
REPUBLIC OF SOUTH AFRICA.

EXPLANATORY MEMORANDUM

ON THE

INCOME TAX BILL, 1966

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In terms of the principal Act (Act No. 58 of 1962), the rates of normal tax must be fixed annually. The Bill fixes rates—

- (a) for individuals in respect of the years of assessment ending on 28th February, 1967, and 30th June, 1967;
- (b) for companies (other than gold mining companies) in respect of years of assessment ending during the period of twelve months ending on 31st December, 1967; and
- (c) for gold mining companies in respect of their years of assessment ending during the twenty-four months ending on 31st December, 1967.

In addition to fixing the rates of normal tax the Bill amends the principal Act and also the Income Tax Act, 1965.

CLAUSE 1.

Rates of Normal Tax.

This clause enacts the rates set forth in the Schedule to the Bill.

CLAUSE 2.

Accrual to the Provinces of a Portion of the Normal Tax payable by Certain Companies.

In terms of this clause a portion of the normal tax payable by companies on taxable income derived otherwise than from mining operations in the Republic will, save where the tax accrues for the benefit of the Transkeian Revenue Fund under any law, accrue for the benefit of the respective provincial revenue funds in the proportions determined by proclamation. The portion so accruing to the provinces will be 15 per cent of the normal tax payable before the addition of the loan portion of the normal tax.

CLAUSE 3.

Calculation of Provincial Income Tax.

In terms of this clause the provincial income taxes payable by individuals in respect of the year of assessment ending on 28th February, 1967, or 30th June, 1967, whichever is applicable, will be calculated on the amount payable by way of normal tax under paragraph 1 (a) of the Schedule to the Bill after the deduction of the rebates provided for in sections 6 and 6bis of the principal Act. The provincial income taxes will not be payable on the loan portion of the normal tax imposed by paragraph 1 (g) of the Schedule.

CLAUSE 4.

The loan portion of the Normal Tax.

This clause contains provisions in regard to the assessment and repayment of the portion (called the loan portion) of the normal tax payable by persons other than companies under paragraph 1 (g) of the Schedule to the Bill and by companies under paragraph 1 (h) of the Schedule.

Subclause (2) provides that liability for the unpaid amount of the loan portion is to cease when the person liable therefor dies or becomes insolvent or, in the case of a company, is placed under liquidation or when such person leaves the Republic permanently and ceases to carry on business in the Republic, or, in the case of a woman who marries, in respect of any period

of assessment ending before her marriage. This subclause further provides that the estate of a deceased or insolvent person (but not a testamentary trust) will not be liable for the loan portion in respect of income accruing to such estate. Further exemptions are provided in the case of certain owners or charterers of ships or aircraft who are assessed to tax under section 33 of the principal Act, in the case of persons (other than companies) who are not ordinarily resident nor carrying on business in the Republic, and in the case of companies which are not registered and do not carry on business in the Republic.

In terms of *subclause (3)* the loan portion will not be payable on any amount payable by way of additional tax in terms of section 76 of the principal Act or paragraph 20 of the Fourth Schedule to that Act.

Subclause (4) provides for collections in respect of the loan portions of the normal tax to be paid into the loan account referred to in the General Loans Act, 1961 (Act No. 16 of 1961), for refunds (other than repayments under *subclause (6)*) to be paid by way of a drawback on amounts accruing to the loan account and for repayments under *subclause (6)* to be charged to the loan account.

Subclause (5) requires the Secretary to issue to every person who has paid the loan portion of the normal tax a statement of the amount of such loan portion paid by him. The statement, which will not as such be redeemable or transferable, is to be issued not later than the date for repayment determined by the Minister of Finance under *subclause (6)*, but need not be issued if the loan portion is repaid before that date.

Subclause (6) requires the Minister of Finance to determine a date, not being later than 28th February, 1974, after which the loan portion of the normal tax is to be repaid to the person by whom it was paid. The loan portion may, however, be repaid before that date in the event of the death, insolvency or liquidation (in the case of a company) of the person concerned before the date so determined.

Subclause (7) provides for simple interest to be paid on the loan portion at the rate of five per cent per annum, but such interest will not be payable until the loan portion is repaid.

Subclause (8) empowers the Secretary to appropriate tax payments and credits to the loan portion and deems the amounts so appropriated to have been paid—

- (a) in the case of a person who has had employees' tax deducted or withheld from his remuneration during the year of assessment and is either not required to pay provisional tax in respect of such year or has made satisfactory arrangements for increased deductions by way of employees' tax to cover his liability for provisional tax in respect of such year, on the first day of September, 1966; or
- (b) in the case of a person who has during the year of assessment paid directly by way of provisional tax the first amount due by him under the relevant provisions of the Fourth Schedule to the principal Act in respect of provisional tax for the year of assessment, on the first day of the month during which he paid such amount; or
- (c) in any other case (e.g. a person who is not an employee nor a provisional taxpayer), on such date as the Secretary, having regard to the payments made, may determine.

The date of payment, as so deemed, will be the date from which interest is calculated as provided by *subclause (7)*.

Subclause (9) exempts from stamp duty any receipt given by any person for the repayment to him of the loan portion of the normal tax.

Subclause (10) empowers the State President to make regulations in order that the objects of this clause may be achieved.

Subclause (11) authorizes the State President to determine a date after which assessments for the loan portion of the normal tax shall not be issued.

Subclause (12) deems the provisions of this clause to have come into operation on the first day of March, 1966.

CLAUSE 5.

Definitions.

This clause introduces amendments to section 1 of the principal Act.

Paragraph (a). The amendments to the definition of "gross income" introduced by paragraph (a) of this clause should be read with section 10 (1) (x) of the principal Act. At present certain retirement benefits received by or accruing to an employee or the holder of an office may qualify on a cumulative basis for exemption from tax up to a prescribed maximum and any balance not so exempt is taxed over a period of three years. It is at present a requirement that the receipt or accrual of the retirement benefits should occur "upon and because of the termination of his services". The amendments relax this requirement so as to cover cases where the retirement benefits are received or accrue after, or within five years (or such longer period as the Secretary may approve) before, the actual date of retirement and in addition give the taxpayer concerned the option of being taxed on the taxable portion of the benefits in one year or over three years.

Paragraph (b) of this clause introduces a definition of "post-1966 gold mine". This amendment should be read with the amendment introduced by clause 23.

CLAUSE 6.

Secrecy in regard to Income Tax Matters.

This clause introduces an amendment to section 4 of the principal Act, providing that the oath of secrecy required to be taken by officers employed in carrying out the provisions of the principal Act may be taken and subscribed before an officer of the Department of Inland Revenue who is a commissioner of oaths.

CLAUSE 7.

Calculation of Normal Tax: Married Couples.

This clause introduces amendments to section 5 (5) and (7) of the principal Act.

For the purposes of calculating under section 5 (3) to (8), inclusive, of the principal Act, the normal tax payable in respect of the taxable income of a married man it is in certain circumstances necessary to determine the respective portions of that taxable income which were derived by the husband and the wife. The amendments provide that where the spouses are married in community of property their portions of the taxable income must be determined by the Secretary as though they had not been married in community of property.

CLAUSE 8.

Rebates: Insurance Premiums, etc.

This clause introduces amendments to section 6 (1) (d) of the principal Act, providing for an increase in the rebate in respect of insurance premiums and contributions to any provident or benefit fund or any unemployment insurance fund established by law from 7 per cent to 8 per cent of the amounts paid. The maximum allowable rebate is increased from R25 to R30.

CLAUSE 9.

Donations, Settlements and Other Dispositions.

This clause introduces amendments to section 7 (5) of the principal Act. The provisions of section 7 (5) are designed to prevent tax avoidance by means of a donation, settlement or other disposition of assets made so as to divest the person making the donation, settlement or other disposition of his right to the income from such assets and at the same time to with-

hold such income from the beneficiaries until the happening of some event. The amendment is framed to close a loophole by making it clear that section 7 (5) applies whether the stipulation or condition for the withholding of the income from the beneficiaries was made or imposed directly by the person making the donation, settlement or other disposition or by some third person.

CLAUSE 10.

Recoveries or Recoupments of Allowances.

This clause introduces amendments to section 8 (4) of the principal Act.

The amendments to section 8 (4) (a) introduced by *paragraph (a)* of this clause excludes from taxable recoveries and recoupments—

- (a) the investment allowance for hotel equipment provided for in the new section 12A (3) inserted in the principal Act by clause 16; and
- (b) the investment allowance for shipbuilding structures provided for in the new subsection (8) added to section 13 of the principal Act by clause 17.

Paragraph (b) of this clause introduces amendments to section 8 (4) (b), (c) and (d) in regard to recoveries or recoupments of allowances made under the principal Act in respect of ships. These amendments should be read with the amendments to section 14 of the principal Act introduced by clause 19.

Where the allowances in respect of a ship are recovered or recouped on or after 17th August, 1966, and the ship is replaced by a further ship which the Secretary is satisfied will qualify for an allowance under section 14 (1) (a) or (b) of the principal Act for at least seven years, the amount recovered or recouped will, to the extent that it is deductible from the cost or estimated cost of the further ship for the purpose of calculating the allowance in respect of the further ship, not be included in income and the allowance in respect of the further ship will then be calculated on the cost or estimated cost of such further ship, less the amount so excluded from income.

Recoveries or recoupments of allowances in respect of ships which were received or accrued before 17th August, 1966, are not affected by the amendments and will be taxable upon the death, insolvency or liquidation (in the case of a company) of the taxpayer.

Paragraph (c) of this clause inserts a new paragraph (dA) in section 8 (4). If, for the purposes of the calculation of the depreciation allowances under section 14 of the principal Act in respect of any ship, the cost of such ship has been adjusted by the deduction of an amount as provided in section 14 (2), read with section 8 (4) (b), and on the loss, sale or disposal of such ship an amount accrues to or is received by the taxpayer which exceeds such adjusted cost, such excess will (to the extent that it does not exceed the amount deducted from the cost of the ship under section 14 (2)) be required to be included in the taxpayer's income as a recovery or recoupment.

CLAUSE 11.

Exemptions from Tax.

This clause introduces amendments to section 10 (1) of the principal Act.

Paragraph (a) of this clause inserts a new paragraph (cA) in section 10 (1), which provides for an exemption in respect of the receipts and accruals of—

- (a) certain institutions, boards and bodies which are established by or under certain laws to perform certain useful functions and are not permitted to distribute any of their profits or gains; and
- (b) any subsidiary company of any such institution, board or body the operations of which are ancillary or complementary to the objects of such institution, board or body.

Paragraph (b) of this clause amends section 10 (1) (i) so as to—

- (a) exempt from tax the interest on First Series Savings Bonds up to a maximum of R6,764.40;
- (b) increase the maximum exemption in respect of interest on deposits in the Post Office Savings Bank from R100 to R200; and
- (c) increase the maximum exemption in respect of interest on Post Office Savings Bank Certificates from R100 to R400.

Paragraph (c) of this clause inserts a new paragraph (qA) in section 10 (1), providing for an exemption from tax in respect of *bona fide* bursaries for study at recognized educational and research institutions.

Paragraph (d) of this clause amends section 10 (1) (x) so as to increase the exemption in respect of retirement and certain similar lump sum payments from R4,000 to R6,000.

CLAUSE 12.

Deductions from income.

This clause introduces amendments to section 11 of the principal Act.

Paragraph (a) of this clause inserts in proviso (iii) to section 11 (e) a reference to section 14 (1) (b) of the principal Act. In terms of the amendment no wear and tear allowance may be made under section 11 (e) in respect of a ship for which an allowance has been made under section 14 (1) (b).

Paragraph (b) of this clause inserts in proviso (vi) to section 11 (e) a reference to the new section 12A (2) introduced by clause 16. In terms of this amendment the value of hotel equipment must, for purposes of the calculation of any wear and tear allowance in respect thereof under section 11 (e), be reduced by the amount of any allowance made in respect thereof under section 12A (2).

Paragraph (c) of this clause inserts in section 11 new paragraphs (gA) and (gB).

Paragraph (gA) provides for an allowance in respect of certain expenditure incurred in connection with inventions, patents, designs, trade marks, copyright or similar property. Where such expenditure exceeds R200 the allowance made in respect of any year of assessment will not exceed a proportion of the expenditure (determined according to the probable duration of use of the invention, patent, design, trade mark, copyright or similar property) or one twenty-fifth of the expenditure, whichever is greater. Where the expenditure was incurred prior to the commencement of the year of assessment in question a portion of the expenditure will normally be regarded as having been written off and the allowance will then be calculated only on the balance not written off.

Paragraph (gB) provides for the deduction from income of expenditure incurred during the year of assessment in obtaining the extension of the term of a patent or the extension of the registration period of a design or the renewal of the registration of a trade mark.

Paragraph (d) of this clause amends section 11 (k) so as to increase, from R600 to R1,000, the maximum amount allowed to be deducted from income in respect of contributions by the holder of any office or employment to a pension fund not established by law or for the benefit of employees of any local authority.

Paragraph (e) of this clause amends section 11 (n) so as to increase, from R1,200 to R2,000, the maximum amount allowed to be deducted from income in respect of contributions to any retirement annuity fund.

Paragraph (f) of this clause amends section 11 (o) so as to provide—

- (a) that where a scrapping allowance is made in respect of hotel equipment the allowance made in respect thereof under section 12A (2) of the principal Act is to be taken into account;
- (b) that a scrapping allowance may be made in respect of any ship-building structure, or improvements thereto, referred to in section

13 (8) of the principal Act if the structure is or the improvements are scrapped after a period of ten years from the date of erection and that in calculating such allowance any allowance made under section 13 (1) of the principal Act as applied by section 13 (8) is to be taken into account; and

- (c) that where a scrapping allowance is made in respect of any ship the cost of such ship shall be deemed to be the actual cost thereof less any amount (not previously included in income) whereby the cost or estimated cost of the ship has been reduced in terms of section 14 (2) (a) of the principal Act.

In terms of the amendments to section 11 (v) introduced by *paragraph (g)* of this clause the total maximum amount which may be deducted from income under section 11 (v) in respect of expenditure incurred in any year of assessment by any person in consequence of his physical disability or by his wife in consequence of her physical disability and for the purposes of carrying on his or her trade, is increased from R300 to R600, provided such person's taxable income (as calculated before allowing such deduction) does not exceed R4,000 if either such person or his wife is physically disabled or R5,000 if both are physically disabled and derive income from the carrying on of any trade.

CLAUSE 13.

Exporters' Allowance.

This clause introduces amendments to section 11*bis* of the principal Act.

Paragraph (a) of this clause amends the definition of "export turnover" so as to permit of the exporters' allowance being granted to a farmer whose produce has been exported otherwise than by himself.

Paragraph (b) of this clause inserts a new subsection (4A) in section 11*bis*. In terms of the new subsection where market development expenditure has been incurred by one of the organizations referred to in that subsection and it can be shown that such expenditure was passed on to the producers of any pastoral, agricultural or other farming produce exported by such organization, the expenditure will, for the purposes of section 11*bis* only, be regarded as having been incurred by the producers, each producer being allocated a portion of the expenditure by the organization concerned, and the exporters' allowance will in the appropriate circumstances be granted to each such producer in respect of his portion of such expenditure.

CLAUSE 14.

Industrialists in Economic Development Areas: Allowances in respect of Power, Water and Transportation Costs.

This clause introduces amendments to the section 11*ter* of the principal Act. In terms of the amendments the allowance under that section in respect of expenditure incurred by an industrialist in an economic development area in respect of the purchase of water or power and in respect of certain transportation costs will no longer be calculated at the fixed rate of 10 per cent of the relevant expenditure but will be calculated at a rate fixed by the Minister of Finance, having regard to the circumstances of the case, but not exceeding 10 per cent.

CLAUSE 15.

Initial and Investment Allowances in respect of machinery, plant, implements, utensils or articles.

This clause introduces amendments to section 12 of the principal Act.

The amendments bring about the following changes:—

- (1) A lessor of machinery or plant may in the appropriate circumstances qualify for the initial or investment allowance for machinery or plant if the machinery or plant is first let on or after 17th August, 1966.

- (2) The machinery investment allowance under section 12 (2) of the principal Act may be granted in respect of machinery or plant the order for which was placed by the taxpayer before 17th August, 1966, if the machinery or plant is brought into use within a period which the Secretary for Inland Revenue, having regard to the circumstances of the case, regards as reasonable. In such a case the allowance will normally be 10 per cent of the cost of the taxpayer of the machinery or plant, but where the order therefor was placed not later than 9th February, 1966, and the Minister of Finance is satisfied that as a result of action by the State the machinery or plant was not brought into use before the end of the year of assessment ended on 28th February, 1966, the Minister may, having regard to the circumstances of the case, direct that the allowance be increased to not more than 20 per cent of such cost or, where the machinery or plant is brought into use in an economic development area, 35 per cent of such cost.
- (3) A minimum rate of 20 per cent of the cost of the relevant machinery or plant has hitherto been applicable in respect of the machinery investment allowance granted under section 12 (2) of the principal Act. With effect from the year of assessment ending on 28th February, 1967, no minimum rate will be applicable in respect of that allowance (where the allowance is granted) except where the 10 per cent rate is applicable in the circumstances referred to in paragraph (2) above. The maximum permissible rate remains 35 per cent of the relevant cost.
- (4) The allowances for hotel equipment will not be made under section 12 of the principal Act in respect of any year of assessment ending after that ended on 28th February, 1966. (Allowances for hotel equipment are now provided for in the new section 12A introduced by clause 16.)

CLAUSE 16.

Hotel Equipment Allowances.

This clause introduces into the principal Act a new section, numbered 12A, to provide for the initial and investment allowances granted in respect of certain hotel equipment for years of assessment ending after that ended the 28th February, 1966. The lessor of hotel equipment which is leased for the first time on or after the 17th August, 1966, will now be entitled to the allowances. The initial allowances under section 12A (2) is 15 per cent of the cost of the equipment and the investment allowance under section 12A (3) is 20 per cent of such cost. Hotel equipment, while qualifying in the appropriate circumstances for the allowances at the rates stated, will not qualify for any special or enhanced allowance by reason of the hotel being situated in an economic development area. Used hotel equipment will not qualify for the allowances. The hotel equipment investment allowances is applicable only in the case of hotels registered under the Hotels Act, 1965. Provision is made for certain cases where such registration is delayed.

CLAUSE 17.

Allowances in respect of Industrial Buildings.

This clause introduces amendments to section 13 of the principal Act.

The amendments introduced by *paragraph (a)* of this clause are designed to make it clear that not only the first purchaser of an industrial building which qualifies for the depreciation allowance under section 13 (1) of the principal Act but also subsequent purchasers of the building, will qualify for the allowance in the appropriate circumstances.

The amendment introduced by *paragraph (b)* of this clause is of a textual nature.

Paragraph (c) of this clause introduces amendments to section 13 (5) and (6) in regard to the building investment allowance.

The references in section 13 (5) to hotel buildings and improvements thereto are deleted. Since the introduction of section 13*bis* into the principal Act by the Income Tax Act, 1965 (in which special provision was made for hotels), hotel buildings have in practice ceased to qualify for any allowance under section 13 (5).

The amendments to section 13 (6) delete the provisions in regard to the rates of the building investment allowance, the rates now being provided for in the new subsection (6A) introduced by paragraph (d) of this clause.

Paragraph (d) of this clause inserts a new subsection (6A) in section 13, in terms of which the rates of the building investment allowance are laid down. The minimum rate of 10 per cent of the relevant cost, which has hitherto been applicable in all cases where the allowance was granted, will not apply in respect of a building situated in an economic development area or of improvements thereto if the erection of such building was, or such improvements were, commenced after 30th June, 1966.

The amendment introduced by *paragraph (e)* of this clause is consequential upon the amendments to section 13 (5) introduced by paragraph (c) of this clause.

Paragraph (f) of this clause adds new subsections (8) and (9) to section 13, extending the existing allowances in respect of industrial buildings and improvements thereto to permanent shipbuilding structures, the erection of which was commenced on or after 1st January, 1966, and to improvements effected thereto, where such structures are used in the shipbuilding industry.

CLAUSE 18.

Allowances for Hotel Buildings.

This clause introduces amendments to section 13*bis* of the principal Act.

Apart from textual changes, the amendments provide for the case where, owing to a delay in the registration of the hotel concerned, the hotel building investment allowance may not be granted for the appropriate year of assessment, i.e. the year of assessment during which, in the case of an hotel building, the building was first used or, in the case of improvements to an hotel building, the improvements were completed. Subject to the production of an appropriate certificate from the Hotel Board to the effect that the hotel qualified for registration under the Hotels Act, 1965, within twelve months after the date on which, in the case of an hotel building, the building was first used or, in the case of improvements to an hotel building, the improvements were completed, the hotel building investment allowance will, in terms of the amendments, be made for the year of assessment during which the hotel is first registered under that Act.

Paragraph (d) of this clause deletes the proviso to section 13*bis* (8), in terms of which the hotel building investment allowance could be increased if the hotel in question was situated in an economic development area.

CLAUSE 19.

Allowances in respect of ships.

This clause introduces amendments to section 14 of the principal Act in regard to the allowances in respect of ships.

Where allowances in respect of a ship are recovered or recouped and a further ship is acquired to replace the aforesaid ship, the allowances under section 14 in respect of the further ship are in certain circumstances to be calculated with reference to the cost or estimated cost of the further ship, less the amounts (or a portion thereof) so recovered or recouped in respect of the aforesaid ship.

The initial allowance of 40 per cent provided for in section 14 (1) (b) in respect of certain foreign-going ships is extended to ships used or to be used for the purposes of the taxpayer's trade for prospecting for minerals or for mining operations.

CLAUSE 20.

Deductions from Mining Income.

This clause introduces an amendment to section 15 of the principal Act which provides for the exclusion from the amounts allowed to be deducted from income from mining operations of any allowance under the new paragraph (gA) introduced into section 11 by clause 12 (c).

CLAUSE 21.

Assessment of Taxable Income of Permanently Separated Spouses.

This clause introduces a new section, numbered 25A, into the principal Act, which provides for the determination of the taxable incomes of permanently separated spouses who are married in community of property, such determination to be made as though the spouses had not been married in community of property.

CLAUSE 22.

Short-term Insurance Business.

This clause introduces an amendment to section 28 (2) of the principal Act, providing for an allowance to be made to short-term insurers in respect of claims which have not been intimated or paid.

CLAUSE 23.

Deductions Against Mining Income.

This clause introduces amendments to the definition of "capital expenditure" in section 36 (11) of the principal Act, in terms of which the capital allowance under paragraph (c) of that definition will, in the case of any "post-1966 gold mine", be determined at the rate of 8 per cent. (A definition of "post-1966 gold mine" is introduced by clause 5).

CLAUSE 24.

Non-Resident Shareholders' Tax.

This clause introduces amendments to section 45 of the principal Act in terms of which the rate of non-resident shareholders' tax is, with effect from 17th August, 1966, increased from 7½ per cent to 10 per cent.

CLAUSE 25.

Donations Tax.

This clause introduces an amendment to section 56 of the principal Act which with effect from 17th August, 1966, exempts from donations tax any donations made by a public company.

CLAUSE 26.

Recovery of Tax.

This clause introduces amendments to section 91 of the principal Act.

Section 91 (1) (b) of the principal Act lays down a simple procedure for the recovery by the Secretary of any tax (together with interest) which any taxpayer has failed to pay on or before the due date. Under that procedure the Secretary may file with the clerk or registrar of any competent court a statement setting forth the amounts of tax and interest due and such statement has the effects of a civil judgment. The amendment introduced by paragraph (a) of this clause empowers the Secretary, should he see fit, to withdraw by notice in writing the statement filed by him and, if necessary, to proceed afresh for the recovery of the outstanding tax and interest.

Paragraph (b) of this clause deletes the reference in section 91 (3) of the principal Act to separation under a judicial order or written agreement, which since the passing of the Income Tax Act, 1965, has become unnecessary.

CLAUSE 27.

Deductions Allowed against Income of Farmers.

This clause introduces an amendment to paragraph 12 of the First Schedule to the principal Act whereby provision is made for the deduction in the determination of the taxable income of a farmer of expenditure incurred by him in respect of the planting of trees, shrubs or perennial plants for the production of grapes or other fruit, nuts, tea, coffee, hops, sugar, vegetable oils or fibres and the establishment of any area used for the planting of such trees, shrubs, plants or vines. The deduction has hitherto been limited to expenditure incurred in respect of the establishment of orchards and vineyards.

CLAUSE 28.

Plantation Farmers.

This clause introduces amendments to the definitions of "plantation" and "forest produce" in paragraph 16 of the First Schedule to the principal Act, the purpose of which is to make it clear that those terms do not include any tree or forest of trees to which the provisions of paragraph 12 (1) (g) of that Schedule apply. This amendment should be read with the amendment introduced by clause 27.

CLAUSE 29.

Employees' Tax.

This clause introduces amendments to paragraph 2 of the Fourth Schedule to the principal Act.

In terms of the amendments introduced by *paragraph (a)* of this clause employees' tax deducted or withheld from a married woman's remuneration will be applied against her husband's liability for normal and provincial taxes only if her remuneration is deemed to be her husband's income under section 7 (2) of the principal Act and she is not separately assessed from her husband under section 77 (6) of the principal Act. In the case of a married woman who is permanently living apart from her husband and is separately assessed for income tax, the employees' tax deducted or withheld from her remuneration will be applied against the normal and provincial taxes for which she is personally liable.

The amendments introduced by *paragraph (b)* of this clause are consequential upon the amendments introduced by clause 12 (d) and (e) increasing the maximum amounts allowed to be deducted from income in respect of contributions to certain pension funds and retirement annuity funds. The increased deductions will also be allowed for purposes of calculating employees' tax.

CLAUSE 30.

Accrual to the Provinces of Certain Amounts Payable by Companies.

This clause introduces amendments to paragraph 33 (8) of the Fourth Schedule to the principal Act.

That paragraph provides for the accrual to the provinces of a proportion of the interest and certain penalties payable by companies (other than mining companies and certain Transkeian companies). Of the normal tax payable by such companies (excluding the loan portion) 15 per cent will in terms of clause 2 accrue to the provinces and, in terms of the amendments introduced by this clause, the percentage of the interest and penalties which will accrue to the provinces will also be 15 per cent.

CLAUSE 31.

This clause introduces amendments to section 4 (8) of the Income Tax Act, 1965 (Act No. 88 of 1965). That section provides for the assessment and repayment of the loan portion of the normal tax imposed by the said Act.

In terms of the amendments the Secretary for Inland Revenue is empowered to appropriate employees' tax credits, provincial tax payments and other payments of tax to the said loan portion and the amounts finally appropriated are deemed to have been paid on a date determined as provided in section 4 (8) (b).

CLAUSE 32.

This clause provides for the commencement of certain amendments.

CLAUSE 33.

This clause prescribes the short title.

THE SCHEDULE.

The Schedule lays down the rates of normal tax referred to in clause 1.

The *rates for persons other than companies* are set forth in items (a) and (g) of paragraph 1, the tax payable in terms of item (g) being the loan portion of the normal tax referred to in clause 4.

The *rates for companies* are set forth in items (b) to (f), inclusive, and in item (h) of paragraph 1, the tax payable in terms of item (h) being the loan portion referred to in clause 4.