

BINDING PRIVATE RULING: BPR 139

DATE: 18 March 2013

ACT : INCOME TAX ACT, NO. 58 OF 1962 (the Act)
SECTION : PARAGRAPH 65B OF THE EIGHTH SCHEDULE TO THE ACT
SUBJECT : DISPOSAL OF ASSETS BY A RECREATIONAL CLUB

1. Summary

This ruling deals with the capital gains tax consequences and the roll over relief provided for under paragraph 65B of the Eighth Schedule in respect of the disposal of some of the assets held by a recreational club and the utilisation of the total proceeds to acquire replacement assets.

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 No. 28 of 2011.

In this ruling references to paragraphs are to paragraphs of the Eighth Schedule to the Act applicable as at 12 February 2013 and 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 the provisions of paragraph 65B of the Eighth Schedule.

3. Parties to the proposed transaction

The Applicant: A recreational club approved under section 30A of the Act.

4. Description of the proposed transaction

The Applicant owns various properties which are utilised for social and recreational purposes.

The Applicant is embarking on an upgrade of its facilities and intends to dispose of certain portions of its properties (the properties) currently housing certain facilities which are mainly used by the members of the Applicant.

The proceeds derived from the sale of the properties will be utilised for purposes of developing new facilities on the remainder of its properties which will also be used mainly by the members of the Applicant.

5. Conditions and assumptions

This ruling is subject to the following additional conditions and assumptions:

- The Applicant will elect that paragraph 65B of the Eighth Schedule applies.

- The properties to be disposed of (and the relevant buildings situated thereon) were used mainly for purposes of providing social and recreational amenities to the members of the Applicant.
- The assets to be acquired will constitute replacement assets as envisaged by paragraph 65B of the Eighth Schedule.
- The proceeds from the disposal of the properties will be equal to or exceed the base cost of the respective properties and an amount at least equal to the proceeds on the disposal will be expended to acquire one or more replacement assets.
- The contracts for the acquisition of the replacement assets will be concluded within a period of 12 months after the date of the disposal of the properties.
- The replacement assets will be brought into use within a period of 3 years from the date of disposal of the properties.
- The replacement assets will be used mainly by members of the Applicant for social and recreational activities.

6. Ruling

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

- Any capital gain determined in respect of the disposal of the properties must be disregarded when determining the Applicant's aggregate capital gain or aggregate capital loss.

7. Period for which this ruling is valid

This binding private ruling issued in February 2013, applies to the year of assessment in which the proposed transaction is executed.

Issued by:

**Legal and Policy Division: Advance Tax Rulings
SOUTH AFRICAN REVENUE SERVICE**