

BINDING PRIVATE RULING: BPR 101

DATE: 04 May 2011

ACT : SECURITIES TRANSFER TAX ACT, NO. 25 OF 2007 (the STT Act)
SECTION : SECTION 8(1)(a)
SUBJECT : SECURITIES TRANSFER TAX – ASSET-FOR-SHARE TRANSACTION

1. Summary

This ruling deals with the question as to whether the transfer of shares in an asset-for-share transaction will qualify for an exemption under section 8(1) of the STT Act.

2. Relevant tax laws

This is a binding private ruling issued in accordance with section 76Q of the Income Tax Act, No. 58 of 1962 read with section 19 of the Securities Transfer Tax Administration Act, No. 26 of 2007.

In this ruling references to sections are to sections of the STT Act applicable as at 8 January 2009 and unless the context indicates otherwise, any word or expression in this ruling bears the meaning ascribed to it in the STT Act.

This ruling has been requested under the provisions of section 8(1)(a).

3. Parties to the proposed transaction

The Applicant:	A private company which is incorporated in and a resident of South Africa and also the wholly owned subsidiary of Company S
Company S:	A corporation that is incorporated in a foreign country and a resident of that foreign country and also the holding company of the Applicant
Company T:	A private company which is incorporated in and a resident of South Africa

4. Description of the proposed transaction

The Applicant and Company T are partners in a joint venture and the Applicant is party to some of the operations with Company T.

Company S currently holds 49% of the ordinary shares in Company T but there is no logical reason for Company S to hold these shares as holding them through the Applicant will make operations, reporting and governance simpler and more efficient.

Company S therefore wishes to transfer its 49% shareholding in Company T to the Applicant in exchange for shares in the Applicant. The Applicant will issue additional ordinary shares to Company S as consideration for receiving the 49% shareholding in Company T.

5. Conditions and assumption

This ruling is not subject to any conditions and assumptions.

6. Ruling

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

- The proposed asset-for-share transaction between Company S and the Applicant will qualify for an exemption under section 8(1)(a)(vi), notwithstanding the fact that Company S is a resident of a foreign country.

7. Period for which this ruling is valid

This binding private ruling is valid for a period of three (3) years as from January 2009, provided the proposed transaction is implemented within that period.

Issued by:

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