

Ref #: 765811

Submission File

18 September 2020

South African Revenue Service
Private Bag X923
Pretoria
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BY E-MAIL: policycomments@sars.gov.za

Dear SARS

COMMENTS ON THE DRAFT INTERPRETATION NOTE – TAXATION OF THE RECEIPT OF DEPOSITS

1. We herewith take an opportunity to present our comments on behalf of the South African Institute of Chartered Accountants (SAICA) on the Draft Interpretation Note (IN) providing clarity on the taxation of the receipt of deposits.

COMMENT

2. The Draft IN provides guidance on the words “received by” in the definition of “gross income” in section 1(1) and the treatment of the receipt of a deposit in the ordinary course of business.
3. An examination of possible capital gains tax consequences attached to the receipt of a deposit does not form part of the scope of this Note. In addition, the Note does not deal with amounts deposited by clients with banks and similar deposit-taking financial institutions.
4. The VAT treatment of the receipts of deposits has not been mentioned in the Draft IN either. A fair bit of uncertainty surrounds deposits and the VAT implications thereof, as the concept has not been defined in the VAT Act separately, however, it is acknowledged that the definition of “consideration” in the VAT Act sets out the output tax implications of deposits.

5. Submission: We recommend that the VAT treatment of the receipts of deposits should be included in the Draft IN, or alternatively a separate IN should be issued dealing with the VAT treatment of the receipt of deposits.



Should you wish discuss this further please do not hesitate to contact us.

Yours sincerely

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The South African Institute of Chartered Accountants