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REPUBLIC OF SOUTH AFRICA

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**EXPLANATORY MEMORANDUM**

ON THE

**INCOME TAX BILL, 1979**

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INTRODUCTION

The Bill fixes rates of normal tax payable by individuals and companies and introduces amendments to the Income Tax Act, 1962 (Act No. 58 of 1962), hereinafter referred to as the principal Act.

CLAUSE 1 AND THE SCHEDULE

*Rates of Normal Tax*

Rates of normal tax are enacted by clause 1 and the Schedule to the Bill.

*Individuals*

The rates for persons (other than companies) apply in respect of the year of assessment ending on 29 February 1980, or 30 June 1980, and are provided for in paragraph 1 (a) of the Schedule. To the basic tax determined in accordance with the tables in paragraph 1 (a) of the Schedule is added a loan portion of 10 per cent of such basic tax (see paragraph 1 (h) of the Schedule). The loan portion is not payable where the basic tax is less than R150 nor in the case of a natural person who is over 60 years of age on the last day of the year of assessment and whose taxable income for that year is R5 000 or less (see paragraph 1 (h) of the Schedule and paragraph 2 (4) of the Fifth Schedule to the principal Act).

The basic tax is calculated on the taxable amount, i.e. the amount remaining after deducting from taxable income the abatements provided for in section 5A of the principal Act.

*Companies*

The rates for companies apply in respect of years of assessment, i.e. financial years, ending during the twelve-month period from 1 April 1979 to 31 March 1980, and are provided for in paragraph 1 (b) to (g), inclusive, and paragraph 1 (i) of the Schedule. Those rates, which apply only in respect of taxable income derived elsewhere than in South West Africa, i.e. in the Republic, are as follows:

- (a) Taxable income derived otherwise than from mining: 40 cents per R1 (paragraph 1 (b) of the Schedule). To the tax determined as above is added a surcharge of 5 per cent of such tax (proviso to paragraph 1 (b)) and a loan portion of 10 per cent of such tax (paragraph 1 (i)).
- (b) Taxable income derived from gold mining—
  - (i) by any mine other than a post-1966 gold mine: an amount determined in accordance with one of the formulae provided for in paragraph 1 (c) of the Schedule plus a surcharge (which is not payable in the case of certain assisted gold mines) equal to 5 per cent of the said amount (third proviso to the said paragraph 1 (c)) and a loan portion equal to 10 per cent of the said amount (paragraph 1 (i) of the Schedule);

- (ii) by a post-1966 gold mine: an amount determined in accordance with one of the formulae provided for in paragraph 1 (d) of the Schedule, plus a surcharge of 5 per cent of the said amount (second proviso to the said paragraph 1 (d)) and a loan portion of 10 per cent of the said amount (paragraph 1 (i) of the Schedule).
- (c) Taxable income in the form of "recoupments" of capital expenditure accruing to companies which are or have been gold mining companies: the average rate of tax, as determined in accordance with paragraph 2 (2) of the Schedule, or 35 cents per R1, whichever is higher (paragraph 1 (e) of the Schedule).
- (d) Taxable income from diamond mining: a basic tax of 45 cents per R1, plus a surcharge equal to 5 per cent of the basic tax (paragraph 1 (f) of the Schedule) plus a loan portion equal to 10 per cent of the basic tax (paragraph 1 (i) of the Schedule).
- (e) Taxable income from mining operations (other than mining for gold or diamonds): 40 cents per R1 (paragraph 1 (g) of the Schedule).

To the tax determined as above is added a surcharge of 5 per cent of such tax (proviso to subparagraph (g)) and a loan portion of 10 per cent of such tax (paragraph 1 (i)). (These rates apply also to taxable income from oil mining. A further levy, by way of additional normal tax, is provided for in respect of such taxable income in terms of section 5 (2A) of the principal Act).

(Note: This Bill does not fix rates of tax payable by companies on taxable income derived in South West Africa).

## CLAUSE 2

### *The Loan Portion of the Normal Tax*

In terms of this clause the portion of the normal tax determined in accordance with the provisions of paragraph 1 (h) or (i) of the Schedule is a loan portion of that tax. The loan portion is repayable to taxpayers in accordance with the provisions of section 5 (2B) of the principal Act and the Fifth Schedule to that Act.

## CLAUSE 3

### *Definitions: Amendments to section 1 of the principal Act*

*Subclause (1) (a)* increases from R100 to R200 the amount which a taxpayer must contribute towards the cost of maintaining certain persons before such persons may be regarded as dependants for the purpose of the abatement of R200 (formerly R100) granted in terms of section 5A (3) (e) of the principal Act. This amendment must be read together with the amendments made to the aforementioned section by clauses 5 (g) and (h), respectively.

In terms of *subclause (1) (b)* the definition of "married person" in section 1 of the principal Act is expanded so as to include a person who at present is not married for income tax purposes but who is entitled to an abatement in respect of a child of his own whom he has maintained out of resources other than alimony or maintenance received from the other parent of the child and in respect of which child he has not been permitted to deduct from his income maintenance paid to a former spouse for such child. This amendment is linked with the withdrawal, in terms of clause 5 (e), of the special R500 abatement allowed to this class of taxpayer in terms of proviso (dd) to section 5A (3) of the principal Act.

*Subclause (1) (c)* amends the definition of "pension fund" so as to include certain statutory schemes which, although providing for the payment of annuities on the retirement of members, are not funds as ordinarily understood.

*Subclause (1) (d)* introduces a definition of "retirement-funding employment" into section 1 of the principal Act. This definition has become necessary in view of the amendments being made in terms of clause 8 in respect of contributions to pension funds and retirement annuity funds, and the explanation given here should be read together with the comment on clause 8. "Retirement-funding employment" is in essence the employment of, or holding of an office by, someone who is a member of, or who contributes to, a pension or a provident fund. It also includes, in the case of a member of a partnership who was permitted to retain his membership of his firm's pension fund on his admission to the partnership, his membership of the partnership but only in respect of that portion of the partner's share of the profits as is regarded as pensionable emoluments from which contributions to the firm's pension fund may be claimed by him as a deduction from income in terms of section 11 (k) of the principal Act.

*Subclause (1) (e)*: In terms of section 27 (2) of the principal Act an agricultural co-operative may reduce its income for any year of assessment by the amount of any profits distributed by way of bonuses during its specified period for that year of assessment. "Specified period", as defined in section 1 of the said Act, is normally a period of twelve months commencing six months before the closing date of a company's financial year and ending six months after that date. Where two or more agricultural co-operatives amalgamate in terms of section 94 of the Co-operative Societies Act, 1939 (Act No. 29 of 1939), there is some doubt as to when the final specified periods of such co-operatives, both or all of which cease to exist on amalgamation, end, and thus uncertainty exists as to whether bonuses declared by the new co-operative out of the profits of the amalgamated co-operatives may be deducted from the income of such amalgamated co-operatives for the last financial year of their existence. The amendment introduced by *subclause (1) (e)* adds a proviso to the definition of "specified period" which will enable the Secretary to extend the specified period of the amalgamated co-operatives to a date convenient to the new co-operative.

*Subclause (2)* provides that the amendment effected by *subclause (1) (e)* shall be deemed to have taken effect from the commencement of years of assessment commencing on or after 1 April 1977.

#### CLAUSE 4

##### *Preservation of secrecy: Amendment to section 4 of the principal Act*

The amendments made in terms of this clause are of a purely textual nature.

#### CLAUSE 5

##### *Normal tax abatements: Amendments to section 5A of the principal Act*

The amendments made in terms of this clause operate in the following way:

- (1) *Subclause (a)* increases the primary abatement allowed to married persons from R1 200 to R1 500.
- (2) *Subclause (b)* increases the primary abatement allowed to persons who are not married persons from R700 to R1 000.
- (3) *Subclause (c)* increases the standard abatement in respect of a child from R500 to R600.
- (4) *Subclause (d)* increases the abatement in respect of each of the taxpayer's children in excess of two from R600 to R700.
- (5) *Subclause (e)* withdraws the special abatement of R500 hitherto granted to certain taxpayers who are not married persons but who support children of their own. This amendment is related to that made in terms of clause 3 (1) (b) to the definition of "married

person" in section 1 of the principal Act, in consequence of which the persons concerned will receive a primary abatement of R1 500 instead of R1 000.

- (6) *Subclause (f)* increases the abatement in respect of insurance premiums, contributions to certain funds and in respect of medical and dental expenses, from R1 000 to R1 200 in the case of a married person and from R750 to R950 in other cases.
- (7) *Subclauses (g) and (h)* increase the abatements in respect of dependants from R100 to R200 in certain cases and from R250 to R350 in others.
- (8) *Subclause (i)* increases the special abatement allowed to persons over the age of sixty years from R700 to R1 000.
- (9) *Subclause (j)* provides that the rate at which the abatements are diminished (i.e. R2 for every R10 by which the taxable income exceeds R5 000) shall be reduced to R1 for every R10 by which the taxable income exceeds R5 000.

#### CLAUSE 6

*Rebate in respect of normal tax payable by persons (other than companies) ordinarily resident in the Port or Settlement of Walvis Bay: Insertion of section 6quin in the principal Act*

The new section inserted in the principal Act in terms of this clause gives effect to the undertaking that residents of Walvis Bay would be granted special temporary relief in respect of the increased income tax they, in certain circumstances, have to pay as a result of the transfer of the administration of the port and settlement to the Republic. The nature of the relief is clearly set out in the relevant section.

#### CLAUSE 7

*Exemptions: Amendment to section 10 of the principal Act*

The amendments introduced by *paragraph (a)* of *subclause (1)* will henceforth make it unnecessary to change the law every time there is an increase or decrease in the rate of interest payable on Post Office Savings Bank Certificates.

*Paragraphs (b), (c) and (d)* delete exemptions in respect of the interest on certain securities which are no longer available.

*Paragraph (e)* inserts in section 10 (1) (i) of the principal Act a new subparagraph numbered (xiDA) in order to provide for an exemption in respect of the interest on the new issue of 7% Treasury Bonds. A taxpayer may hold a combination of 8% and 7% Bonds, but the interest on a total investment of no more than R40 000 will be exempt from tax.

*Paragraph (f)*, which amends section 10 (1) (i) (xiii) of the principal Act, provides for an adjustment in the exemption in respect of dividends on Special Tax-Free Indefinite Period shares in building societies, in consequence of the lowering of the dividend rate from 8% to 7%. The exemption is limited to the dividends on a total investment in these shares not exceeding R10 000.

*Paragraph (g)* provides for the exemption from tax on the receipts and accruals of the South African Special Risk Insurance Association which is a non-profit organization formed in order to provide insurance cover of a nature not at present readily available.

Finally, *paragraph (h)* provides for the exemption granted in terms of section 10 (1) (x) of the principal Act in respect of retirement and certain other gratuities to be increased from R12 000 to R15 000.

#### CLAUSE 8

##### *General deductions allowed in the determination of taxable income: Amendments to section 11 of the principal Act*

The amendments made in terms of this clause are primarily designed to give effect to the proposal that, in certain circumstances, increased deductions from income be allowed in respect of contributions to pension funds and retirement annuity funds. The amendments must be read together with the definition of "retirement-funding employment" introduced into section 1 of the principal Act by clause 3 (1) (d).

In pursuance of this aim the amendment made by *subclause (1) (a)* will now permit a taxpayer to deduct annually in respect of his contributions to a pension fund the greater of R1 750 (present maximum deduction) or 7,5 per cent of the remuneration derived by him during the year of assessment in respect of his retirement-funding employment. Similarly, the amendment made in terms of *subclause (1) (c)* will permit a taxpayer to deduct annually in respect of his contributions to any retirement annuity fund or funds the greatest of:—

- (a) 15 per cent of the amount of his income from trade, after excluding his income from retirement-funding employment and adding back certain of the deductions admissible in terms of the principal Act; or
- (b) the amount, if any, by which the amount of R3 500 exceeds his admissible pension contributions; or
- (c) the amount of R1 750.

*Subclause (1) (c)* introduces an important further amendment in regard to contributions to retirement annuity funds. Previously, in the case of married taxpayers, contributions made to a fund by either spouse could only be deducted if the spouse who was a member of the fund derived trade income in his or her own right. A deduction will now be allowed in respect of contributions made by the husband or the wife provided that either one of them derives income from trade.

In sum, these amendments entrench the existing deduction rights in respect of pension and retirement annuity fund contributions but extend those rights in appropriate circumstances.

The amendments made by *subclause (1) (b)* to section 11 (l) of the principal Act are to a certain extent of a textual nature but are at the same time intended to clarify the position where a partnership is the employer and it operates a pension fund for the benefit of its employees. The proviso (v) added by *subclause (1) (b)* is consequent upon the amendments made in terms of the Income Tax Act, 1978 (Act No. 101 of 1978) to the definition of "pension fund" in section 1 of the principal Act (see section 3 (1) (c) of the Income Tax Act, 1978) and to section 11 (k) of the principal Act (see section 5 (a) of the Income Tax Act, 1978). Those amendments had the effect of permitting a member of a partnership who was previously an employee and a member of his firm's pension fund to retain membership of such fund on becoming a partner and, subject to certain limitations, to claim his contributions to the fund as a deduction from income. The new proviso defines how, where the employer is a partnership, his contributions to the fund in respect of the former employee who is now a partner are to be determined.

It sometimes happens that a taxpayer withdraws from a pension, provident or retirement annuity fund and pays some or all of the lump sum benefit received from such fund into a retirement annuity fund. In determining the taxable amount of such lump sum benefit received on withdrawal from such a

fund a deduction is allowed in terms of paragraph 6 (a) of the Second Schedule to the principal Act in respect of such portion of the benefit as is paid into another pension or retirement annuity fund. The new proviso (ii) which *subclause (1) (c)* introduces into section 11 (n) (aa) of the principal Act provides that where a deduction is in fact allowed in terms of paragraph 6 (a) of the Second Schedule the amount so deducted and which is paid into another retirement annuity fund will not qualify as a current contribution to such other fund. This proviso makes it clear that it is not possible for a taxpayer to claim a double deduction.

*Subclause (1) (c)* also renumbers the existing proviso (iii) to section 11 (n) (aa) of the principal Act (it now becomes proviso (iv)) and extensively amends it. The amended proviso provides that current contributions to a retirement annuity fund which do not qualify for deduction in a year of assessment shall, subject to the exception dealt with below, be carried forward and treated as current contributions in the next succeeding year of assessment. The exception in question is that where amounts so carried forward from year to year are eventually allowed as a deduction under the provisions of the Second Schedule to the principal Act in determining the taxable value of a lump sum benefit on retirement, they will no longer qualify as current contributions in subsequent years of assessment.

Finally, *subclause (2)* provides that the amendment effected in terms of *subclause (1) (b)* (i.e. that relating to employers' contributions) shall be deemed to have taken effect as from the commencement of years of assessment ended or ending on or after 28 February 1979.

#### CLAUSE 9

##### *Employees training allowance: Amendments to section 11 sept of the principal Act*

The amendments made in terms of this clause to section 11 sept of the principal Act are consequential upon the passing of the proposed In-Service Training Act, 1979. They extend the benefit of the training allowance deductible from income in terms of the said section 11 sept to schemes which are established, approved or recognized under the latter Act for the training of employees.

#### CLAUSE 10

##### *Deductions in respect of machinery or plant used in a process of manufacture: Amendment to section 12 of the principal Act*

In terms of section 12 (1) of the principal Act, as read with section 12 (1A), a machinery initial allowance, usually equal to 25% of the cost, is allowed in respect of certain machinery or plant brought into use during a year of assessment.

The machinery initial allowance is in essence an accelerated wear and tear allowance and the proviso inserted by *subclause (a)* makes it clear that where machinery or plant is contained in a ship and the somewhat similar allowance deductible in terms of section 14 (1) (b) has been granted in respect of the adjustable cost of that ship, the machinery initial allowance may not be deducted.

This amendment must be read together with that introduced by clause 11.

*Subclause (b)* is of a textual nature and is designed to make it clear that leased machinery or plant which is used in a process similar to a process of manufacture will only qualify in the hands of the lessor for the machinery investment allowance granted in terms of section 12 (2) of the principal Act if, as in the case of similar machinery or plant which is purchased directly by an industrialist and so used, it is brought into use by the lessee not later than 30 June 1979.

## CLAUSE 11

### *Deductions in respect of ships: Amendment to section 14 of the principal Act*

In terms of section 14 of the principal Act the adjustable cost price of certain South African foreign-going and other ships may be deducted from income in the following manner:—

- (1) In the year of assessment in which the contract for the acquisition of the ship is concluded—40% of the adjustable cost price;
- (2) in each of the six succeeding years of assessment—10% of the adjustable cost price.

For the purposes of the section the term “foreign-going ship” means:—

- (a) a ship plying between a port in one country and a port in another country; or
- (b) a ship of not less than two hundred gross register tons plying between ports in the same country; or
- (c) a ship of more than one thousand gross register tons exclusively employed in sea fishing or seal catching; or
- (d) a whaling boat other than a shore-based whaling boat of less than two hundred gross register tons.

The amendment introduced by this clause reduces the minimum qualifying tonnage in respect of a category (c) class of ship from one thousand to two hundred gross register tons.

## CLAUSE 12

### *Deduction in respect of earnings of a married woman: Amendment to section 20A of the principal Act*

In determining the taxable income of a taxpayer in whose income the earnings (as defined) of his wife have been included, a special deduction is allowed in terms of section 20A of the principal Act equal to the lesser of those earnings and the sum of R750.

The amendment made to section 20A by this clause increases the maximum possible deduction to R900.

## CLAUSE 13

### *Gains or losses on foreign exchange transactions: Amendments to section 24B of the principal Act*

This clause amends section 24B of the principal Act with retrospective effect. The amendments made to subsections (1) and (2) are mainly of a textual nature but at the same time they introduce two important changes to the existing provisions, namely:—

- (a) The restriction in subsection (1) limiting the scope of the section to cases in which no forward exchange contract was available to the taxpayer, is removed; and
- (b) the provisions of the section are extended to cover cases where the financing of the expenditure designed to produce income is arranged through an “associated company”, which term is defined in the new subsection (8).



The clause also adds five new subsections to section 24B the purpose of which subsections is as follows:—

- (1) Subsection (3) makes it clear that where a gain or a loss on a foreign exchange transaction is required to be dealt with in terms of provisions of the principal Act other than section 24B, that gain or loss shall not also be dealt with in terms of that section.
- (2) Subsection (4) provides for the taxing of recoupments of losses allowed as a deduction in terms of section 24B of the principal Act.
- (3) Subsection (5) makes it clear that where a loan or advance of the type contemplated in subsection (1) of section 24B of the principal Act is repaid by means of a new loan, etc., i.e. "rolled over", the provisions of the said section shall apply also to the new loan or advance.
- (4) Subsection (6) (a) withholds from the taxpayer the benefit of a deduction under subsection (1) where a loan or advance is "rolled over", as contemplated in subsection (5), unless the Secretary is satisfied that such "roll-over" was not arranged merely with a view to taking advantage of the provisions of section 24B of the principal Act. Where subsection (6) is invoked, and the loss is disallowed, the Secretary is empowered in terms of the proviso to carry forward such loss and deal with it in such manner as he may deem fit.  
Subsection (6) (b) makes the Secretary's decision in the exercise of his discretion under subsection (6) (a) subject to objection and appeal.
- (5) Subsection (7) provides for the deduction from income of the cost of obtaining foreign currency under a forward exchange contract where such cost is not deductible under some other provision of the principal Act.

#### CLAUSE 14

##### *Exemptions from non-residents tax on interest: Amendment to section 64C of the principal Act*

The amendments made in terms of *subclause (1) (a)* to paragraph (i) of the proviso to section 64C (fA) of the principal Act is consequent upon the reduction in the rate of the dividend payable on Special Tax-Free Indefinite Period shares in any building society. The amendment is related to that made by clause 7 (1) (f) to section 10 (1) (i) (xiii) of the principal Act.

As the law now stands, where a resident of an independent State whose territory formerly formed part of the Republic invests money in the local branch of a South African bank in such State, the interest on such investment is subject to the 10 per cent non-residents tax on interest.

The new subsection (fC) introduced by *subclause (b)* into section 64C of the principal Act will exempt the said interest from the withholding tax. A similar exemption already exists in respect of the interest accruing to a resident of a foreign State on a deposit made by him in a branch of a South African building society in the State in which he is resident.

Section 64C (k) of the principal Act empowers the Minister of Finance to grant exemption from the tax of interest on foreign loans which are raised for the purpose of long-term mining or industrial development. The amendment introduced by *subclause (c)* widens the Minister's powers under the said section so as to enable him, in consultation with the Minister of Community Development, to grant a similar exemption in respect of the interest on foreign loans raised for housing or community development schemes in the Republic.

## CLAUSE 15

*Income Tax Special Court judgments: Amendment to section 83 of the principal Act*

In terms of the Regulation referred to in *subclause (2)* the Secretary may, with the consent of the appellant and in such form as the appellant may approve, arrange for the publication of such decisions and judgments of the Income Tax Special Court as he may consider to be of general interest. *Subclause (2)* repeals the said Regulation and, at the same time, *subclause (1)* inserts a new subsection (19) in section 83 of the principal Act providing for a revised procedure for the publication of judgments or decisions of the Court which are of particular interest. Publication of a judgment of the Special Court may be authorized if the taxpayer's consent is unreasonably withheld.

## CLAUSE 16

*Computation of taxable income derived from pastoral, agricultural or other farming operations: Amendment to paragraph 19 of the First Schedule to the principal Act*

In terms of paragraph 19 of the First Schedule to the principal Act farmers who are natural persons, as well as certain others, may elect to have their normal tax chargeable determined on the basis of a system of equalized rates. In essence, the normal tax chargeable for any year of assessment is calculated at a rate based on the taxpayer's taxable income from farming for the current year and the four immediately preceding years of assessment. Since an election to adopt the system of equalized rates is binding on a farmer it follows that where a taxpayer has several good years followed by a poor year in which his profits are relatively low, he may well be at a considerable disadvantage since his reduced taxable income in the fifth year will be subjected to tax at a rate representing his average taxable income for the five years.

The further proviso to paragraph 19 of the First Schedule which this clause inserts provides that the farmer who has elected the system of equalized rates will in future have his normal tax calculated at the lower of the equalized rate or the rate applicable to his taxable income for the year of assessment under review.

## CLAUSES 17 AND 18

*Computation of gross income derived by way of lump sum benefits from pension, provident and retirement annuity funds: Amendments to Second Schedule to the principal Act*

The addition made in terms of *subclause (1) (a) of clause 17* to the proviso to the definition of "formula A" in paragraph 1 of the Second Schedule to the principal Act is also consequent upon the amendments made in terms of the Income Tax Act, 1978 (Act No. 101 of 1978) to the definition of "pension fund" in section 1 of the principal Act (see section 3 (1) (c) of the Income Tax Act, 1978) and to section 11 (k) of the principal Act (see section 5 (a) of the Income Tax Act, 1978). As explained earlier, those amendments had the effect of permitting a member of a partnership who was previously an employee and a member of his firm's pension fund to retain membership of such fund on becoming a partner and, subject to certain limitations, to claim his contributions to the fund as a deduction from income. The new paragraph (c) which is being added to the said proviso provides that the period of the partner's continued membership of the fund shall be included in his period of employment for the purposes of the formula and that in determining his salary for the same purposes his earnings during such continued membership shall be calculated at the rate at which his pensionable emoluments were payable during the twelve months which ended on the day on which he ceased to be an employee.

In determining the taxable portion of a lump sum benefit payable on retirement there may be deducted from such benefit, in terms of "formula B" in

paragraph 1 of the Second Schedule to the principal Act so much of a taxpayer's contributions to any pension or provident fund of which he is or was a member as did not rank as a deduction from his income in terms of section 11 (k) of the said Act. The amendments made by *subclause (1) (b) of clause 17* to paragraph (d) of the definition of "formula B" mean that so much of the contributions made by a taxpayer to any retirement annuity fund of which he is or was a member as did not rank as a deduction from his income in terms of section 11 (n) of the principal Act will likewise be deductible in determining the taxable portion of a lump sum benefit derived from such fund in consequence of the taxpayer's retirement.

Whereas paragraph 5 of the Second Schedule to the principal Act provides for the determination of the deductions to be allowed in determining the taxable portion of a lump sum benefit accruing upon retirement, paragraph 6 provides for the determination of the deductions which may be made from a lump sum benefit accruing from a fund in consequence of a member's withdrawal or resignation from a pension, provident or retirement annuity fund or the winding-up of a fund. The amendments made by *clause 18* to the first proviso to the said paragraph 6 provide, that on a member's withdrawal or resignation from a retirement annuity fund, or upon the winding-up thereof the deduction under paragraph 6 shall not be less than so much of his contributions to such a fund as did not rank as a deduction from income in terms of section 11 (n) of the principal Act.

#### CLAUSE 19

*Provisional tax: Exemptions: Amendment to paragraph 18 of the Fourth Schedule to the principal Act*

Under the pay-as-you-earn system of tax collection certain taxpayers who derive income other than by way of remuneration are required to make two provisional payments each year unless, during any period in respect of which provisional tax is payable, that other income does not exceed R500.

The amendment introduced by this clause raises the threshold from R500 to R1 000.

#### CLAUSE 20

*Commencement of certain amendments*

The amendments introduced by the Bill to the principal Act are, except where otherwise provided for or the context otherwise indicates, to take effect for years of assessment ending on or after 1 January 1980.

#### CLAUSE 21

This clause prescribes the short title of the Act.

#### THE SCHEDULE

The provisions of the Schedule are dealt with in the portion of this Memorandum relating to clause 1.