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Tax Alert

October 2019

Taxation Laws Amendment Bill, 2019: No more tax-neutral transfers of interest-bearing instruments and exchange items between group companies

Provisions in South African income tax legislation allow for groups of companies to reorganise themselves without incurring tax liabilities under certain circumstances. This means that assets can be transferred in a tax-neutral manner between group companies.

Current position

Until now, it has been understood that these “group relief” rules applied to transfers between group companies of interest-bearing instruments (eg debenture notes) and exchange items (eg loans denominated in foreign currency).

Proposal in the new Bill

The new Bill clarifies that the aforementioned assets are excluded from the group relief rules. Thus, companies that transfer these assets in the course of corporate restructuring may have to account for exchange differences and unrealised interest in their income tax returns.

The amendments will be effective from date of promulgation of the Bill.

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