

## 01 Restraint of Trade

1. Available to payments made to natural persons, labour brokers, personal service providers.
2. Deduction is the lesser of:
  - 1/3 of the payment
  - Payment / (years in force)

02

## Employer Fund Contributions

1. Employer contributions to SA retirement, provident and pension funds.
2. Any refund to the employer is a recoupment.
3. Annuities to former employees / spouses is also deductible if paid due to:
  - Retirement
  - Ill Age
  - Infirmity

03

## Variable Remuneration

1. Includes: Overtime, allowances and leave pay.
2. Accrues to employee + constitutes expenses in the hands of the employer.
3. Timing: Date payment is made.

04

## Learnership Allowances

1. Requirements: Entered a Registered Learnership Agreement / learner successfully completed agreement.
2. No Disability: Apportioned for part year.
  - R40,000 (NQF1 to NQF6)
  - R20,000 (NQF7 to NQF10)
3. Disability
  - R60,000 (NQF1 to NQF6)
  - R50,000 (NQF7 to NQF10)
4. Completion:
  - For agreements > 24 months the allowance x (amount of 12 month consecutive periods agreement was in effect)

## 05 Legal Expenses

1. Any claim, dispute, action at law due to ordinary operations of trade unless capital in nature.
2. Provided the compensation / damages are deductible under 11(a).
3. Key note: Consider linking expense to the ordinary operations of the entity.

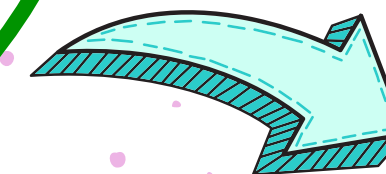
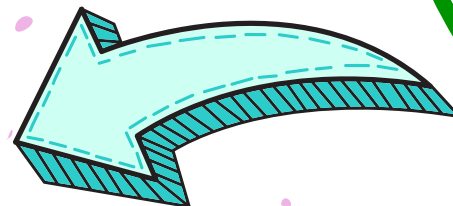
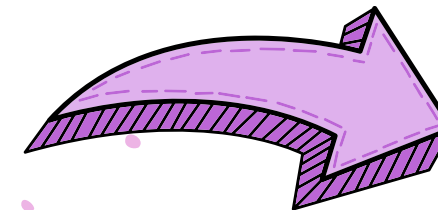
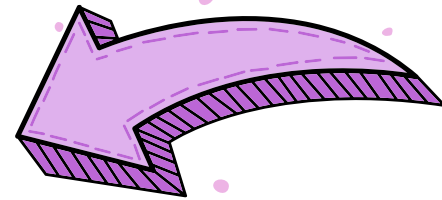
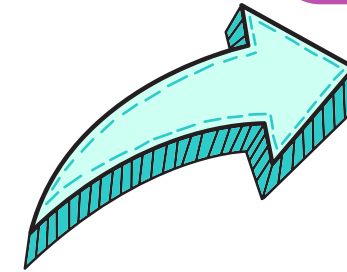
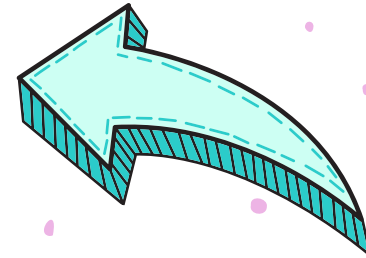
06

## Repairs

1. Replacement / renewal of something that has become defaced / worn out through wear and tear.
2. Materials for repairs need not be identical to materials being repaired.
3. A new asset should not be created (no change in income earning capacity).
4. Asset repaired must be used in production of income / for purposes of trade.

# SPECIAL Deductions

TAXES



01

## Bad Debts

A debt gone bad during the YoA, where the amount must have been included in the taxpayer's income and the debt must be due to the taxpayer.

02

## Doubtful Debt

- IFRS9 is applied by the taxpayer then the allowance is the sum of:
  - 40% (ECL at lifetime + bad debts written off not allowed by 11(a).)
  - 25% (remaining loss allowance).
- IFRS9 not applied then the allowance is the sum of:
  - 40% of debt past 120 days.
  - 25% of debt past 60 days but ~~excl. debt~~ past 120 days.

## Donations to PBO's

- Limited to 10% of taxable income before 18A and 6quat.
- Excess donations carries forward.
- A valid 18A certificate is required.

04

## Debtors allowance

- Requirements of suspensive sale agreement:
  - Ownership will pass from one person to another upon receipt of whole / part of the allowance.
  - 25% of the amount payable is due 12 months after date of agreement.
- Formula :  $GP \% \times (\text{Qualifying outstanding debtors} - \text{bad debts} - \text{doubtful debt allowance})$ .
- The allowance is added back in following periods.
- The idea is to provide an allowance for amounts accrued but not yet received.

05

## Future Expenditure

- Income is received i.t.o a contract under which future expenditure will be incurred under the same contract.
- Formula:  $(\text{Estimated Contract Cost} / \text{Contract Price}) \times \text{Income Received} - \text{Actual Expenditure Incurred}$
- Allowance may not exceed income received.
- Allowance added back in next YoA.

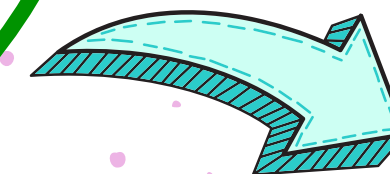
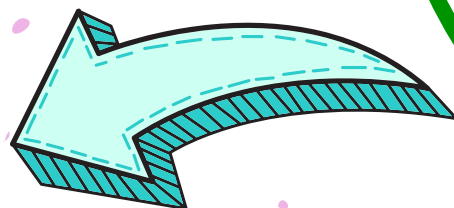
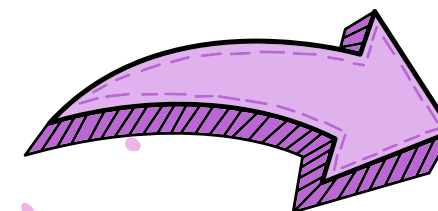
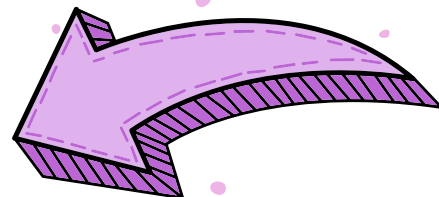
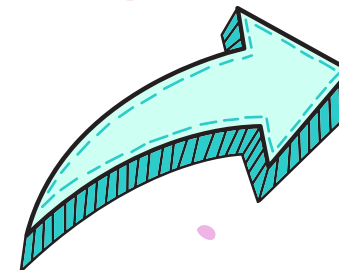
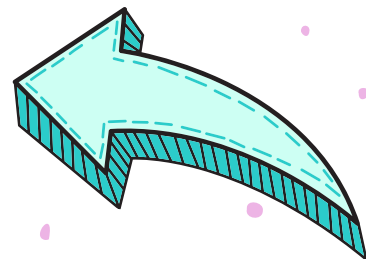
06

## General

- Most of the specific rules follows from logical thinking and can be understood through looking at SARS's position.
- Think about how the system puts SARS / the tax payer at a negative position and consider how this position can be reinstated.

# SPECIAL Deductions

TAXES



01

## General

An assessed loss is created where an amount by which a deduction is allowed in terms of section 11 exceeds the income for the period.

02

## Limitation

1. An assessed loss is limited to the higher of:
- R1,000,000
  - 80% of taxable income.

03

## Carry forward of assessed losses

1. A company failing to carry on a trade for 1 full year after making an assessed loss will forfeit the accumulated assessed loss.
2. This will be the case even if subsequent trade is started.

04

## Foreign Assessed Loss

1. The loss is fully ring-fenced and can only be used against foreign income and may not be used to reduce any SA income.

05

## Tips

1. In practice an assessed loss is found on the ITA34C document.
2. Deferred tax is only calculated if future tax profits is considered to be probable.
3. Remember to apply ring fencing rules to assessed losses.

06

## Exam Technique

1. Always start by developing your answer:
  - Explain why the scope of a section applies to a case study.
  - Then apply the formula in the section.
  - Then discuss exemption or specific inclusions.
  - Then conclude.

