

BINDING PRIVATE RULING: BPR 311

DATE: 11 October 2018

ACT : INCOME TAX ACT 58 OF 1962 (the Act)
SECTION : SECTION 12B
SUBJECT : PHOTOVOLTAIC SOLAR ENERGY PLANTS

Preamble

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

1. Summary

This ruling determines the deductibility of expenditure to be incurred to install photovoltaic solar energy plants at sites owned and leased by the applicant.

2. Relevant tax laws

This is a binding private ruling issued in accordance with section 78(1) and published in accordance with section 87(2) of the Tax Administration Act 28 of 2011.

In this ruling references to sections are to sections of the Act applicable as at 28 August 2017. Unless the context indicates otherwise any word or expression in this ruling bears the meaning ascribed to it in the Act.

This is a ruling on the interpretation and application of –

- section 12B(1)(h)(ii)(bb);
- section 12B(2)(b); and
- section 12B(3).

3. Parties to the proposed transaction

The applicant: A resident private company which will be installing photovoltaic solar energy plants

4. Description of the proposed transaction

The applicant proposes to install solar power systems at each of the sites it rents, to reduce electricity costs. The proposed photovoltaic solar energy systems at each site will comprise of the following components -

- photovoltaic solar panels;
- AC inverters;

- DC combiner boxes;
- racking; and
- cables and wiring.

Distribution boxes do not form part of the photovoltaic solar energy systems and no expenditure is claimed in respect of them under the section.

The system supplements, and does not replace, the electricity provided by the main grid. Each system installed per site will generate less than 1 megawatt of electricity. The applicant will purchase the photovoltaic solar panels, appoint and pay independent contractors to perform installation planning (e.g. site assessment and engineering design), procure and purchase all other relevant equipment comprising the systems and actually install the systems at the relevant sites.

The related expenditure, which the applicant propose to incur as part of the cost of the installation (herein after referred to as the “related costs”), includes –

- installation planning costs;
- panels delivery costs;
- installation costs; and
- installation safety officer costs.

5. Conditions and assumptions

This binding private ruling is not subject to any additional conditions and assumptions.

6. Ruling

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

- The applicant is entitled to claim deductions in respect of –
 - each of the photovoltaic solar energy plants to be installed at each of the sites, consisting of the photovoltaic solar panels, inverter, DC combiner box, racking, and cables and wiring, under section 12B(1)(h)(ii)(bb); and
 - the direct costs of the installation and erection of each of the plants, consisting of the installation planning costs, panel delivery costs and the cost of the installation safety officer to be appointed, under section 12B(3).
- The deduction of the expenditure deductible under section 12B(1)(h)(ii)(bb) must be calculated under section 12B(2)(b).
- No opinion is expressed in relation to the estimation of the amount to be claimed in respect of any of the costs.

7. Period for which this ruling is valid

This binding private ruling is valid for a period of three years from the date of the ruling

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