

SOUTH AFRICAN REVENUE SERVICE

BINDING PRIVATE RULING: BPR 064

DATE: 27 November 2009

ACT : INCOME TAX ACT, No. 58 OF 1962 (the Act)
SECTION : PARAGRAPHS 1 AND 2 OF THE FOURTH SCHEDULE TO THE ACT
SUBJECT : EMPLOYEES' TAX – ANNUITY PAYMENTS FROM ONE LONG-TERM INSURANCE COMPANY TO ANOTHER

1. Summary

This ruling deals with whether a company registered as a long-term insurer, which will make annuity payments to another company registered as a long-term insurer in terms of an annuity contract, will be obliged to deduct employees' tax from such annuity payments in accordance with the provisions of the Fourth Schedule to the Act.

2. Relevant tax laws

This is a binding private ruling issued in accordance with section 76Q of the Act.

In this ruling all legislative references to sections are to sections of the Act applicable as at 15 December 2007 and unless the context otherwise indicates, any word or expression in this ruling bears the meaning ascribed to it in the Act.

This ruling has been requested in relation to the provisions of paragraphs 1 and 2 of the Fourth Schedule to the Act.

3. Parties to the proposed transaction

The Applicant: A company registered as a long-term insurer which will pay annuities to Company A

Company A: A company registered as a long-term insurer which will receive annuities from the Applicant

4. Description of the proposed transaction

The Applicant will pay annuities to Company A in terms of an annuity contract.

5. Conditions and assumptions

This ruling is made subject to the conditions and assumptions that –

- this ruling is not an approval of a long-term insurance product and should, in no way, be construed as such. To the extent that this ruling is contrary to any regulation, interpretation note, legislation or rule governing the long-term insurance industry, it will not apply; and
- this ruling does not pertain to, or express any views on the tax implications attendant upon the Applicant or Company A other than whether the Applicant is obliged to deduct employees' tax under the provisions of paragraph 2 of the Fourth Schedule to the Act in respect of annuity payments to be made.

6. Ruling

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

- The Applicant will have no obligation to deduct employees' tax, as envisaged under the provisions of the Fourth Schedule to the Act, in respect of annuity payments to be made to Company A.

7. Period for which this ruling is valid

This binding private ruling will remain valid for a period of three (3) years as from 21 December 2007.

Issued by:

Legal and Policy Division: Advance Tax Rulings

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