

South Africa Issues Revised Guidance On Interest Withholding Tax Obligations

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The South African Revenue Service (SARS) has published guidance on the interpretation and application of sections 50A to 50H of the Income Tax Act 58 of 1962 (ITA) relating to withholding tax on interest.

Interpretation Note 115 (issue 2) has been updated to reflect changes introduced by the promulgation of the Taxation Laws Amendment Act 20 of 2022, the Tax Administration Laws Amendment Act 16 of 2022, and the Rates and Monetary Amounts and Amendment of Revenue Laws Act 19 of 2022 on 5 January 2023.

The note deals, amongst others, with the following:

- definitions of bank, interest, and foreign person;
- the levy of withholding tax on interest;
- the meaning of "to or for the benefit of any foreign person";
- receipts or accruals from a source within South Africa;
- entitlement to exemptions from withholding tax on interest;
- headquarter companies;
- interest paid to a foreign person in respect of a listed debt;
- exclusion from the exemption of interest paid by a bank on "back-to-back" loans;
- the 183-day rule for determining whether a foreign person is exempt from withholding tax on interest;
- interest paid on a debt claim which relates to a permanent establishment;
- interest paid to a foreign person in respect of a debt owed by another foreign person;
- liabilities for the payer and recipient of South African-source interest;
- liability for withholding tax on interest;
- release of the obligation to withhold tax on interest;
- reduction of the rate of withholding tax on interest;
- completion of the declaration form;
- the payment and refund of the withholding tax; and
- the currency of payments made to the Commissioner.

