



Monthly Newsletter

Reportable Arrangements

Reportable arrangements are arrangements perceived to have characteristics that may lead to undue tax benefits. A number of new transactions to be regarded as reportable arrangements were published during March 2015.

Requirement:

Taxpayers entering into any reportable arrangements are required to report the details of the arrangements to SARS.

Affected arrangements must be reported to SARS:

- within 45 business days after the date on which the arrangement qualifies as a reportable arrangement; or
- within 45 days of a taxpayer becoming party to a reportable arrangement

List of Reportable Arrangements:

Hybrid equity instruments: Where the prescribed period in Section 8E of the Income Tax Act (ITA) is 10 years

Hybrid debt instruments: Where the prescribed period in Section 8F of the ITA is 10 years, excluding instruments listed on an exchange regulated in terms of the Financial Markets Act

Share buy-backs: Where on or after 16 March 2015, a company buys back shares with an aggregate amount exceeding R10 million from one or more shareholders and that same company has issued or is required to issue any shares within a period of 12 months of the buy-back transaction, the transactions will be reportable. The shares need not be of the same class, nor be bought back from the same party who will hold the newly issued shares.

Foreign trusts: Contributions to and acquisitions of a beneficial interest in a non-resident trust on or after 16 March 2015 where the amount of all contributions or payments, whether made before or after 16 March 2015, or the value of the beneficial interest exceeds or is likely to exceed R10 million will be reportable. Contributions to and

beneficial interests in collective investment schemes and foreign investment entities are excluded.

Assessed loss companies: The acquisition (direct or indirect) of a controlling interest in a company with assessed losses in excess of R50million from the year of assessment preceding the transaction or during which the transaction is concluded. A controlling interest in the 'assessed loss' company can be acquired through the acquisition of shares, voting rights or a combination of both.

Foreign insurers: Transactions between residents and foreign insurers if amounts that exceed or are expected to exceed R5 million have been paid or becomes payable to foreign insurers and any amounts payable to beneficiaries on or after 16 March 2015 will be determined mainly with reference to the value of particular assets or categories of assets held by the foreign insurer (by implication all existing foreign cell captive arrangements with aggregate premiums in excess of R5 million will have to be reported within 45 business days from 16 March 2015).

Excluded arrangements:

These are arrangements where the aggregate tax benefit which may be derived from the arrangement by all participants to the arrangements does not exceed R5 million. Care must be taken as some arrangements not previously reported may become reportable especially those arrangements where the accounting and tax treatment differ.

Other News

In the 2015 Budget it was proposed that, for a one year period, the remuneration threshold against which contributions to the UIF are calculated be reduced from R14 872 to R1 000. It should be noted that the Minister of Finance announced at the end of April 2015 that the implementation of the proposal will not be proceeded with in the 2015/16 fiscal year.