information relating to the taxpayer’s affairs as in the opinion of the Commissioner it is necessary to lay before the controlling body to which the complaint is made.
- (b) Before lodging any such complaint or disclosing such information the Commissioner shall deliver or send to the taxpayer and the person against whom the complaint is to be made a written notification of his intended action setting forth particulars of the said information.
- (c) The taxpayer or the said person may within 30 days after the date of such written notification lodge in writing with the Commissioner any objection he may have to the lodging of the said complaint.
- (d) If on the expiry of the said period of 30 days no objection has been lodged as contemplated in paragraph (c) or, if an objection has been lodged and the Commissioner is not satisfied that the objection should be sustained, the Commissioner may thereupon lodge the complaint as contemplated in subsection (2).
- (4) The complaint shall be considered by the controlling body to which it is made and may be dealt with by it in such manner as the controlling body in terms of its rules sees fit: Provided that any hearing of the matter shall not be public and may only be attended by persons whose attendance, in the opinion of the controlling body, is necessary for the proper consideration of the complaint.
- (5) The controlling body with which a complaint is lodged and its members shall at all times preserve and aid in preserving secrecy in regard to such information as to the affairs of the taxpayer as may be conveyed to them by the Commissioner or as may otherwise come to their notice in the investigation of

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5 the Commissioner's complaint and shall not communicate such information to any person whomsoever other than the taxpayer concerned or the person against whom the complaint is lodged, unless the disclosure of such information is ordered by a competent court of law."

24. Paragraph 1 of the Second Schedule to the principal Act is hereby amended—
- 10 (a) by the substitution in the definition of "formula A" for the expression "R40 000" of the expression "R60 000";
- (b) by the substitution for paragraph (c) of the definition of "formula A" of the following paragraph:
- 15 "(c) in the case of a member of a pension fund who was permitted to retain his membership of such fund in the circumstances contemplated in paragraph [(b) (v)] (ii) (ee) of the proviso to paragraph (c) of the definition of 'pension fund' in section 1 of this Act, the period of employment of such member shall be deemed to include the period during which he continued to be a member after becoming a partner, and for the purpose of determining his average salary he shall be deemed to have earned during the last-mentioned period a salary calculated at the rate at which the amount of his pensionable emoluments contemplated in the said paragraph [(b) (v)] (ii) (ee) was payable during the 12 months referred to in that paragraph;"; and
- 20 (c) by the substitution in subparagraph (i) of paragraph (b) of the definition of "formula B" for the expressions "R80 000" and "R3 000" of the expressions "R120 000" and "R4 500", respectively.
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25. Paragraph 5 of the Second Schedule to the principal Act is hereby amended—
- 35 (a) by the substitution in item (a) of subparagraph (2) for the expression "R16 000" of the expression "R24 000"; and
- (b) by the substitution in item (b) of subparagraph (2) for the expression "R40 000", wherever it occurs, of the expression "R60 000".
- 40 26. (1) Paragraph 18 of the Fourth Schedule to the principal Act is hereby amended by the addition to subparagraph (1) of the following item:
- 45 "(d) any natural person (other than a director of a private company) who on the last day of the year of assessment will be over the age of 65 years, if the Commissioner is satisfied that such person's taxable income for that year—
- 50 (i) will not exceed R20 000;
- (ii) will not be derived wholly or in part from the carrying on of any business; and
- (iii) will not be derived otherwise than from remuneration, interest, dividends, dividends on shares in any permanent building society or rental from the letting of fixed property."
- 55 (2) Subsection (1) shall be deemed to have taken effect on 1 November 1985.

Amendment of paragraph 1 of 2nd Schedule to Act 58 of 1962, as amended by section 31 of Act 90 of 1962, section 23 of Act 90 of 1964, section 34 of Act 88 of 1971, section 34 of Act 69 of 1975, section 26 of Act 113 of 1977, section 17 of Act 104 of 1979, section 27 of Act 104 of 1980, section 28 of Act 96 of 1981 and section 46 of Act 94 of 1983.

Amendment of paragraph 5 of 2nd Schedule to Act 58 of 1962, as amended by section 31 of Act 90 of 1962, section 21 of Act 72 of 1963, section 25 of Act 90 of 1964, section 35 of Act 88 of 1971, section 35 of Act 69 of 1975, section 27 of Act 113 of 1977, section 28 of Act 104 of 1980 and section 48 of Act 94 of 1983.

Amendment of paragraph 18 of 4th Schedule to Act 58 of 1962, as added by section 19 of Act 6 of 1963 and amended by section 28 of Act 90 of 1964, section 42 of Act 88 of 1971, section 49 of Act 85 of 1974 and section 19 of Act 104 of 1979.

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27. (1) Paragraph 23 of the Fourth Schedule to the principal Act is hereby amended—
- (a) by the deletion at the end of subparagraph (b) of the word "and"; and
- 5 (b) by the deletion of subparagraph (c).
- (2) Subsection (1) shall be deemed to have taken effect as from the commencement of years of assessment ended or ending on or after 28 February 1986.
28. (1) The following heading and paragraph are hereby substituted for the heading immediately preceding paragraph 23A of the Fourth Schedule to the principal Act and that paragraph, respectively:
- "ADDITIONAL PROVISIONAL TAX PAYMENTS **[by Companies]**
- 15 23A. (1) Any **[company which is a]** provisional taxpayer may for the purpose of avoiding or reducing **[its] his** liability for any interest which may become payable by **[it] him** in respect of any year of assessment under section 89quat, elect to make an additional payment of provisional tax in
- 20 respect of such year.
- (2) **If** any additional payment of provisional tax contemplated in subparagraph (1) **[which]** is paid after the end of the period **[referred to in paragraph 23 (c), as applicable] ending on the effective date in relation to the said year as**
- 25 **determined under section 89quat (1), such payment shall be deemed for the purposes of section 89bis (2) to be an amount of provisional tax which was payable within the said period.**"
- (2) Subsection (1) shall—
- 30 (a) in the case of any company, be deemed to have taken effect as from the commencement of years of assessment ended or ending on or after 28 February 1986; and
- 35 (b) in the case of any person other than a company, take effect as from the commencement of years of assessment ending on or after 28 February 1987.
29. Paragraph 27 of the Fourth Schedule to the principal Act is hereby amended by the deletion of subparagraph (3).
30. (1) Paragraph 28 of the Fourth Schedule to the principal Act is hereby amended—
- (a) by the substitution for subparagraph (1) of the following subparagraph:
- "(1) There shall be set off against the liability of the taxpayer in respect of any taxes (as defined in subparagraph (8)) due by the taxpayer, the amounts of employees tax deducted or withheld by the taxpayer's employer during any year of assessment for which the taxpayer's liability for normal tax has been assessed by the Commissioner and the amounts of provisional tax paid by the taxpayer in respect of any such year, and
- 45 ~~if—~~
- 50 (a) **[if in the case of a taxpayer who is not a provisional taxpayer] the sum of the said amounts of employees tax and provisional tax exceeds the amount of the taxpayer's total liability for the said taxes, the excess amount shall be refunded to the taxpayer; or**
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Amendment of paragraph 23 of 4th Schedule to Act 58 of 1962, as substituted by section 51 of Act 94 of 1983 and amended by section 41 of Act 121 of 1984.

Substitution of paragraph 23A of 4th Schedule to Act 58 of 1962, as inserted by section 42 of Act 121 of 1984.

Amendment of paragraph 27 of 4th Schedule to Act 58 of 1962, as added by section 19 of Act 6 of 1963 and amended by section 43 of Act 121 of 1984.

Amendment of paragraph 28 of 4th Schedule to Act 58 of 1962, as added by section 19 of Act 6 of 1963 and amended by section 29 of Act 90 of 1964, section 30 of Act 95 of 1967, section 48 of Act 89 of 1969, section 48 of Act 88 of 1971, section 23 of Act 90 of 1972, section 55 of Act 85 of 1974, section 53 of Act 94 of 1983 and section 44 of Act 121 of 1984.

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5 (b) [if, in the case of any provisional taxpayer, the sum
of the said amounts of employees tax and provision-
al tax exceeds the taxpayer's total liability for
the said taxes, the Commissioner shall not be re-
quired to make any refund of the excess amount (or
any portion thereof) standing to the taxpayer's
credit unless the Commissioner is satisfied, having
regard to the circumstances of the case, that a re-
fund of such excess amount (or a portion thereof) is
warranted, and any amount (after the deduction of
any amount refunded to the taxpayer) standing to
the taxpayer's credit shall be set off against the tax-
payer's liability for any of the said taxes for which
he is subsequently assessed by the Commissioner or
may be set off in whole or in part against any
amount of provisional tax which the taxpayer is re-
quired to pay under this Schedule; and (c) if, in the
case of any taxpayer] the taxpayer's total liability
for the aforesaid taxes exceeds the sum of the said
amounts of employees tax and provisional tax, the
amount of the excess shall be payable by the tax-
payer to the Commissioner."; and

(b) by the deletion of subparagraph (1) *bis*.

(2) Subsection (1) shall—

25 (a) in the case of any company, be deemed to have taken
effect as from the commencement of years of assess-
ment ended or ending on or after 28 February 1986;
and

30 (b) in the case of any person other than a company, take
effect as from the commencement of years of assess-
ment ending on or after 28 February 1987.

31. (1) Paragraph 10 of the Sixth Schedule to the principal Act
is hereby amended—

35 (a) by the substitution in subitem (ii) of item (b) of subpa-
ragraph (1) for the words preceding the proviso of the
following words:

40 "it secures the payment of an insurance benefit
which is payable at any time while the policy is in
force upon or by reason of the death or the death
or earlier disablement (occurring after the com-
mencement date of the policy) of the person whose
life is insured under the policy, or, where the lives
of more than one person are insured under the
policy, of the first of such persons who so dies or
becomes disabled, and which benefit is not less
than an amount equal to eight times the total net
premiums payable in respect of the first full year
reckoned from the commencement date of the
policy, or if the premiums payable during any
period of 12 months ending within a period of 10
years reckoned from the said commencement date
may under the conditions of the policy be in-
creased to an amount exceeding 115 per cent of
the premiums payable during the period of 12
months immediately preceding such first-men-
tioned period of 12 months, eight times the highest
total net premiums which will be or may become
payable during any period of 12 months ending
within the said period of 10 years:"; and

60 (b) by the addition of the following subparagraph:

Amendment of
paragraph 10 of
6th Schedule to
Act 58 of 1962,
as added by
section 28 of
Act 90 of 1972
and amended by
section 21 of
Act 96 of 1985.

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5 “(3) Where the owner of any insurance policy is a person (whether a natural person or not) acting in a fiduciary capacity, such person shall for the purposes of subparagraph (1) be deemed—
 (a) to be a natural person if he owns such policy solely for the benefit of one or more natural persons; or
 (b) not to be a natural person in any other case.”
 (2) Subsection (1) (b) shall be deemed to have taken effect as from the commencement of years of assessment ended or ending 10 on or after 24 May 1985.

32. (1) Paragraph 14 of the Sixth Schedule to the principal Act is hereby amended—
 (a) by the substitution in item (e) of subparagraph (1) for the words preceding the proviso of the following words:
 15 “the policy (other than a policy which qualifies as a standard policy under the provisions of paragraph 13 (1) (c)) is surrendered in whole or in part within a period of ten years reckoned from the commencement date of the policy (or in the case of a policy which qualified as a standard policy under the provisions of subparagraph (1A) of paragraph 13, from the date on which the policy was varied as contemplated in that subparagraph) or, in the case of a policy (other than a policy the application for which was made and accepted in writing on or before 14 August 1974 or a policy referred to in item (eA)) which qualifies as a standard policy under the provisions of paragraph 13 (1) (a) and not under any other provision of this Part, it is at any time surrendered in whole or in part;”;
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 30 (b) by the insertion after the said item (e) of the following item:
 35 “(eA) in the case of a policy (other than a policy the proposal for which was made to the insurer in writing not later than 13 June 1986) which qualifies as a standard policy under the provisions of paragraph 13 (1) (a) and not under any other provision of this Part, it is at any time surrendered in whole or in part;”
 40 (2) Subsection (1) shall be deemed to have taken effect as from the commencement of years of assessment ended or ending on or after 13 June 1986.

Amendment of paragraph 14 of 6th Schedule to Act 58 of 1962, as added by section 28 of Act 90 of 1972 and amended by section 37 of Act 65 of 1973, section 67 of Act 85 of 1974, section 29 of Act 96 of 1981 and section 24 of Act 96 of 1985.

33. (1) Paragraph 1 of the Seventh Schedule to the principal Act is hereby amended by the substitution in the definition of
 45 “official rate of interest” for the expression “18 per cent” of the expression “15 per cent”.
 (2) Subsection (1) shall be deemed to have come into operation on 1 December 1985.

Amendment of paragraph 1 of 7th Schedule to Act 58 of 1962, as added by section 46 of Act 121 of 1984 and amended by section 26 of Act 96 of 1985 and Government Notice No. R.2706 of 29 November 1985.

34. (1) Paragraph 9 of the Seventh Schedule to the principal
 50 Act is hereby amended—
 (a) by the substitution for subitem (ii) of item (b) of subparagraph (3) of the following subitem:
 55 “(ii) [the accommodation in question is owned by the employee or the spouse or minor child of the employee or] the employee, his spouse or minor child has a right of option or pre-emption granted by the

Amendment of paragraph 9 of 7th Schedule to Act 58 of 1962, as added by section 46 of Act 121 of 1984 and amended by section 31 of Act 96 of 1985.

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5 employer or by any other person by arrangement with the employer or any associated institution in relation to the employer whereby the employee, his spouse or minor child may become the owner of the accommodation,”; and
 (b) by the substitution for subparagraph (9) of the following subparagraph:
 10 “(9) Where the accommodation in question is owned by the employee **[or]**, his spouse or minor child and has been let by him, his spouse or minor child to the employer or any associated institution in relation to the employer, the rental value of the accommodation shall be deemed to be the rental payable therefor by the employer or associated institution, and in such case the
 15 said rental shall for the purposes of this Act (excluding this subparagraph) be deemed not to have been received by or not to have accrued to the employee, his spouse or minor child.”.

(2) The amendments effected by subsection (1) shall, for the
 20 purposes of assessments under the principal Act, be deemed to have taken effect as from the commencement of years of assessment ended or ending on or after 1 January 1986.

35. (1) Paragraph 11 of the Seventh Schedule to the principal Act is hereby amended—

25 (a) by the substitution in subparagraph (2) for the words preceding item (a) of the following words:
 “For **[employees tax]** the purposes of this Act —”; and
 (b) by the addition to item (b) of subparagraph (2) of the
 30 following proviso:
 “Provided that where the official rate of interest has been altered with effect from any date, any cash equivalent which is under item (a) deemed to have accrued to the employee on any date falling before the date on which such interest rate was so altered shall be determined as though such rate of interest had not been so altered.”.

Amendment of paragraph 11 of 7th Schedule to Act 58 of 1962, as added by section 46 of Act 121 of 1984 and amended by section 33 of Act 96 of 1985.

(2) The amendments effected by subsection (1) shall, for the
 40 purposes of assessments under the principal Act, be deemed to have taken effect as from the commencement of years of assessment ended or ending on or after 1 January 1986.

36. (1) Paragraph 14 of the Seventh Schedule to the principal Act is hereby amended—

45 (a) by the substitution in subsection (1) for the words preceding item (a) of the following words:
 “Subject to the provisions of subparagraph (2) where an employee has under a home ownership or housing scheme approved by the Commissioner for the purposes of this paragraph, derived a taxable benefit in consequence of the granting of a loan or in respect of a subsidy on interest or capital repayments in respect of a loan, and in either case the loan was utilized wholly for the purposes of acquiring, erecting, extending or improving his private residence, or was utilized wholly to replace a loan utilized for such a purpose, or was granted to assist the employee to make repayments under a loan utilized for such a purpose, the cash equivalent of such benefit, as determined under paragraph 11 or 12, whichever is applicable, and paragraph 13A, shall be reduced—”; and

Amendment of paragraph 14 of 7th Schedule to Act 58 of 1962, as added by section 46 of Act 121 of 1984 and amended by section 37 of Act 96 of 1985.

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(b) by the deletion of subparagraph (3).

(2) The amendment effected by subsection (1) (a) shall, for the purposes of assessments under the principal Act, be deemed to have taken effect as from the commencement of years of assessment ended or ending on or after 1 January 1986.

37. (1) Paragraph 15 of the Seventh Schedule to the principal Act is hereby amended—

Amendment of paragraph 15 of 7th Schedule to Act 58 of 1962, as added by section 46 of Act 121 of 1984 and amended by section 38 of Act 96 of 1985.

(a) by the substitution in item (b) of subparagraph (1) for the words preceding subitem (i) of the following words:

10 “determined under paragraph 7, 9, ~~or~~ 11 or 12 in respect of any taxable benefit derived by an employee during the year of assessment ending on—”; and

(b) by the substitution for item (c) of subparagraph (2) of the following item:

15 “(c) the cash equivalent of any taxable benefit derived in consequence of the granting or subsidizing of a loan, unless the lender and borrower under such loan had on or before 13 February 1985 bound themselves to grant and receive the loan.”

20 (2) The amendment effected by subsection (1) shall, for the purposes of assessments under the principal Act, be deemed to have taken effect as from the commencement of years of assessment ended or ending on or after 1 January 1986.

25 38. Section 50 of the Income Tax Act, 1984, is hereby amended by the substitution for subsection (2) of the following subsection:

Amendment of section 50 of Act 121 of 1984.

30 “(2) The amendments effected to the principal Act by sections 2 (1) (e), (f) and (g) ~~and (i)~~, 5 (1) (a), 9, 10 (1) (f) and (g), 11 (1) (i) and (j), 20 (b), 23, 28 and 46, and the amendments effected by sections 48 and 49, shall take effect as from the commencement of years of assessment ending on or after 1 March 1985.”

35 39. Section 6 of the Income Tax Act, 1985, is hereby amended—

Amendment of section 6 of Act 96 of 1985.

(a) by the substitution for paragraph (a) of subsection (1) of the following paragraph:

40 “(a) by the substitution for subparagraphs (i) and (ii) of paragraph (c) of subsection (1) of the following [paragraph] subparagraphs:

45 ‘[(c)] (i) the salary and emoluments payable to the State President;
(ii) any pension payable to any person or his surviving spouse by reason of such person having occupied the office of State President or Vice State President;’; and

(b) by the substitution for subsection (2) of the following subsection:

50 “(2) The ~~amendment~~ amendments effected by subsection (1) (a) and (c) shall, for the purposes of assessments under the principal Act, be deemed to have taken effect as from the commencement of years of assessment ended or ending on or after 28 February 1985.”

40. Government Notice No. R.2706 of 29 November 1985 is hereby withdrawn.

Withdrawal of Government Notice No. R.2706 of 29 November 1985.

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41. Save in so far as is otherwise provided therein or the context otherwise indicates, the amendments effected to the principal Act by this Act shall, for the purposes of assessments in respect of normal tax and undistributed profits tax under the principal Act, be deemed to have taken effect as from the commencement of years of assessment ending on or after 1 January 1987.

Commencement
of certain
amendments.

42. This Act shall be called the Income Tax Act, 1986.

Short title.

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Schedule

RATES OF NORMAL TAX PAYABLE BY PERSONS OTHER THAN COMPANIES IN RESPECT OF THE YEARS OF ASSESSMENT ENDING 28 FEBRUARY 1987 AND 30 JUNE 1987, AND BY COMPANIES IN RESPECT OF YEARS OF ASSESSMENT ENDING DURING THE PERIOD OF TWELVE MONTHS ENDING 31 MARCH 1987.

(Section 1 of this Act)

1. The rates of normal tax referred to in section 1 of this Act are as follows:—

(a) In respect of the taxable income of any person other than a company, an amount of tax calculated in accordance with the tables below: Provided that there shall be deducted from the amount of tax calculated in accordance with the said tables a discount equal to 5 per cent of the net amount (being an amount arrived at by deducting the rebates provided for in section 6 of the principal Act from the tax so calculated);

Table in respect of married persons

Taxable Income	Rates of Tax in respect of Married Persons
Where the taxable income — does not exceed R12 000	16 per cent of each R1 of the taxable income;
exceeds R12 000 but does not exceed R13 000	R1 920 plus 18 per cent of the amount by which the taxable income exceeds R12 000;
„ R13 000 „ „ „ R14 000	R2 100 plus 20 per cent of the amount by which the taxable income exceeds R13 000;
„ R14 000 „ „ „ R15 000	R2 300 plus 22 per cent of the amount by which the taxable income exceeds R14 000;
„ R15 000 „ „ „ R16 000	R2 520 plus 24 per cent of the amount by which the taxable income exceeds R15 000;
„ R16 000 „ „ „ R18 000	R2 760 plus 26 per cent of the amount by which the taxable income exceeds R16 000;
„ R18 000 „ „ „ R20 000	R3 280 plus 28 per cent of the amount by which the taxable income exceeds R18 000;
„ R20 000 „ „ „ R22 000	R3 840 plus 30 per cent of the amount by which the taxable income exceeds R20 000;
„ R22 000 „ „ „ R24 000	R4 440 plus 32 per cent of the amount by which the taxable income exceeds R22 000;
„ R24 000 „ „ „ R26 000	R5 080 plus 34 per cent of the amount by which the taxable income exceeds R24 000;
„ R26 000 „ „ „ R28 000	R5 760 plus 36 per cent of the amount by which the taxable income exceeds R26 000;
„ R28 000 „ „ „ R30 000	R6 480 plus 38 per cent of the amount by which the taxable income exceeds R28 000;
„ R30 000 „ „ „ R32 000	R7 240 plus 40 per cent of the amount by which the taxable income exceeds R30 000;
„ R32 000 „ „ „ R34 000	R8 040 plus 42 per cent of the amount by which the taxable income exceeds R32 000;
„ R34 000 „ „ „ R36 000	R8 880 plus 43 per cent of the amount by which the taxable income exceeds R34 000;
„ R36 000 „ „ „ R38 000	R9 740 plus 44 per cent of the amount by which the taxable income exceeds R36 000;
„ R38 000 „ „ „ R40 000	R10 620 plus 45 per cent of the amount by which the taxable income exceeds R38 000;
„ R40 000 „ „ „ R50 000	R11 520 plus 46 per cent of the amount by which the taxable income exceeds R40 000;
„ R50 000 „ „ „ R60 000	R16 120 plus 48 per cent of the amount by which the taxable income exceeds R50 000;
„ R60 000	R20 920 plus 50 per cent of the amount by which the taxable income exceeds R60 000;

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Table in respect of persons who are not married persons

Taxable Income	Rates of Tax in respect of Persons who are not Married Persons
Where the taxable income — does not exceed R10 000	16 per cent of each R1 of the taxable income;
exceeds R10 000 but does not exceed R11 000	R1 600 plus 18 per cent of the amount by which the taxable income exceeds R10 000;
„ R11 000 „ „ „ R12 000	R1 780 plus 20 per cent of the amount by which the taxable income exceeds R11 000;
„ R12 000 „ „ „ R13 000	R1 980 plus 22 per cent of the amount by which the taxable income exceeds R12 000;
„ R13 000 „ „ „ R14 000	R2 200 plus 24 per cent of the amount by which the taxable income exceeds R13 000;
„ R14 000 „ „ „ R15 000	R2 440 plus 26 per cent of the amount by which the taxable income exceeds R14 000;
„ R15 000 „ „ „ R16 000	R2 700 plus 28 per cent of the amount by which the taxable income exceeds R15 000;
„ R16 000 „ „ „ R18 000	R2 980 plus 30 per cent of the amount by which the taxable income exceeds R16 000;
„ R18 000 „ „ „ R20 000	R3 580 plus 32 per cent of the amount by which the taxable income exceeds R18 000;
„ R20 000 „ „ „ R22 000	R4 220 plus 34 per cent of the amount by which the taxable income exceeds R20 000;
„ R22 000 „ „ „ R24 000	R4 900 plus 36 per cent of the amount by which the taxable income exceeds R22 000;
„ R24 000 „ „ „ R26 000	R5 620 plus 38 per cent of the amount by which the taxable income exceeds R24 000;
„ R26 000 „ „ „ R28 000	R6 380 plus 40 per cent of the amount by which the taxable income exceeds R26 000;
„ R28 000 „ „ „ R30 000	R7 180 plus 42 per cent of the amount by which the taxable income exceeds R28 000;
„ R30 000 „ „ „ R32 000	R8 020 plus 44 per cent of the amount by which the taxable income exceeds R30 000;
„ R32 000 „ „ „ R34 000	R8 900 plus 45 per cent of the amount by which the taxable income exceeds R32 000;
„ R34 000 „ „ „ R36 000	R9 800 plus 46 per cent of the amount by which the taxable income exceeds R34 000;
„ R36 000 „ „ „ R38 000	R10 720 plus 47 per cent of the amount by which the taxable income exceeds R36 000;
„ R38 000 „ „ „ R40 000	R11 660 plus 48 per cent of the amount by which the taxable income exceeds R38 000;
„ R40 000 „ „ „ R42 000	R12 620 plus 49 per cent of the amount by which the taxable income exceeds R40 000;
„ R42 000	R13 600 plus 50 per cent of the amount by which the taxable income exceeds R42 000;

(b) on each rand of the taxable income of any company (excluding taxable income derived from mining operations and taxable income referred to in subparagraph (e)), 50 cents;

(c) on each rand of the taxable income derived by any company from mining for gold otherwise than on any post-1966 gold mine (but with the exclusion of so much of the taxable income as the Commissioner determines to be attributable to the inclusion in the gross income of any amount referred to in paragraph (j) of the definition of "gross income" in section 1 of the principal Act), a percentage determined in accordance with the formula:

$$y = 60 - \frac{360}{x}$$

in which formula (and in the formulae set out in the first proviso hereto) y represents such percentage and x the ratio expressed as a percentage which the taxable income so derived (with the said exclusion) bears to the income so derived (with the said exclusion): Provided that if the taxable income so derived (with the said exclusion) does not exceed R40 000, the rate of tax shall not exceed a percentage determined in accordance with the formula:

$$y = 20 \left(1 - \frac{6}{x}\right)$$

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and if such taxable income exceeds R40 000, the rate of tax shall not exceed a percentage determined in accordance with a formula arrived at by increasing the number 20 in the formula $y = 20 \left(1 - \frac{6}{x}\right)$ by one for each completed amount of R2 500 by which the said taxable income exceeds R40 000: Provided further that there shall be added to the amount of tax calculated in accordance with the preceding provisions of this subparagraph a surcharge equal to 25 per cent of such amount;

- (d) on each rand of the taxable income derived by any company from mining for gold on any post-1966 gold mine (but with the exclusion of so much of the taxable income as the Commissioner determines to be attributable to the inclusion in the gross income of any amount referred to in paragraph (j) of the definition of "gross income" in section 1 of the principal Act), a percentage determined in accordance with the formula:

$$y = 60 - \frac{480}{x}$$

in which formula (and in the formulae set out in the first proviso hereto) y represents such percentage and x the ratio expressed as a percentage which the taxable income so derived (with the said exclusion) bears to the income so derived (with the said exclusion): Provided that if the taxable income so derived (with the said exclusion) does not exceed R40 000, the rate of tax shall not exceed a percentage determined in accordance with the formula:

$$y = 20 \left(1 - \frac{8}{x}\right)$$

and if such taxable income exceeds R40 000, the rate of tax shall not exceed a percentage determined in accordance with a formula arrived at by increasing the number 20 in the formula $y = 20 \left(1 - \frac{8}{x}\right)$ by one for each completed amount of R2 500 by which the said taxable income exceeds R40 000: Provided further that there shall be added to the amount of tax calculated in accordance with the preceding provisions of this subparagraph a surcharge equal to 25 per cent of such amount;

- (e) on each rand of the taxable income of any company the sole or principal business of which in the Republic is or has been mining for gold and the determination of the taxable income of which for the period assessed does not result in an assessed loss which the Commissioner determines to be attributable to the inclusion in its gross income of any amount referred to in paragraph (j) of the definition of "gross income" in section 1 of the principal Act, a rate equal to the average rate of normal tax or 35 cents, whichever is higher: Provided that for the purposes of this subparagraph the average rate of normal tax shall be determined by dividing the total normal tax (excluding the tax determined in accordance with this subparagraph for the period assessed) paid by the company in respect of its aggregate taxable income from gold mining for the period from 1 July 1916 to the end of the period assessed, by the number of rands contained in the said aggregate taxable income;
- (f) on each rand of the taxable income derived by any company from mining for diamonds, 45 cents: Provided that there shall be added to the amount of tax calculated in accordance with the preceding provisions of this subparagraph a surcharge equal to 25 per cent of such amount;
- (g) on each rand of the taxable income derived by any company from mining operations (other than mining for gold or diamonds), 50 cents: Provided that there shall be added to the amount of tax calculated in accordance with the preceding provisions of this subparagraph a surcharge equal to 15 per cent of such amount.

2. (1) For the purposes of paragraph 1 income derived from mining for gold shall include any income derived from silver, osmiridium, uranium, pyrites or other minerals which may be won in the course of mining for gold, and any income which, in the opinion of the Commissioner, results directly from mining for gold.

(2) The tax payable in accordance with any of the subparagraphs of paragraph 1 shall be payable in addition to the tax determined in accordance with any other of the said subparagraphs.

3. In this Schedule, unless the context otherwise indicates, any word or expression to which a meaning has been assigned in the principal Act, bears the meaning so assigned thereto.