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REPUBLIC OF SOUTH AFRICA.

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**EXPLANATORY MEMORANDUM**

ON THE

**INCOME TAX BILL, 1967.**

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GENERAL.

The Bill fixes rates of *normal tax*—

- (a) for individuals in respect of the years of assessment ending on 29th February, 1968, and 30th June, 1968 (clause 1, read with the Schedule to the Bill);
- (b) for oil mining companies in respect of years of assessment ending on or after 1st January, 1967 (clause 6 (1) (b));
- (c) for other companies in respect of years of assessment ending during—
  - (i) the period of twelve months ending on 31st December, 1967 (clause 34);
  - (ii) the period of three months ending on 31st March, 1968 (clause 1, read with the Schedule to the Bill).

The Bill increases the rate of the *non-resident shareholders tax* (clause 18) and imposes a *non-residents tax on interest* (clause 20).

The Bill amends the Income Tax Act, 1962 (Act No. 58 of 1962), hereinafter referred to as the principal Act, and the Income Tax Act, 1966 (Act No. 55 of 1966).

In this Memorandum “the published Bill” means the Bill published in *Government Gazette Extraordinary* No. 1731 on 10th May, 1967.

CLAUSE 1.

*Rates of Normal Tax.*

This clause enacts the rates set forth in the Schedule to the Bill in respect of—

- (a) individuals for the years of assessment ending on 29th February, 1968, and 30th June, 1968; and
- (b) companies (other than oil mining companies) for years of assessment ending during the period of three months ending on 31st March, 1968.

(The rates applicable to oil mining companies in respect of years of assessment ending on or after 1st January, 1967, are set forth in clause 6 (1) (b) and the rates applicable to other companies in respect of years of assessment ending during the twelve months ending on 31st December, 1967, are set forth in clause 34.)

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 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 surcharge or 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 29th February, 1968, or 30th June, 1968, 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 (h) 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 (h) of the Schedule to the Bill and by companies under paragraph 1 (i) 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, 1975, 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 deduc-

tions by way of employees tax to cover his liability for provisional tax in respect of such year, on the first day of September, 1967; 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, 1967.

#### CLAUSE 5.

##### *Definition of "Gross Income".*

This clause introduces an amendment to the definition of "gross income" in section 1 of the principal Act, in terms of which the gross income of any taxpayer shall include any amount which is received by him or which accrues to him under the provisions of section 30 (3) of the Mining Rights Act, 1967 (Act No. 20 of 1967). Section 30 (3) of the Mining Rights Act, 1967, makes provision for payments to be made in certain circumstances by the State to the holders of rights to natural oil.

#### CLAUSE 6.

##### *Rates of Normal Tax: Mining for Natural Oil.*

This clause introduces amendments to section 5 of the principal Act. In terms of the amendments introduced by *subclause (1) (a)* and *(b)* the rates of normal tax payable by oil mining companies are fixed in respect of years of assessment ending on or after 1st January, 1967, and rates for such companies will not have to be fixed annually by Parliament. The basic rate fixed in respect of taxable income derived from the mining of natural oil (excluding gas) is 50 cents per rand of such taxable income. The basic rate for taxable income derived from the mining of natural oil in the form of gas is fixed at 40 cents per rand of such taxable income. Provision is made for a reduction of tax in certain circumstances.

The amendments introduced by *subclause (1) (c)* and *(d)* are consequential upon the amendments introduced by clauses 8 and 28.

#### CLAUSE 7.

##### *Rebates Allowed Against Normal Tax.*

This clause introduces amendments to section 6 of the principal Act. The amendment introduced by *paragraph (a)* of this clause is of a textual nature.

In terms of the existing provisions of section 6 (1) (c) (i) of the principal Act a child rebate may not be granted under those provisions in respect of

any child who is on the last day of the year of assessment over the age of twenty-four years. In terms of the amendment introduced by *paragraph (b)* of this clause the reference to twenty-four years is changed to a reference to twenty-six years. The existing requirements of the section as to maintenance and attendance at an educational institution of a public character are not altered.

*Paragraph (c)* of this clause provides for a special rebate to be granted to a taxpayer to whom a child or children are born during the year of assessment, provided such child or children lived. The rebate is a fixed amount of eight rand, irrespective of the number of children born.

#### CLAUSE 8.

##### *Rebate in respect of Non-Residents Tax on Interest.*

This clause introduces a new section 6ter into the principal Act which provides for a special rebate on normal tax in respect of the non-residents tax on interest paid under Part VI of Chapter II of the principal Act, if such interest is included in the taxpayer's income for normal tax purposes.

The non-residents tax on interest is provided for in clause 20.

#### CLAUSE 9.

##### *Income Deemed to be from a Source within the Republic.*

This clause introduces amendments to section 9 of the principal Act. In terms of that section various receipts and accruals are deemed to have been derived from a source within the Republic.

The amendments introduced by this clause are applicable mainly to income from mining operations conducted beyond the territorial waters of the Republic and to salaries, wages or other payments for services rendered which are received by or accrue to employees and other persons from prospecting or mining concerns which carry on their operations on the continental shelf referred to in section 7 of the Territorial Waters Act, 1963.

In terms of the amendment introduced by *subclause (1) (a)* income from the disposal of minerals won in carrying on mining operations under any mining lease is deemed to be derived from a source within the Republic irrespective of where the contract for the disposal of the minerals is made or the mining operations are carried on.

In terms of the amendment introduced by *subclause (1) (b)* the remuneration of persons rendering services to, or working for, prospecting and mining concerns on the continental shelf is deemed to be derived from a source within the Republic, irrespective of where such remuneration is or is to be paid.

#### CLAUSE 10.

##### *Exemption from Normal Tax.*

This clause introduces an amendment to section 10 (1) (w) of the principal Act. The amendment exempts from normal tax any interest on any loan or deposit made by any person (other than a company) to or in any banking institution outside the Republic before he became ordinarily resident in the Republic for the first time if the loan or deposit was made out of funds which the Secretary is satisfied were derived from sources outside the Republic, and the interest is subject to income tax in the country in which the loan or deposit was made.

#### CLAUSE 11.

##### *Donations to Universities and to the National Study Loans and Bursary Fund.*

In terms of section 11 (r) and (r)bis of the principal Act a company may deduct from its income donations made by it—

- (a) for the purposes of technological training at a university (section 11 (r)), or

(b) to the National Study Loans and Bursaries Fund (section 11(r)*bis*).

The deduction allowed in each case is limited to 1 per cent of the company's taxable income, as determined before the deduction of the donations in question.

In terms of the amendments introduced by this clause the provisions of section 11 (r) and (r)*bis* are consolidated in section 11 (r) and the new section 11 (r) provides that donations of the nature referred to, whether of one or both of the categories mentioned above, may be deducted by a company up to a maximum of 2 per cent of the company's taxable income, as determined before the deduction of the donations.

#### CLAUSE 12.

##### *Exporters' Allowance.*

In terms of the amendments introduced by this clause to section 11*bis* of the principal Act, the exporters' allowance is increased as shown in the table:—

	Rate of Allowance, calculated on market development expenditure.	
	Present Allowance	New Allowance
1. <i>Basic allowance</i> , irrespective of export turnover .. .. .	25%	37½%
2. <i>Enhanced allowance</i> . Where current export turnover exceeds basic export turnover—		
(a) by more than 10% but not more than 25% of basic export turnover .. .. .	37½%	50%
(b) by more than 25% of basic export turnover .. .. .	50%	62½%

#### CLAUSE 13.

##### *Hotel Equipment Investment Allowance.*

It is a requirement of section 12A of the principal Act that in order to qualify for the hotel equipment investment allowance provided for in subsection (3) of that section, the hotel in question must be registered under the Hotels Act, 1965 (Act No. 70 of 1965) during the year of assessment during which the hotel equipment is brought into use. Provision is, however, made for cases where such registration is delayed, and it is provided that the allowance shall be made in the year of assessment during which the hotel becomes registered, provided the Hotel Board issues a certificate that the hotel qualified to be registered as a direct result of the bringing into use of the equipment in question.

In terms of the amendment introduced by this clause the requirement as to a certificate by the Hotel Board is deleted and it is provided that the allowance shall be granted if the hotel becomes registered not later than 31st December, 1967, or within twelve months after the date of the bringing into use of the hotel equipment.

#### CLAUSE 14.

##### *Special Depreciation Allowance for Hotel Buildings.*

Section 13*bis* (2) and (3) of the principal Act provide for a special depreciation allowance for certain hotel buildings and improvements (other than repairs) thereto. In order to qualify for the allowance the hotel must be graded on the last day of the year of assessment by the Hotel Board. The allowance applies in respect of certain buildings the erection of which

commenced on or after 1st January, 1964, and certain improvements commenced on or after that date. The Hotel Board was, however, constituted at a somewhat later date and gradings of hotels have not yet been completed. In view of this the proviso to section 13bis (3) provides for the special depreciation allowances for earlier years during which an hotel was not graded, to be accumulated and allowed in the first year of assessment during which the hotel becomes graded. It is at present a requirement of that proviso that the Hotel Board should certify that the hotel satisfied the requirements for a grading on the last day of each of the earlier years for which the allowance is sought. The amendment introduced by this clause deletes that requirement and substitutes a condition that the hotel building or improvements must be completed by 31st December, 1969, at the latest and, where the hotel was not during the earlier years registered under the Hotels Act, 1965 (Act No. 70 of 1965), that the hotel must become registered within the period ending on 31st December, 1969, or the period of twelve months reckoned from the date of completion of the building or improvements, whichever period ends later.

#### CLAUSE 15.

##### *Deduction in respect of Medical Expenses.*

In terms of the amendment introduced by this clause to section 18 of the principal Act the maximum deduction allowable in respect of medical expenses will, if a child is born to the taxpayer during the year of assessment, be R300 for that year, instead of R200.

#### CLAUSE 16.

##### *Capital Expenditure of Mines.*

This clause introduces the following amendments to the definition of "capital expenditure" in section 36 (11) of the principal Act:—

- (1) The definition is expanded to include, in the case of a natural oil mine, the cost of laying pipelines from the mining block to the marine terminal or the local refinery, as the case may be.
- (2) A capital allowance of 6 per cent is provided in the case of natural oil mines.
- (3) Certain textual amendments are effected.

#### CLAUSE 17.

##### *Non-Resident Shareholders Tax Exemption.*

In terms of the amendment introduced by this clause to section 42 of the principal Act, an exemption from the non-resident shareholders tax is provided in respect of dividends distributed out of taxable income derived by a company out of taxable income derived by it from mining for natural oil under a lease granted under the Mining Rights Act, 1967 (No. 20 of 1967). The exemption also applies in respect of a distribution by a company out of dividends received by the company from a wholly-owned subsidiary of that company, to the extent that such dividends are distributed by the subsidiary out of taxable income derived by it from mining for natural oil under such a lease.

#### CLAUSE 18.

##### *Rate of Non-Resident Shareholders Tax.*

In terms of the amendment introduced by this clause to section 45 of the principal Act the rate of the non-resident shareholders tax is increased, with effect from 22nd March, 1967, to 15 per cent of the amount of any dividend declared on or after that date or of any interim dividend approved on or after that date.

## CLAUSE 19.

*Exemption: Undistributed Profits Tax.*

This clause introduces an amendment to paragraph (d) of section 50 of the principal Act. In terms of that paragraph a company is exempt from undistributed profits tax if the Secretary is satisfied that not less than 50 per cent of the company's equity shares was throughout the specified period held—

- (a) by one or more persons (other than companies) who are not ordinarily resident nor carrying on business in the Republic, or
- (b) by one or more companies which are registered outside the Republic and derive the greater portion of their profits for the year of assessment from sources not within or deemed to be within the Republic, or
- (c) by one or more such persons and one or more such companies.

In terms of the amendment, where equity shares of the company are held by a private company, the greater portion of whose profits are derived in the Republic, and the direct or, in certain circumstances, the indirect shareholders in respect of more than 50 per cent of the equity share capital of the private company are such persons as are referred to in paragraph (a) above, such shareholders are deemed to hold portions of the equity shares held by the private company. The portions of the various shareholders are required to be determined in accordance with their respective interests in the private company.

## CLAUSE 20.

(Clause 19 of the published Bill.)

*Non-residents Tax on Interest.*

In terms of the new sections introduced by this clause into the principal Act, a non-residents tax on interest is imposed with effect from 1st April, 1967.

The tax is in terms of *section 64A* imposed on interest accruing to any person (other than a company) who is not ordinarily resident in the Republic or to such a person's deceased estate or to a company not registered in the Republic, if the debtor in respect of the interest is ordinarily resident or carries on business in the Republic.

*Section 64B* lays down rules in regard to the application of certain provisions. In terms of *paragraph (a)* of that section, where interest is payable or is credited to a person having an address outside the Republic such interest shall, until the contrary is proved, be deemed to have accrued to a person, estate or company liable to the tax. *Paragraph (b)* of that section provides that where the debtor in respect of any amount of interest is the deceased estate of any person such deceased estate shall be deemed to be ordinarily resident or to be carrying on business in the Republic if such person at the date of his death was ordinarily resident or was carrying on business in the Republic. In terms of *paragraph (c)* of that section a company is deemed to be ordinarily resident in the Republic if it is registered, managed or controlled in the Republic. In terms of *paragraph (d)* of that section an amount accruing to any shareholder in a building society out of the profits of such society is deemed to be interest.

*Section 64C* provides for exemptions from the tax. The exemptions are as follows:—

- (1) *Paragraph (a)* exempts interest accruing from the Government, local authorities, the Electricity Supply Commission and the South African Reserve Bank.
- (2) *Paragraph (b)* exempts interest on an amount borrowed outside the Republic—
  - (i) if the amount borrowed is not used or to be used for the purpose of producing gross income and the payment of the interest and the repayment of the loan are made or to be made outside the Republic from funds derived entirely outside the Republic and are not in effect borne by the debtor out of his resources in the Republic, or



- (ii) if the loan was obtained in the ordinary course of the debtor's trade outside the Republic and was not specifically intended to be used by the debtor for the purpose of producing gross income.
- (3) *Paragraph (c)* exempts interest which is or is required to be paid in the Republic on money lent or advanced in the Republic by any person who has a permanent place of business in the Republic.
- (4) *Paragraph (d)* exempts, up to a maximum of R20 in the aggregate, small amounts of interest accruing from any debtor to any person during a period of twelve months ending on the last day of February in any calendar year.
- (5) *Paragraph (e)* exempts interest on a bill of exchange or promissory note relating to the purchase price of goods imported into the Republic, if the bill or note is handled through a bank and the bank certifies on the bill or note that a bill of lading or other document covering the importation of the goods has been exhibited to it.
- (6) *Paragraph (f)* exempts interest on building society subscription shares.
- (7) *Paragraph (g)* exempts interest accruing to any ecclesiastical, charitable or educational institutions of a public character.
- (8) *Paragraph (h)* exempts interest accruing to a bank which is not resident in the Republic and is entrusted with the principal foreign exchange reserves of a territory outside the Republic, provided the Minister of Finance decides to apply the exemption to that bank.

In terms of *section 64D* the person, deceased estate or company to whom the interest accrues is liable for the tax. *Section 64E*, however, provides for the deduction or withholding of the tax by the debtor in respect of the interest or by any person who receives the interest on behalf of or in trust for the person entitled thereto.

*Section 64F* provides that the tax shall be paid within fourteen days of the date of accrual of the interest or within such further period as the Secretary may allow.

*Subclause (2)* of this clause provides *inter alia* for an automatic extension of time for the payment of the tax where the tax was payable within a period ending on or before the date of commencement of the Income Tax Act, 1967.

The provisions of this clause should be read with clause 8.

#### CLAUSES 21, 22 AND 23.

The amendments introduced by these clauses are consequential upon the introduction by clause 20, of the provisions relating to the non-residents tax on interest.

#### CLAUSE 24.

##### *Priority of Non-Residents Tax on Interest.*

This clause introduces an amendment to *section 93bis* of the principal Act, in terms of which any non-residents tax on interest deducted or withheld by a debtor as contemplated in *section 64E* but not paid by him to the Secretary, will on the sequestration or assignment of the debtor's estate or, if the debtor is a company, on the winding up of the company, enjoy priority over all debts other than debts secured by special mortgage, tacit hypothec, pledge or right of retention and the expenses, costs, fees and charges referred to in the Insolvency Act, 1936, and, in the case of the winding-up of a company, all expenditure properly incurred in the winding-up, including the remuneration of the liquidator.

This priority is similar to that enjoyed in respect of employees tax and certain other taxes.

## CLAUSES 25, 26 AND 27.

(Clauses 20, 21 and 22 of the published Bill.)

The amendments introduced by these clauses are consequential upon the amendment introduced by clause 28. Where the normal tax chargeable in the case of a farmer is required to be determined under paragraph 19 of the First Schedule to the principal Act (see clause 28) he will not also be entitled to the benefits conferred by paragraph 13 of that Schedule (livestock sold on account of drought or stock disease), paragraph 15 of that Schedule (rates of tax in the case of plantation farmers) or paragraph 17 of that Schedule (rates of tax in the case of sugar cane farmers).

## CLAUSE 28.

(Clause 23 of the published Bill.)

*Averaging of the Rates of Normal Tax in the case of Certain Farmers.*

This clause adds a new paragraph 19 to the First Schedule to the principal Act, in which provision is made for the averaging of the rates of normal tax chargeable in the case of certain farmers, i.e. those farmers who make an election as provided in that paragraph.

*Paragraph 19 (1)* lays down the basis for the calculation of the normal tax chargeable in the case of a farmer who has made an election which is binding upon him as provided in paragraph 19 (5). The calculation is to be made in accordance with the formula set forth in paragraph 19 (1). In the case of a farmer whose taxable income is derived solely from farming the calculation will be as follows:

$$\text{Tax chargeable} = \frac{\text{tax at full rates on average taxable farming income}}{\text{average taxable farming income}} \times \text{actual taxable income}$$

Provision is made in the formula for the case of the farmer who has derived taxable income from sources other than farming or who would in certain circumstances be entitled to the rating benefits provided in section 5 (3) of the principal Act in respect of married couples or the rating benefits provided in paragraph 7 of the Second Schedule to the principal Act in respect of lump sum benefits from a retirement annuity fund, a pension fund or a provident fund.

*Paragraph 19 (2)* provides how the farmer's average taxable income from farming is to be determined. In the case of the farmer who commenced farming before the year of assessment under charge, the average is taken over the years of assessment (including the year of assessment under charge) during which farming was carried on, but not over more than five years. Provision is made for other cases such as that of the farmer who commenced farming for the first time during the year of assessment under charge (*paragraph 19 (2) (b)*) and deceased or insolvent estates (the proviso to *paragraph 19 (2) (a)*).

*Paragraph 19 (3)* provides that a determination by the Secretary of a taxpayer's annual average taxable farming income will, in certain circumstances and subject to certain exceptions, be final and conclusive.

*Paragraph 19 (4)* provides that the rebates under section 6, *6bis* and *6ter* of the principal Act are not to be taken into account in any determination under paragraph 19 of the normal tax which is or would be chargeable. Such rebates are, where applicable, deductible from the tax chargeable, as determined under paragraph 19, but may not be taken into account in that determination.

*Paragraph 19 (5)* provides that a natural person whose taxable income for any period of assessment includes taxable income derived from his wife's farming operations may elect that the normal tax chargeable in respect of his taxable income shall be determined as provided in paragraph 19 (1). Such an election is binding upon such person for the initial period of assessment and every subsequent period of assessment, even though the average

taxable income from farming in relation to a particular period of assessment may be higher than his actual taxable income for that period. Where a married woman's income is in terms of section 7 (2) of the principal Act deemed to be income accrued to her husband any election made under paragraph 19 (5) must be made by the husband.

Provision is also made for deceased and insolvent estates.

#### CLAUSE 29.

(Clause 24 of the published Bill.)

The amendment introduced by this clause is consequential upon the amendment introduced by clause 28.

#### CLAUSES 30, 31 AND 32.

The amendments introduced by these clauses are consequential upon the introduction, by clause 20, of the provisions relating to the non-residents tax on interest.

#### CLAUSE 33.

(Clause 25 of the published Bill.)

*Provincial Portion of the Normal Tax payable by Certain Companies.*

This clause introduces an amendment to section 2 of the Income Tax Act, 1966 (Act No. 55 of 1966), which is consequential upon the amendment introduced by clause 34 (1) (a). No portion of the surcharge imposed by paragraph 1 (b) of the Schedule to the said Act will accrue to the provinces.

#### CLAUSE 34.

(Clause 26 of the published Bill.)

*Rates of Tax of Companies: Years of Assessment Ending during 12 Months Ending 31st December, 1967.*

This clause introduces amendments to the Schedule to the Income Tax Act, 1966 (Act No. 55 of 1966), increasing the rates of normal tax payable by companies in respect of years of assessment ending during the twelve months ending on 31st December, 1967. The increases are as follows:

- (1) A surcharge of 10 per cent is imposed on the tax payable on industrial and commercial incomes. (Paragraph 1 (b) of the Schedule.)
- (2) A surcharge of 10 per cent is imposed on the tax payable on incomes derived from mining for base minerals (other than natural oil). (Paragraph 1 (f) of the Schedule.)
- (3) The loan portion of the normal tax payable by companies is increased from 5 per cent to 10 per cent of the basic normal tax payable on industrial and commercial incomes, diamond mining incomes and incomes derived from mining for base minerals (other than natural oil), and, in the case of gold mining incomes, a loan levy of 5 per cent of the basic normal tax is imposed. (Paragraph 1 (h) of the Schedule.)

#### CLAUSE 35.

(Clause 27 of the published Bill.)

This clause provides for the commencement of certain amendments.

#### CLAUSE 36.

(Clause 28 of the published Bill.)

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 (h) of paragraph 1, the tax payable in terms of item (h) being the loan portion of the normal tax referred to in clause 4.

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