

Information on Income Tax

2006

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GENERAL

- In terms of the Income Tax Act the definition of "company" includes a close corporation.
- Exempt institutions must complete Parts 1-5, and part 6.5.
- The detailed information below will provide clarity as to the information required for the correct completion of the return. Your attention is also drawn to the Practice Notes / Interpretation Notes issued by the Commissioner for the South African Revenue Service.
- A long-term insurance company must submit an IT14L return in respect of its tax computations.
- Where data in the income tax return is supported by a schedule, a cross-reference to that particular schedule should be made at the appropriate paragraph. Endorsements such as "See attached accounts" are not acceptable.

DECLARATION BY / PARTICULARS OF PUBLIC OFFICER

These parts must be completed in full, and must be signed by the duly appointed Public Officer. If you do not have a cell phone, please enter "None". Your attention is drawn to the fact that the Public Officer is answerable for the doing of all such acts, matters or things as are required to be done under the Income Tax Act by a taxpayer, and in case of default shall be liable to prosecution and to the penalties provided for in respect of defaults by a taxpayer.

COMPLETION OF RETURN

It is incumbent upon the taxpayer to ensure that an accurate and full disclosure of all required and relevant information is made in the income tax return. In addition to possible prosecution and the imposition of penalties prescribed by the Income Tax Act for misrepresentation, neglect or omission to furnish, or furnishing false information, additional assessments (together with interest), may be raised after the expiry date of three years from the date of assessment. To avoid such occurrences and to facilitate a correct assessment and an efficient income tax system, it is in everyone's interest that information furnished in the income tax return be correct and complete.

PART 1: PARTICULARS OF COMPANY / CLOSE CORPORATION

- Where the company has more than one PAYE, VAT, SDL and Labour Broker registration number, the number for the largest operation should be inserted in the return and a schedule of the remaining numbers must be submitted. Should there be no applicable registration number, please enter a "0" in the right hand block.
- Particulars of bank account: If any refund due to the company is to be paid into a bank account, the required details must be furnished in the relevant space. Please note that the branch number of the bank must be furnished.

INFORMATION BROCHURE

Indicate whether you require an information brochure for the next year, since many companies make use of the services of accountants to complete the tax returns and, therefore, do not use this brochure.

PART 2: PARTICULARS OF PUBLIC OFFICER

Furnish information as requested in the return.

PART 3: SHAREHOLDING / MEMBERS' INTEREST

Furnish information as requested in the return.

PART 4: PREPARATION OF THE RETURN

“Prepared by” is the contact person should any additional information be required regarding the return.

This return must be supported by the following documents, statements and schedules:

- (a) Annual financial statements, signed by at least two directors in the case of a public company, at least one director in the case of a private company or at least one member in the case of a close corporation, supported by a report of the auditor / accounting officer.
- (b) In the event of a qualified report, the auditor / accounting officer must state the facts and circumstances which led to his qualification.
- (c) A detailed income statement
- (d) Where applicable, the supporting schedules as required in part 12.

PART 5: ASSESSMENT, AUDIT AND OTHER INFORMATION

DORMANT COMPANIES

If the company has assets, liabilities and / or reserves, the balance sheet information must be furnished. If the company has derived income during the year, the rest of this part must be completed.

PLACE OF EFFECTIVE MANAGEMENT

In terms of paragraph (b) of the definition of “resident” in Section 1 of the Income Tax Act, the word “resident” is defined as a person, other than a natural person, which is -

- incorporated, established or formed in the Republic; or
- which has its place of effective management in the Republic.

An international headquarter company, is however, excluded. For further details refer to “Interpretation Note 6”, on the SARS website www.sars.gov.za.

INTERNATIONAL HEADQUARTER COMPANY (Applicable only to financial years ended on or prior to 31/5/2004)

An “international headquarter company” is defined as a company -

- the entire equity share capital of which is held by persons who are not residents or trusts;
- where any indirect interest of residents or of any trust in such equity share capital does not exceed 5 per cent in aggregate of the total equity share capital of such company; and
- where 90 per cent of the value of the assets of such company represents interest in the equity share capital and loan capital of subsidiaries of such company which are not residents and in which such company holds a beneficial interest of at least 50%.

DEFINITION OF A CONTROLLED FOREIGN COMPANY (CFC)

ACFC is any foreign company in which South African residents hold directly or indirectly more than 50% of the total participation / voting rights in that company.

A person who holds less than 5% of the participation / voting rights in a foreign listed company or a foreign collective investment scheme will be deemed not to be a South African resident in determining whether that listed company or scheme or any company in which that resident indirectly holds a participation right by virtue of the resident's shareholding in that listed company or scheme, is a CFC unless more than 50% of the participation / voting rights in either company are held by persons who are connected persons in relation to one another.

Definition of participation rights

A participation right is the right to participate directly or indirectly in the share capital, share premium, current or accumulated profits or reserves of a foreign company whether or not it is of a capital nature.

SMALL BUSINESS CORPORATION

Please mark the "Yes" or "No" block with an X to indicate whether the company considers itself to be a Small Business Corporation.

Small Business Corporation (SBC) is a company / close corporation in which the entire shareholding / interest has throughout the year of assessment been held by natural persons who did not, throughout such year of assessment, hold shares or have an equity interest in any other company, other than portfolio holdings in companies listed on the JSE, unit trusts, share blocks, and associations for the management of the collective interests of their members approved by the Commissioner.

The other requirements to be classified as an SBC are that:

- The company's / close corporation's gross income for the year of assessment must be less than R6 million for the full year;
- Not more than 20% of the gross income of the company / close corporation may collectively consist of: Interest, rentals, royalties, annuities, dividends or the proceeds derived from investment or trading in financial instruments, marketable securities or immovable property and income from the rendering of a personal service; and
- The company / close corporation is not an employment company.

PERSONAL SERVICE COMPANY

Mark the "Yes" or "No" block with an X.

- Indicate the valid number of the Labour Broker Exemption Certificate.
- Indicate the number of non-connected employees in the company's service who are not connected persons in relation to the company.

A connected person in relation to a company means -

- its holding company as defined in section 1 of the Companies Act, 1973;
- its subsidiary as so defined;
- any other company where both these companies are subsidiaries of the same holding company;
- any person, other than a company, as defined in Section 1 of the Companies Act, who individually or jointly with any connected person in relation to that person, holds, directly or indirectly, at least 20% of the company equity share capital or voting rights;
- any other company if at least 20% of the equity share capital of such company is held by such other company, and no shareholder holds the majority voting rights of such company;
- any other company if that other company is managed or controlled by any person (A) which is a connected person in relation to such company or is a connected person in relation to (A) and where such company is a close corporation -
 - any member;
 - any relative of that member or any trust which is a connected person in relation to such member; and
 - any other close corporation or company which is a connected person in relation to -
 - any member of the close corporation; or
 - any relative of that member or any trust which is a connected person in relation to such member.

A personal service company means any company (other than a company which is a labour broker) where any service rendered on behalf of that company to a client of that company is rendered personally by any person who is a connected person in relation to such company, and -

- that person would be regarded as an officer or employee of such client, if such service was performed by that person directly to that client, other than through the company or close corporation; or
- that person (or the company / close corporation) is subject to the control or supervision of the client as to the manner in which the duties are performed or as to the hours during which the duties are performed or to be performed; or
- the amounts paid or payable in respect of that service consist of, or include, earnings of any description which are payable at regular daily, weekly, monthly or other intervals; or

- where more than 80% of the income of the company, derived during the year of assessment from services rendered, consists of income received from one client of the company / close corporation.

NOTE:

A company / close corporation is not a personal service company where the company / close corporation employs more than three full-time employees throughout the year of assessment who are on a full-time basis engaged in the business of such company / close corporation of rendering such service, other than any employee who is a shareholder or member of the company or is a connected person in relation to that person.

PROVINCE WHERE MAIN INDUSTRY IS CARRIED ON

The codes for the different provinces are -

01 Northern Province	02 Mpumalanga
03 North West	04 Gauteng
05 Free State	06 Kwazulu-Natal
07 Eastern Cape	08 Western Cape
09 Northern Cape	

MAIN INDUSTRY SOURCE CODE

This is the principal activity practised by the company. (See table below that have been listed alphabetically for ease of reference.)

MAIN SOURCE OF INCOME

This is the source of income from which the highest gross income is generated. This is not necessarily the principal activity practised. See source code booklet.

NOTE:

The detailed source code booklet is also available on the SARS website www.sars.gov.za.

The following source codes and descriptions must be used in determining the code to be applied in respect of the “main industry source code”.

DESCRIPTION	SOURCE CODE	DESCRIPTION	SOURCE CODE
Agencies and other services	34	Metal products (except machinery and equipment)	13
Agriculture, forestry and fishing	01	Mining and quarrying	02
Bricks, ceramics, glass, cement and similar products	11	Other manufacturing industries	18
Catering and accommodation	23	Paper, printing and publishing	08
Chemicals and chemical, rubber and plastic products	09	Personal and household services	32
Clothing and footwear	05	Recreation and cultural services	31
Coal and petroleum products	10	Research and scientific institutes	28
Construction	20	Retail trade (including mail order)	22
Educational services	27	Scientific, optical and similar equipment	17
Electricity, gas and water	19	Social and related community services	30
Employment (Director of a Company / Member of CC)	35	Specialised repair services	33
Financing, insurance, real estate and business services	25	Textiles	04
Food, drink and tobacco	03	Transport equipment (excl. vehicles, parts and accessories)	16
Leather, leather goods and fur (excl. footwear & clothing)	06	Transport, storage and communication	24
Long-term insurers	26	Vehicles, parts and accessories	15
Machinery and related items	14	Wholesale trade	21
Medical, dental and other health and veterinary services	29	Wood, wood-products and furniture	07
Metal	12		

PART 6: FINANCIAL INFORMATION

GENERAL INFORMATION

- Cancellations or alterations must be initialled by the Public Officer.
- Black or blue ink must be used to complete part 6.
- Negative signs or brackets must not be used.
- The figures to be used are those in the annual financial statements of the company (not group or consolidated annual financial statements).

6.1 STATEMENT OF CHANGES IN EQUITY

All changes to the company's equity must be captured in this area. Kindly note that opening and closing balances are not requested in this area.

A reconciliation must be done being the balances per the Balance Sheet information (Total C1 and Total C2) provided for the prior year, adjusted by the changes in equity for the current year. This amount must then equal the balances per the Balance Sheet information (Total C1 and Total C2) provided for the current year.

It is important to note that this must reconcile else it could, inter alia, be an audit indicator for SARS. Accordingly it is important that a detailed schedule for the "Other credit changes for the year and "Other debit changes for the year" be provided.

6.2 BALANCE SHEET INFORMATION

All amounts reflected in the return must agree with those reflected in the company's balance sheet.

"Inventory-on-hand" represents the total value of trading stock at the end of the financial year, including partly manufactured goods, work-in-progress, and materials on hand and consumable stores. In the event that the balance sheet amount does not include the aforementioned items, the amount reflected in the return must be adjusted to reflect such items. The difference between the balance sheet and tax return amounts must be reflected as other current assets or other current liabilities. A schedule setting out the reasons for the difference must be lodged with the return. The amount reflected in the tax return must be the gross value of inventory-on-hand prior to the deduction of any provisions or reserves. In the event that the annual financial statements do not contain detailed notes on the method of valuation of each category of stock, full particulars thereof must be supplied.

"Provisions against inventory and work in progress": Enter the total of all provisions and reserves made against, or for, inventory on hand and work in progress.

"Prepayments" must include deposits.

6.3 INCOME STATEMENT INFORMATION

In completing the relevant part of the return the normal accounting meaning attached to the terms reflected in part 6.3 of the tax return should be followed. In the event that a company does not have any cost of sales, for example, a property rental company, the turnover and gross profit will be the same amount.

"Inventory adjustments" (write-off of obsolete and slow-moving inventory-debit amount). This does not represent the change between closing and opening inventory. It represents write-off for obsolete, slow-moving and damaged items that have been written off for the year of assessment.

"Inventory adjustments" (write-off reversed credit amount). Previous year's write-off of obsolete and slow-moving stock now reversed.

"Other income": Any amounts of income out of the ordinary and that cannot be regarded as "turnover". Details thereof should be supplied in a supporting schedule.

"Consulting, legal and professional fees" paid for services other than audit fees or auditor's services.

"Salaries and wages" (excluding medical-, pension- and provident fund contributions).

6.3.1 Gross profit / loss

Sales (Turnover) must include all sales excluding other income per 6.3.2

Cost of sales (excluding inventory adjustments) a breakdown of costs allocated to this item must be provided. This item should typically include purchases, opening and / closing stock as well as indirect attributable costs.

Gross profit / loss - subtotal is a control total being the Sales - Cost of sales + Inventory adjustments (reversal) - Inventory adjustments (write-off).

OTHER INFORMATION

In the case of allowances, reflect the total allowance claimed and not the year's changes or movement.

"Recoupments" include all amounts as envisaged in Sections 8(4) and 8(5) of the Income Tax Act. Reversals of allowances granted in prior years must be included in this total. Also include any recoupments from lease agreements terminated.

TAXABLE INCOME / LOSS AS CALCULATED

In all instances, should the accounting and tax treatment be different, the full accounting amount must be reversed and similarly the full tax treatment disclosed.

Example: Prepayment claimed for accounting purposes on income statement but limited by Section 23H. The portion limited (not allowed) must be added back at 6.4.2.1. If the relevant payment is on the balance sheet, then only the qualifying portion would be under 6.4.1.2.

- Description: In the case of a mining company the taxable income calculated for different activities must be entered separately.
- Rands only: Enter the amount(s) calculated before assessed loss brought forward from previous year.
- Exempt institutions must identify the code in the Source Code brochure to determine the section of the Income Tax Act in terms of which the exemption has been approved. Enter a "0" in the "Rands only" column, unless the institution has partial exemption, and has taxable income for the year of assessment.

Example in respect of the calculation in the determination of the net profit / loss to complete part 6.4.3

Gross profit (positive-credit) / loss (negative-debit)	100 000 gross profit	50 000 loss
Add income items sub total 6.3.2 (positive-credit)	30 000	30 000
Deduct expense items sub total 6.3.3 (negative-debit)	80 000	80 000
A net profit (positive-credit) amount must be entered next to code 4532	50 000	
A net loss (negative-debit) amount must be entered next to code 4533		100 000
Deduct control total 6.4.1	25 000	25 000
Add control total 6.4.2	10 000	10 000
Calculated profit / loss (insert this amount in 6.4.3)	35 000	115 000

Insert the source code relevant to your income.

Source code same as main source of income per 5.17 if Calculated profit. If Calculated loss then source code would be similar to 5.17 but an uneven number.

NOTE:

Do not use negative signs or brackets on the return.

NET INCOME OF A CFC

The net income of a CFC for a foreign tax year is an amount equal to the taxable income of that CFC. The taxable income must be determined in accordance with the provisions of the Income Tax Act, 1962. For purposes of calculating the taxable income only the CFC is regarded as a taxpayer. The CFC is also regarded to be a resident company for purposes of the application of certain specified provisions of the Income Tax Act. The deductions and allowances of the CFC are, however, limited to the income of the CFC. No losses are imputed to a resident participant in relation to that CFC, but are carried forward to the following foreign tax year.

IMPUTATION OF THE NET INCOME OF A CFC TO A RESIDENT PARTICIPANT

In instances where a resident, who together with a connected person in relation to the resident, holds 10% or more of the participation rights in a CFC, that resident must include an amount equal to his share of the net income of the CFC in his income in accordance with the resident's proportional interest in the CFC, based on the participation rights of the resident on the last day of the CFC's foreign tax year.

Where a foreign company becomes a CFC at any stage during a foreign tax year of the foreign company the resident must elect one of the following ratios to apply in order to determine the amount to be included in the resident's income

Ratio 1:

$$\frac{\text{Resident's participation rights in the CFC}^*}{\text{Total participation rights in the CFC}^*} \times \frac{\text{Number of days during the foreign tax year that the foreign company was a CFC}}{\text{Total number of days in the foreign tax year}} \times \text{Net income for the whole foreign tax year}$$

Ratio 2:

$$\frac{\text{Resident's participation rights in the CFC}^*}{\text{Total participation rights in the CFC}^*} \times \text{Net income for the period of time during the foreign tax year that the foreign company was a CFC}$$

* As determined on the last day of the CFC's foreign tax year.

Where a foreign company ceases to be a CFC at any stage during a foreign tax year of the foreign company the resident must elect one of the following ratios to apply in order to determine the amount to be included in the resident's income

Ratio 1:

$$\frac{\text{Resident's participation rights in the CFC}^{**}}{\text{Total participation rights in the CFC}^{**}} \times \frac{\text{Number of days during the foreign tax year that the foreign company was a CFC}}{\text{Total number of days in the foreign tax year}} \times \text{Net income for the whole foreign tax year}$$

Ratio 2:

$$\frac{\text{Resident's participation rights in the CFC}^{**}}{\text{Total participation rights in the CFC}^{**}} \times \text{Net income for the period of time during the foreign tax year that the foreign company was a CFC}$$

** As determined just before the foreign company ceased to be a CFC.

Exclusions

The most important exclusions from the application of section 9D are:

- (1) Any income of a CFC which is subjected to tax on income in a designated country at a qualifying statutory rate is exempt. A qualifying statutory rate is a statutory rate of tax on companies of at least 27% on income and 13.5% on capital gains.
- (2) The active business income of CFC's which is attributable to a business establishment is also exempt from tax on income unless it is diversionary or passive in nature.

Passive income means income in the form of dividends, interest, royalties, rental, annuities, insurance premiums or income of a similar nature, or any capital gain determined in respect of the disposal of any asset from which any such income is or could be earned, or any foreign currency gain determined in respect of any foreign equity instrument or any foreign currency gain determined in terms of section 24I. However, where such income constitutes a de minimis percentage of all receipts or accruals or arises from the activities of certain financial institutions, the exclusion will still apply.

Failure to report on participation rights as required in terms of section 72A may compromise all CFC exemptions available under section 9D, except for the exemption relating to amounts subject to tax in a designated country at a rate of at least 27% on income or 13.5% in the case of capital gains.

PART 6.7: CREDITS AVAILABLE

Enter rands and cents. Ensure that original certificates are attached. If they are not submitted credits cannot be given.

The undermentioned serve as examples of proof which will be accepted as proof of payment in respect of foreign taxes paid:

- Where foreign tax has been withheld at source - the original documentation issued by the applicable institution;
- Where foreign tax has not been withheld at source - an assessment or receipt issued by the tax authority.

Relief from double taxation

A South African resident is subject to normal tax on income derived worldwide (i.e. income derived from sources within and outside the Republic). However, any income which is derived by a resident from a foreign source may have been or may be subjected to tax in a foreign country, thus resulting in double taxation. Section 6quat of the Act grants relief from any potential double taxation, in that any foreign taxes payable in respect of income derived from a foreign source which is included in the taxable income of a resident may, subject to certain conditions, be allowed as a rebate against the normal tax payable in South Africa by that resident.

Conditions governing the granting of a rebate

The sum of foreign taxes payable may qualify for a rebate against the normal tax payable by a resident if certain conditions are met.

These conditions are

- the taxes must be taxes payable on income (note that capital gains tax has been incorporated into the Act as it is regarded as a tax on income);
- the taxes have to be imposed in terms of the laws of a foreign country, whether it be at national, state, local or other level of government;
- the taxes should be proved to be payable, i.e. a legal obligation to pay must exist;
- the taxes must be payable without any right of recovery by any person (other than a right of recovery in terms of an entitlement to carry back losses arising during any year of assessment to a prior year of assessment); and
- the taxes ought to be payable in respect of amounts included in that resident's taxable income.

Qualifying amounts of income derived from foreign sources

In order to qualify for a rebate in terms of section 6quat the foreign taxes must be payable in respect of any of the following types of income derived from a foreign source which has been included in the resident's taxable income:

- (a) Income, such as professional service income, remuneration, interest, royalties, rentals, pensions, annuities, etc., but excluding foreign dividends. [Section 6quat (1)(a)(i)];
- (b) An amount equal to a proportionate amount of the net income of a foreign company that is expressly included in the income of a resident in terms of section 9D. [Section 6quat (1)(b)];
- (c) Income derived by a resident in the form of foreign dividends. [Section 6quat (1)(d)];
- (d) A taxable capital gain derived by a resident from a foreign source. [Section 6quat (1)(e)];
- (e) Any amount dealt with in paragraphs (a) to (d) which has accrued to or has been received by a particular person, for example, a trust, but which is deemed to be derived by another person (the resident). [Section 6quat (1)(f)(i) and (ii)];
- (f) An amount dealt with in paragraphs (a) to (d), which forms part of the capital of a trust established in a foreign country which is regarded to be derived by a resident for either income tax or capital gains purposes. [Section 6quat (1)(f)(iii)].

Limitation on the amount of the rebate

The amount of foreign taxes which qualify for the section 6quat rebate is limited to a *pro rata* amount calculated in accordance with the following formula:

$$\frac{\text{Taxable income derived from all foreign sources (A)}}{\text{Total taxable income derived from all sources (B)}} \times \text{Normal tax payable on (B)}$$

The carry forward of an excess amount of foreign tax credits

Where the sum of foreign taxes payable exceeds the amount of the rebate, the excess amount may be carried forward to the immediately succeeding year of assessment, to rank as a foreign tax credit available for set off against the normal tax payable in that year of assessment.

Instances where no rebate is forthcoming

No foreign tax relief will be granted where a resident elects in terms of section 9E(6), 10(1)(k)(ii) or 11C(4) to include income in the form of a dividend, which is derived from a foreign source, in his taxable income after the deduction of the underlying withholding taxes.

If a resident elects for the relief provided for in a double taxation agreement no additional relief will be granted in terms of section 6quat.

PART 7: FOREIGN DIVIDENDS (SECTION 9E)

A foreign dividend means any dividend received by or which accrued to any person from a foreign company as defined in Section 9D of the Income Tax Act.

Section 10(1)(k)(ii) prescribes the circumstances under which foreign dividends could be exempt from tax.

PART 9: CAPITAL GAINS / LOSSES

Determining a capital gain or a capital loss

A Capital Gains Tax (CGT) event is triggered by the disposal of an asset. Unless such disposal or deemed disposal occurs, no gain or loss arises. CGT applies to all assets disposed of on or after 1 October 2001 (valuation date). Only the gain or loss accruing from 1 October 2001 to date of disposal will fall within the CGT regime.

- An **asset** is defined as widely as possible and includes any property of whatever nature and any interest therein.
- A **disposal** covers any event, act, forbearance or operation of law, which results in a creation, variation, transfer or extinction of an asset. It also includes certain events treated as disposals, such as the change in the use of the asset.
- Once an asset is disposed of, the amount which is received, or which accrues to the seller of the asset, constitutes the **proceeds** from the disposal.
- The **base cost** of the asset is generally the expenditure actually incurred in acquiring the asset, together with expenditure directly related to its improvement and direct costs in respect of its acquisition and disposal and certain holding costs. The base cost does not include any amounts otherwise allowed as a deduction for income tax purposes.

What is the base cost of an asset held on 1 October 2001?

In order to exclude the portion of the gain relating to the period before 1 October 2001 any one of the following methods may be used:

- 20% of the proceeds upon realisation can be deemed to be the cost (no records, and market value cannot be determined); **OR**
- Market value of the asset as at 1 October 2001 (the "valuation date"); **OR**
- Time apportionment method.

The Act lays down various requirements that apply when the market value method is used:

Time limit for performing valuations

All valuations must have been done by 30 September 2004. Valuations must be performed as if done on 1 October 2001.

Who may perform valuations?

The Act is not prescriptive and it is the responsibility of the person / entity and the onus of substantiating a valuation rests with the person / entity.

Requirements for the submission of valuation certificates

Should the market valuation of base cost method be adopted, a copy of the valuation certificate must be lodged with the relevant return of income when the asset is disposed of. Certain valuations must, however, be lodged sooner, with the first return of income required to be submitted after 30 September 2004. These categories of assets are set out in the table below.

Type of asset	Applies	Where market value exceeds
Intangible shares	Per asset	R1 million
Unlisted shares	All assets held by the shareholder in the company	R10 million
All other assets	Per asset	R10 million

Loss and gain limitation rules

Certain rules, which are beyond the scope of this brochure, are in place to limit losses and gains when the market value is used. These rules prevent the creation of fictitious losses from inflated valuations and prevent hardship when assets are sold above market value on 1.10.2001, but below original cost.

Time apportionment method

This method may be used when a person / entity has records of the date of acquisition and the cost of the asset. The following formula is used to determine the time apportionment base cost of the asset:

$$\text{Original cost} + \left[\frac{\text{Gain} \times \text{Period held before valuation date}}{\text{Period held before and after valuation date}} \right]$$

Improvements or additions made before 1.10.2001 are assumed to have taken place when the asset was acquired. The period before 1.10.2001 is limited to 20 years.

Additions to an asset after valuation date are added to base cost (not apportioned).

NOTE:

Where no additions or improvements have taken place prior to valuation date, the 20-year limit does not apply.

Inclusion rate to determine taxable income in respect of CGT

Where a net capital gain for the current year of assessment has been determined, such amount is multiplied by the inclusion rate to determine the taxable capital gain, which is to be included in the taxable income for the year of assessment.

The inclusion rates to be used in arriving at the taxable capital gain are set out in the table below.

Type of taxpayer	Inclusion rate %	Statutory rate
Companies and close corporations	50	29
Small business corporations	50	0-29
Employment companies	50	34
Permanent establishments (branches)	50	34
Tax holiday companies	50	0

Complete part 10 by using the following main asset type source code table:

Discription of assets	SOURCE CODES	
	Local assets	Foreign assets
Fixed / immoveable assets (e.g. land, buildings, mineral rights).....	6502	6530
LOSS: Fixed / immoveable assets (e.g. land, buildings, mineral rights).....	6503	6531
Primary residence (e.g. house, townhouse, flat, boathouse, caravan).....	6504	6532
LOSS: Primary residence (e.g. house, townhouse, flat, boathouse, caravan).....	6505	6533
Financial instruments - Listed (e.g. shares, units in unit trusts, bonds, futures, options).....	6506	6534
LOSS: Financial instruments - Listed (e.g. shares, units in unit trusts, bonds, futures, options).....	6507	6535
Financial instruments - Unlisted (e.g. shares, debentures, promissory notes, bonds, options, forward contracts, swaps, debt).....	6508	6536
LOSS: Financial instruments - Unlisted (e.g. shares, debentures, promissory notes, bonds, options, forward contracts, swaps, debt).....	6509	6537
Intangible assets (e.g. goodwill, trade marks, patents, copyrights, franchises, licences, fiduciary, usufructuary and other like interests).....	6510	6538
LOSS: Intangible assets (e.g. goodwill, trade marks, patents, copyrights, franchises, licences, fiduciary, usufructuary and other like interests).....	6511	6539
Foreign currency.....	6512	N/A
LOSS: Foreign currency.....	6513	N/A
Plant and machinery.....	6514	6540
LOSS: Plant and machinery.....	6515	6541
Other moveable property used for business purposes (e.g. aircrafts, boats, motor vehicles, office furniture and equipment).....	6516	6542
LOSS: Other moveable property used for business purposes (e.g. aircrafts, boats, motor vehicles, office furniture and equipment).....	6517	6543
Other moveable property not used for business purposes excluding personal use asset (e.g. Krugerrands, personal use boats < 10 metres and personal use aircraft < 450 kg).....	6518	6544
LOSS: Other moveable property not used for business purposes excluding personal use asset (e.g. Krugerrands, personal use boats < 10 metres and personal use aircraft < 450 kg).....	6519	6545

For further information visit the SARS website at www.sars.gov.za.

PART 12: ADDITIONAL INFORMATION / SCHEDULES REQUIRED

If any of the questions printed in green on your return are answered in the affirmative, the information / schedules requested in this brochure must be attached to your return and in cases where questions are printed in black the information / schedules must be available on request.

A CAPITAL / REVENUE RELATED

1. Alterations and improvements

Exclude repairs and maintenance. A summary of the costs, together with a brief description of the nature of alterations and improvements, should be prepared.

2. Repairs and maintenance

- Nature of payment by category; and
- Brief explanation of material items.

3. Elimination of competition payments

- Comprehensive details must be provided and copies of agreements are also to be submitted.

4. Losses due to theft, fraud and embezzlement

- Prepare a list detailing the relationship between the transgressor and the company.

5. Consulting legal and professional fees

- Name of person to whom payment was made;
- Date of payment;
- Nature and purpose of each service; and
- Amount paid.

6. Krugerrands, Bills, Negotiable Certificates of Deposit, Bankers' Acceptances, Bearers' Script, Treasury Bonds, Land Bank Bills, Futures, Options, Other Marketable Securities, Promissory Notes, or any similar instrument and Collector's items

(a) Purchases and acquisitions:

- Description of asset and / or number of certificate;
- Date of purchase;
- Purchase price; and
- Purpose for which acquired.

Sale and other disposals or redemptions:

- Description of asset and / or number of certificate;
- Date of purchase;
- Purchase price;
- Date of sale / disposal / redemption;
- Selling price / redemption value;
- Profit / loss realised from the sale / disposal / redemption; and
- Circumstances giving rise to the sale / disposal / redemption.

- (b) Attach a schedule listing the marketable securities and indicate which of the items will be affected by the change and which would not be affected

7. Section 9B election

- Election made and date thereof;
- If a capital election was made give details of expenditure or losses which were added back in terms of Section 9B(6) (this excludes expenditure or losses relating to dividends);
- Description of share;
- Date of purchase;
- Purchase price;
- Date of sale;
- Selling price; and
- Profit and / or loss.

8. Travelling expenses outside the Republic

Attach an itinerary in respect of each trip undertaken, showing:

- By whom the trip was undertaken;
- Position held in the company; and
- Dates of departure and return.

- Names and addresses of firms visited;
- Duration of visit at each firm;
- Purpose of each visit;
- Full details of expenses incurred, under appropriate separate headings;
- Portion of non-business expenses included in the above; and
- If a spouse has accompanied the traveller, the expenses attributable to the spouse must be specified.

B EMPLOYEES / REMUNERATION RELATED

1. Compensation paid to employees / directors for loss of office, etc.

- Prepare a schedule reflecting the amounts paid and the circumstances leading to the payment thereof.

2. Insurance premiums paid on the lives of employees, directors or members

- Details of the premiums, policy and beneficiary must be given; and
- A certificate issued by the insurer, confirming that the policy is the policy as envisaged in Section 11(w), must be submitted.

3. Restraint of trade payments

- Balance brought forward from the previous year; and
- Amount carried forward to the next year.

4. Employer contributions to medical funds

- A calculation of the percentage of the contributions to the total remuneration for each class of employee in respect of which contributions were made.

5. Employer contributions to pension, provident or benefit funds

- Details of any lump sum contributions, including reasons for the contributions; and
- A calculation of the percentage of contributions to the total remuneration for each class of employee in respect of which contributions were made.

6. Post-retirement benefits

Furnish:

- Copy of agreement or contract between the company and any other person in respect of post-retirement benefits.

7. Learnership agreements Sections 12H and 12H(5)

- Complete and submit an IT180 in respect of each learnership agreement in respect of which an allowance is claimed.
- Furnish the amount recouped in respect of each learner and copies of the IT180 pertaining to such learner in respect of such amounts recouped.

8. Amounts or interest paid and / or credited to any directors, shareholders, members and their spouses, children or trusts

- Amount paid and / or credited for the year ended 28 February 2006 per director, shareholder, etc; and
- Details of any investment, fixed property and/or other assets transferred at less than market value.

9. Equity Instruments (employees / directors) Section 8C

- Supply full details of such scheme; and
- Names and tax reference numbers of employees / directors taking part in the scheme.

C FINANCING RELATED QUESTIONS

1. Interest received

- Name of company;
- Computation of amount received;
- Amount received; and
- Dates received.

2. Interest paid

- Categories of interest paid on a monthly basis;
- Computation of amount paid;
- Source of funds used to finance the loan;
- Purpose of the loan; and
- Terms of repayment of the loan.

3. Lease payments

- Nature of asset;
- Name of lessor;
- Original cost of asset;
- Commencement date of lease;
- Termination date of lease; and
- Monthly instalment payable during the lease.

4. Recoupment of leasing charges

- (b)
- Full details of the asset, including original cost thereof to the lessor, if known;
 - How the asset was dealt with on termination;
 - Full details of any secondary agreement entered into;
 - Market value of the asset on termination of the lease; and
 - If the asset was transferred, given or donated on termination of the lease agreement, give full details of the donee.

5. Improvements to leasehold premises and premiums for the right of use or occupation of land, buildings and / or other assets

- Name and Income Tax reference number of the lessor of the land, buildings and / or other assets;
- The relationship between the company and the lessor of the land, buildings and / or other assets;
- Full details of any option or right which has been or will be acquired by the company or any connected person to acquire the leased property, building and / or other assets; and
- Copies of the lease and other agreements if not previously submitted.

6. Sale and leaseback agreements

- Copy of any agreement entered into if not previously submitted; and
- A detailed calculation of any adjustment required in terms of Section 23G.

7. Financial instruments (instruments, interest rate agreements and lending agreements)

- Detail each financial instrument or class of financial instrument, including the nature and terms thereof;

- Detail the specific methodology adopted in calculating the interest accrued and / or incurred for tax purposes, for each financial instrument or class of financial instrument; and
- Detail the treatment for tax purposes of any adjusted gain or loss on transfer or redemption of any financial instrument or class of financial instrument.

8. Structured finance products

- A structured finance transaction exhibits, inter alia, one or more of the following characteristics:
 - Lack of economic substance - there is often a lack of economic substance or risk to the participating parties;
 - The use of tax-indifferent entities structured finance transactions frequently use foreign or tax exempt entities to absorb taxable income or otherwise deflect tax liability;
 - Passing on of tax benefits and risks. Certain entities are compensated for the use of their tax bases. The tax benefits that are a significant component of the ultimate financing costs are usually determined by a computer pricing model. A portion of this benefit is passed on to a client, together with the associated risks. Transactions that are subject to any form of confidentiality in respect of the tax aspects of the transactions are included in this category;
 - Timing differences between accounting profits or losses and taxable income;
 - Mismatches between taxability of income and deductibility of expenditure;
 - Conversion of taxable income to capital or exempt income; and
 - Inconsistent tax treatment of the transaction by the parties.
- In respect of each structured finance transaction entered into, furnish the following details:
 - Transaction outline;
 - Factual diagrammatic flowchart highlighting all transactions and cash flows;
 - Copies of transaction / product presentations;
 - Amount deducted against tax bases (if any);
 - Name of entity carrying the ultimate tax risks; and
 - Name of entity marketing the transaction.

9. Purchase of marketable security or property for future delivery

- Transaction outline;
- Date and description of transaction;
- Amount and / or value; and
- Details of the parties to the transaction, including relationship with the company.

10. Loan agreements, other than agreements with a registered bank

- Transaction outline;
- Date and description of transaction;
- Amount and / or value; and
- Details of the parties to the transaction, including relationship with the company.

11. Repayment of loan

- Transaction outline;
- Date and description of transaction;
- Amount and / or value; and
- Details of the parties to the transaction, including relationship with the company.

12. Unproductive interest in respect of loans and advances

Specify:

- The source of the funds used to make the loan or advance;
- Purpose of the loan or advance;
- Terms of repayment of the loan or advance;
- Interest incurred by the company by reason of making the loan or advance; and
- Interest accrued to the company on the loan or advance.

13. Reportable arrangement Section 76A

- (a) Complete and attach the RA07 available on the SARS website.

14. Hybrid Equity Instruments Section 8E and F

If yes, supply full details.

15. Assets / Equity share acquired or disposed Section 24M and 24N

If yes, supply full details.

D OTHER - TAX ALLOWANCES / LIMITATIONS

1. Donations which are deductible

Donations claimed should be listed and the original receipts as prescribed by Section 18A must be submitted. The provisions of Section 18A of the Income Tax Act have been amended and determine that a deduction will be allowed from the taxable income of a company in respect of any donations made by such company to -

- (a) (i) any approved public benefit organisation; or
(ii) any institution, board or body contemplated in Section 10(1)(cA)(I) which carries on in the Republic any public benefit activity;
- (b) any public benefit organisation approved by the Commissioner under Section 30 of the Income Tax Act which -
(i) provides funds solely to any public benefit organisation, institution, board or body contemplated in (a)(ii) above; and
(ii) during the public benefit organisation's preceding year of assessment as the year during which the donation was received, at least 75% of the donations which qualify as a deduction were distributed or incurred the obligation to so distribute it.

2. Extraordinary and / or separately disclosable items

- The details required in terms of Generally Accepted Accounting Practice (GAAP) must be furnished, as well as details of amounts and the nature of such items.

3. Foreign exchange differences

- Details of how the differences were dealt with in the annual financial statements;
- Details of how the differences were treated for income tax purposes;
- Details of each transaction / loan or class of transaction / loan which gave rise to the difference; and
- Details of the specific methodology adopted in calculating the difference for income tax purposes.

4. Donation, settlement or disposition

- Date and description of the transaction;
- Amount or value thereof; and
- Details of the parties thereto, including any relationship with the company, it's directors or members.

5. Section 24C allowance

- Details of contract;
- Total revenue on contracts;
- Total expenditure on contracts;
- Amounts received for the current financial year; and
- Amounts expended for the current financial year.

6. Deferred revenue

- Nature of revenue;
- Amount received;
- Amount paid;
- Period to which revenue relates; and
- Tax treatment of revenue.

7. Accruals

- Nature of accrual; and
- Amount provided.

8. Sale or purchase of a business as a going concern.

- Copy of sale / purchase agreement;
- Copies of all rulings received; and
- Details of any connection between the parties.

9. Bad and / or doubtful debts (excluding VAT)

- (a) Bad debts:
- Name and address of each debtor;
 - Amount of the debt;
 - Date on which the debt was incurred;
 - Nature of the debt; and
 - Reason why the debt is regarded as being bad.
- (b) Doubtful debts:
- Was the doubtful debt allowance claimed according to the formula or specific debts method?
 - If the formula method is used, furnish all the totals in respect of average doubtful debts, bad debts and recoveries for the preceding four years; and
 - If the specific debts method is used, furnish details as required for bad debts (above).

10. Depreciable assets allowance and recoupment of any fixed asset allowance

- Date on which the asset was brought into use;
- Nature of the asset;
- Purchase price;
- Date of sale, exchange or alienation;
- Selling price or exchange value;
- Reason for sale, exchange or alienation; and
- Tax value of the asset on date of disposal or alienation.

11. Strategic industrial project

- (b) Supply copy of document of approval issued by the Minister of Trade and Industry.

12. Provisions created, increased or decreased

- Nature of each provision;
- Balance - current year of assessment;
- Balance - previous year of assessment; and
- If claimed as a deduction, furnish reasons.

13. Section 23H

Furnish the following information for each deduction claimed in terms of Section 23H:

- Name of recipient;
- Nature of the payment;

- Amount paid;
- Date of payment; and
- Period covered by the payment e.g. 1 March 2006 to 28 February 2007.

14. **Film allowance Section 24F**

If the company is an undisclosed partner furnish the following information if not previously submitted:
Is the company a partner in an “en cemented” partnership? If yes, submit the following:

- Income Tax reference number of each partner;
- Date on which the film rights were purchased or the interest / share in the partnership was acquired;
- Copy of the purchase agreement;
- Name of the film / partnership;
- Copies of all guarantees received;
- Copy of the partnership agreement;
- Copy of the minimum sales guarantee agreement / profit share agreement; and
- Financial statements and a computation of each partner's share of the profit / loss.

If the company is an undisclosed partner, furnish the following information:

- Name of the film / partnership;
- Name and Income Tax reference number of the disclosed partner;
- Financial statements and a computation of each partner's share of the profit / loss; and
- If a sub-partnership structure is used, the name and Income Tax reference number of the disclosed partner of the sub-partnership.

15. **Farming operations**

- Detailed income statements for farming operations conducted. (local and foreign farming operations must be specified separately);
- Schedule of opening balances, movements (purchases, sales, births, deaths, private use, etc.) and closing balances of livestock, at standard values;
- Schedule of expenditure claimed in terms of Paragraph 12 of the First Schedule, indicating under which sub paragraph such expenditure is claimed; and
- Schedule of expenditure incurred in respect of the establishment and maintenance of plantations.

16. **Tax holiday**

- Copy of the notification issued by the board established in terms of the Regional Industrial Development Act, certifying that the company qualifies for “tax holiday” status; and
- Copy of notice of any modification or withdrawal of the initial approval issued by the board.

17. **Donation, settlement or other disposition**

Furnish the following:

- Name and address of person / company to whom the amount was paid;
- Amount; and
- Relationship between the company and the recipient of the donation.

18. **Changes in shareholding / members' interest**

- Details of all changes in shareholding / members' interest during the year of assessment (excluding listed companies); and
- Details of any change in effective control.

19. Business transacted on the Internet.

- The company's e-mail and website addresses;
- Disclose separately values of sales and purchases of goods and services, indicating whether from South African or foreign sources; and
- If these transactions have not been incorporated in the annual financial statements, submit reasons.
- The names and e-mail addresses and website addresses of major customers with whom you conducted business on the Internet.

20. Change in gross profit percentage

Submit a Schedule detailing the change.

Example: If the Gross Profit percentage was 40% in the previous year of assessment, it may not differ more than 4% (10% of 40%). If it is more than 44%, or less than 36%, an explanation must be furnished.

21. Economic substance / form of transaction

- Transaction outline;
- Date and description of the transaction;
- Amount accounted;
- Amount claimed as deduction or amount included in income; and
- Details of parties to the transaction, including relationship with the company.

22. Debtors and Creditors

Furnish the following details in respect of debtors and creditors balances at year end:

- Detailed breakdown for each class of debtors and creditors;
- Reasons why negative balances in debtors were not included in gross income if applicable; and
- List of creditors outstanding for more than 12 months.

E GROUP / CAPITAL AND RESERVES / DIVIDENDS / CONNECTED PERSONS

1. Secondary tax on companies

- Copies of the detailed calculations on secondary tax on companies, showing the dividend cycle dates, dividends declared, dividends received and "net amounts" in respect of each dividend; and
- Copies of minutes of dividend declarations and / or a description of events which gave rise to the deemed dividends.

2. Reserves transferred after 1 January 1974

- Submit the statement as required in terms of Section 70(3) of the Income Tax Act.

3. Winding up, liquidation or re-structuring of the company / Section 85 of the Companies Act

- Submit the statement as required in terms of Section 70(3A) of the Income Tax Act.

4. Election in terms of Section 64B(5)(f)

- Provide full details of the election.

5. Company ceases to be a resident during the year of assessment

- Submit full details describing the events that caused the change.

6. Dividends received

This information relates to dividends received by the company in respect of redeemable preference shares or any other shares which represent “affected instruments” as contemplated in Sections 8E(1) and 103(5).

- Copies of contracts, agreements or resolutions relating to the issue of the shares and / or the cession of interest / dividends, the conditions of redemption, the “right of acquisition”, the rate of dividends payable and the terms for the payment of dividends;
- Details of the amounts ceded and the amounts received in exchange; and
- Full particulars of all preference shares issued and/or redeemed.

7. Partnership, joint venture or trust

If an “en commandito” partnership has been entered into, furnish the applicable details set out in D14, otherwise furnish a copy of the following:

- Annual financial statements of the partnership, joint venture or trust;
- Computation of each participant's share of the profit / loss; and
- Partnership or joint venture agreement or trust deed if not previously submitted.

8. Corporate transactions

If the company was a party to any of the transactions mentioned in the return, provide full details of the transaction relating to the parties to the transaction, the capital / trading stock, nature and description of the assets transferred or acquired, any liabilities transferred.

If yes, in the case of (a), (d) and (f), where parties have elected for the relevant provision to apply, or in the case of (b), (c) and (e) where the parties have elected for the provision of the relevant sections not to apply, attach a written document indicating the decision taken by the relevant parties.

9. Intra-group transactions

- Indicate “yes” or “no” in the return.

10. Information holding period requirement / intra-group transactions.

- Indicate “yes” or “no” in the return

11. Transactions with connected persons (excluding Section 31)

The type of transactions envisaged are all intra-group transactions other than normal trading operations. Examples of non-trading transactions are transfers of assets within the group, rental, interest or administration fees paid from one company to another in the same group.

12. Reserves created, increased or decreased

- Nature of each reserve;
- Balance - current year of assessment;
- Balance - previous year of assessment; and
- If claimed as a deduction, furnish reasons.

13. Corporate changes

- Copies of all amendments to the memorandum / articles of association;
- Details of any issue or redemption of preferent shares;
- Details of all capitalisation shares / rights issued during the year of assessment; and
- Details of any share buy back transaction.

F INSURANCE RELATED QUESTIONS

1. Monthly and / or annual premiums

Furnish an analysis of annual and monthly premiums received by or accrued to the company, split into domestic and foreign sources.

2. Insurance policies

(a) Cessions

- Full particulars of the policy;
- Name, address and Income Tax reference number of co-signer;
- Circumstances which gave rise to the cession;
- Value of the policy transferred;
- Total premiums paid to date of cession; and
- Current redemption value.

(b) Loans / advances raised

- Full particulars of the policy;
- Date on which the loan or advance was obtained; and
- Purpose for which the loan or advance was utilised.

(c) Insurance and assurance premiums

- Full particulars of the company or organisation (NOT the broker) underwriting the risk, including its locality (i.e. country and place of business) and its shareholders, if known;
- Reason why the risk was not placed with a local insurer;
- Details of cover obtained and premiums relating thereto; and
- Details of any premiums refunded, commissions earned or claims recovered.

3. Insurance returns lodged with the Financial Services Board (FSB)

- Submit copies of all annual returns furnished to the FSB;
- Submit copies of all audit reports lodged with the FSB; and
- Submit copies of all special reports made to the FSB.

G INTELLECTUAL PROPERTY

1. Fees in respect of licence, royalties or right of use of an asset

- Name of person to whom payment was made;
- Date of payment;
- Nature and purpose of each payment; and
- Amount paid.

2. Intangible property

- Copy of agreement entered into in respect of expenditure incurred in excess of R5 000, if not previously submitted;
- Details of the basis upon which the expenditure incurred has been determined;
- Estimate of the probable duration of the use of the property and justification for the estimate; and
- Confirmation that it is used in the production of income.

H CAPITAL GAINS RELATED QUESTIONS

1. Capital gains (Eighth Schedule)

- Answer all questions (a) to (h) and furnish supporting documentation as required.

2. Election in terms of par 65 and par 66 of the Eighth Schedule to the Income Tax Act

- A description of the asset disposed of;
- A description of the replacement asset;
- The dates of acquisition and disposal of the original asset;
- The purchase price of the replacement asset; and
- The proceeds at disposal of the original asset.

I INTERNATIONAL TRANSACTIONS

1. Controlled Foreign Companies

- Complete the IT10 available on the SARS website and attach to the return.

2. Election to be regarded as a Controlled Foreign Company

- Complete the IT10 available on the SARS website www.sars.gov.za

3. Taxable amounts not remitted

- Furnish full details of amounts and reasons.

4. Amounts paid or credited to non-residents

- Full name and address of persons / company to whom the amount was paid or credited;
- Amount and nature thereof;
- Insert the code “ND” alongside any amount from which tax was not withheld at the time of payment or crediting; and
- Furnish reasons why tax was not withheld.

5. Transactions with connected persons

Furnish the following in respect of each transaction:

- Copy of agreement entered into;
- Copy of transfer pricing policy document. (If not previously submitted or in the case of changes effected to the existing document.); and
- Furnish a schedule detailing the reasons why it is considered that the provisions of Section 31(3) have been complied with.

6. Interest held in a foreign entity

- Name of each entity and its country of registration and place of effective management;

- Organogram of how the interest in each foreign entity is held;
- Nature of the business conducted by each foreign entity; and
- Copy of each foreign entity's annual financial statements, preferably prepared in accordance with local requirements, but consisting of at least a balance sheet and a detailed income statement signed by the auditor, the directors or a responsible officer. If these statements are not denominated in Rand an additional copy denominated in Rand must be submitted.

7. Benefit which relates directly or indirectly to any portion of foreign taxes claimed by the company as a rebate in terms of Section 6quat.

Furnish the following:

- (1) Name of person who received or became entitled to such benefit;
- (2) Explain the relationship between the company and the person claiming the benefit;
- (3) Income Tax reference number of the person in the foreign tax jurisdiction where the foreign taxes are payable;
- (4) Relevant foreign tax authorities;
- (5) Amount and calculation of benefit;
- (6) Date(s) that the benefit accrued to that person;
- (7) Copies of agreements in terms of which such benefit was received or accrued;
- (8) Has any similar benefit accrued to any person in any previous years of assessment; and
- (9) If the answer to question 8 is yes, please submit the details requested in questions 1-7 for each such year of assessment.

If there is more than one person, submit the details requested in questions 1-9 for each person separately.

8. Transfer of funds

- Submit full details of the amounts transferred to a foreign country and how it was utilised.

9. International group

1. Group organogram

Provide a group organogram detailing all the companies, branches, partnerships, trusts and / or joint ventures (or any other international business ventures) in the group. A description should be given of the various entities' businesses, country of incorporation and jurisdiction where the entities are considered to be tax resident and percentage shareholding.

2. Place of effective management

Indicate what is considered to be the place of effective management of the foreign incorporated entities, business ventures, partnerships, trusts, joint ventures listed in the group organogram. Kindly explain the nature of the decision and or operations which has an impact on its business operations, and the decisions, if any, taken in South Africa, which have an impact on the business operations of the foreign incorporated entity. Please substantiate the aforementioned statements with reasons.

J MINING ACTIVITIES

If yes, please complete the mining schedules on the following three pages and attach to the return.

PART 1

Indicate / state whether you were engaged in mining or mining operations as defined in Section 1 of the Income Tax Act. YES NO

If yes, please provide the following information / documentation:

- Detailed description of the mining or mining operations being conducted making reference of the type of operations conducted;
- A detailed description indicating the mineral areas currently being explored by the company, the mineral areas being mined and / or previously mined, as well as mineral areas being considered as one mine for purposes of section 36 of the Income Tax Act, making reference to business rationale, contiguity of orebodies, etc.;
- A detailed description of the downstream operations with reference to, inter alia, new or partially completed infrastructure such as smelters, refiners, concentrators, etc., the role thereof in the downstream operations as well as the consequential treatment (allocation) of the capital expenditure incurred; and
- A detailed explanation in respect of each exploration undertaking with regards to activities and future exploitation.

PART 2

Indicate whether -

- (a) The mining or mining operations are conducted on behalf of a mineral right holder; or
- (b) Whether the mining or mining operations are conducted on a property by another party to which you are the registered mineral right holder? YES NO

If yes, Provide the following information and documents -

- A copy of the signed agreement(s) entered into during the year and / or in existence at year end;
- A copy of the Mining Authorisation issued by the Director of the Department of Minerals and Energy in respect of the mining rights referred to in the contract(s) entered into, and / or
- Where no formal agreement was entered into, furnish a detailed description of the sub-contract mining activities being conducted.

PART 3

- (a) **Were any contributions made to a rehabilitation trust or provisions raised for future rehabilitation obligations?** YES NO

If "yes" please provide the following information / documentation:

- Name and income tax reference number of the trust or any other approved vehicle;
- Detailed calculation of the contribution made in cash as contemplated in section 11(hA) of the Income Tax Act; and
- Copy of the certification as issued by a person designated by the Minister of Minerals and Energy with reference to symbols A and D of the formulae as contained in section 11(hA) of the Income Tax Act.

- (b) **If you answered "no" to question 3(a) above indicate whether any other arrangements are in place to provide for rehabilitation costs (in respect of early and final closure costs).**

- If "yes" please provide the following information / documentation:
- A detailed description of the arrangement(s) in place as well as amount claimed as a deduction for Income Tax Purposes;
- A copy of any signed agreement(s) entered into; and
- Where SARS has given approval of the arrangement prior to implementation, a copy of the approval document.

PART 4

- Did you dispose of, acquire, transfer, lease or cede mining property and / or capital assets as contemplated in sections 36 and 37 of the Income Tax Act?** YES NO

If "yes" please provide the following information / documentation:

- A copy of the signed agreement(s) entered into; and
- A copy of the effective value determination issued by the Director General for Minerals and Energy in relation to the mining property and capital assets, as defined, acquired and / or disposed of.

NOTE:

Complete the Tax computation (Schedule B) as well as the Mining capital expenditure (Schedule C) and attach it to page 11 of your return.





TAX COMPUTATION

SCHEDULE B

NAME: [ABC (Pty) Ltd]
 REFERENCE NUMBER: [0000/000/00/0]
 YEAR ENDED: [00 Aaaaa 2005]

	A	B	C	D		E	F	G
	Non-Mining	Mine 1	Mine 2	Mining Operations Mine 3		Mine 4	Total	Grand Total (A + F)
Net profit / (loss) per income statement	0	0	0	0	0	0	0	0
Debit Adjustments (Decrease net profit / increase net loss) Total of the amount as determined in part 6.4 of the Form IT14.	0	0	0	0	0	0	0	0
Credit Adjustments (Increase net profit / Decrease net loss) Total of the amount as determined in part 6.4 of the Form IT14.	0	0	0	0	0	0	0	0
Income / Mining Income	0	0	0	0	0	0	0	0
Utilisation of assessed loss b/f	0	0	0	0	0	0	0	0
Redemption of capital expenditure	n/a	0	0	0	0	0	0	0
Capital expenditure redemption ito S36(7G)	n/a	0	0	0	0	0	0	0
Taxable Income / Mining Income / (Loss)	0	0	0	0	0	0	0	0

MINING CAPITAL EXPENDITURE

SCHEDULE C

NAME: [ABC (Pty) Ltd]
REFERENCE NUMBER: [0000/000/00/01]
YEAR ENDED: [00 Aaaa 2005]

	Mine 1	Mine 2	Mine 3	Mine 4	Total
Unredeemed expenditure b/f from prior year	0	0	0	0	0
Current year expenditure incurred	0	0	0	0	0
Capital expenditure acquired (Per effective valuation workings)	0	0	0	0	0
Assets purchases and capital expenditure incurred -	0	0	0	0	0
Shaft sinking and mine equipment	0	0	0	0	0
Vehicles (Excluding assets subject to S36(11)(d))	0	0	0	0	0
Vehicles subject to S36(11)(d)	0	0	0	0	0
Plant, machinery and equipment	0	0	0	0	0
Office equipment, etc.	0	0	0	0	0
Buildings acquired / erected (Excluding assets subject to S36(11)(d))	0	0	0	0	0
Buildings acquired / erected subject to S36(11)(d)	0	0	0	0	0
Capital and standby stores	0	0	0	0	0
Overheads capitalised	0	0	0	0	0
Section 36(11)(c) allowance	0	0	0	0	0
Section 36(11)(d) allowance (Vehicles)	0	0	0	0	0
Section 36(11)(d) allowance (Housing)	0	0	0	0	0
Other capital expenditure (inclusive of capitalised exploration expenditure)	0	0	0	0	0
Reductions in capital expenditure	0	0	0	0	0
Provision for capex acquisitions, included in assets acquired	0	0	0	0	0
Vehicles subject to S36(11)(d)	0	0	0	0	0
Buildings acquired / erected subject to S36(11)(d)	0	0	0	0	0
Proceeds on disposal of mining capital assets	0	0	0	0	0
Other	0	0	0	0	0
Redeemed in this year	0	0	0	0	0
Section 36(7G) utilisation	0	0	0	0	0
Unredeemed expenditure c/f to next year	0	0	0	0	0

* + [Validation to be attached]

Control

Total additions per above (items indicated by asterix) 0
 Total additions per Annual Financial Statements 0
Difference (Reconciliation to be provided) 0

Note: where mining operations has not commenced and exploration expenditure are claimed in terms of section 11(a) of the Income Tax Act, full disclosure should be made in a separate schedule.

