

SOUTH AFRICA INCOME TAX ACT

§ 10 - Exemption

1. There shall be exempt from the tax--

- a. the revenues of the Government, any provincial administration or of any other state;
- b. the revenues of local authorities;
- c.
 - i. [Sub-para. (i) deleted by s. 9 (1) (a) of Act No. 21 of 1994]
 - ii. any pension payable to any person or his surviving spouse by reason of such person having occupied the office of State President or Vice State President: Provided that the provisions of this subparagraph shall not apply to any amount payable to any person or his surviving spouse by reason of such person having occupied the office of President as elected in terms of section 77 of the Constitution;
 - iii. the salary and emoluments payable to any person who holds office in the Republic as an official of any government, other than the Government of the Republic, provided such person is stationed in the Republic for that purpose and is not ordinarily resident in the Republic;
 - iv. any salary and emoluments payable to any domestic or private servant of any person referred to in subparagraph (iii) in respect of domestic or private services rendered or to be rendered by such servant to such person if such servant is not a South African citizen and is not ordinarily resident in the Republic;
 - v. any salary and emoluments payable to any subject of a foreign state who is temporarily employed in the Republic, provided the exemption of such salary and emoluments is authorized by an agreement entered into by the governments of such foreign state and the Republic;

(cA) the receipts and accruals of--

- i. any institution, board or body (other than a company registered or deemed to be registered under the Companies Act, 1973 (Act No. 61 of 1973), or under any law repealed by that Act and any co-operative formed and incorporated or deemed to be formed and incorporated under the Cooperatives Act, 1981 (Act No. 91 of 1981), and any close corporation and any trust) established by or under any law and which, in the furtherance of its sole or principal object--
 - (aa) conducts scientific, technical or industrial research;
 - (bb) provides necessary or useful commodities, amenities or services to the State (including any provincial administration) or members of the general public; or
 - (cc) carries on activities (including the rendering of financial assistance by way of loans or otherwise) designed to promote commerce, industry or agriculture or any branch thereof;

- ii. any South African company all the shares of which are held by any such institution, board or body, if the operations of such company are ancillary or complementary to the object of such institution, board or body:

Provided that such institution, board, body or company--

- a. has been approved by the Commissioner subject to such conditions as he may deem necessary to ensure that the activities of such institution, board, body or company are wholly or mainly directed to the furtherance of its sole or principal object;
- b. is by law or under its constitution--
 - i. not permitted to distribute any of its profits or gains to any person, other than, in the case of such company, to its shareholders;
 - ii. required to utilize its funds solely for investment or the object for which it has been established; and
 - iii. required on dissolution--

(aa) where the institution, board, body or company is established under any law, to transfer its assets to some other institution, board or body which has been granted exemption from tax in terms of this paragraph and which has objects similar to those of such institution, board, body or company; or

(bb) where the institution, board, or body is established by law, to transfer its assets to--

(A) some other institution, board or body which has been granted exemption from tax in terms of this paragraph and which has objects similar to those of such institution, board, body or company; or

(B) to the State:

Provided further that--

- a. where the Commissioner is satisfied that any such institution, board, body or company has during any year of assessment failed to comply with the provisions of this paragraph, he may withdraw his approval of the institution, board, body or company with effect from the commencement of that year of assessment;
- b. where the institution, board, body or company fails to transfer, or take reasonable steps to transfer, its assets as contemplated in paragraph (b)(ii) of the first proviso, the accumulated net revenue which has not been distributed shall be deemed for the purposes of this Act to be an amount of taxable income which accrued to such institution, board, body or company during the year of assessment contemplated in paragraph (a); and
- c. any decision of the Commissioner in the exercise of his discretion under this paragraph shall be subject to objection and appeal;

- 2. Notwithstanding the exemptions provided for in paragraphs (h) and (k) of subsection (1)-

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- a. all amounts falling within the scope of the said paragraphs shall be set out by the taxpayer in the return rendered by him; and
 - b. the said exemptions shall not apply in respect of any portion of an annuity.

3. The exemptions provided by any paragraph of subsection (1) shall not extend to any payments out of the revenues, receipts, accruals or profits mentioned in such paragraph.