

Extracts from the Income Tax Act No.58 of 1962, as amended.

Section 1 definition of 'gross income' paragraph (d) *"any amount (other than an amount contemplated in paragraph (a)), including any voluntary award received or accrued-*

(i) in respect of the relinquishment, termination, loss, repudiation, cancellation or variation of any office or employment or any appointment (or right or claim to be appointed) to any office or employment;

(ii) by or to a person, or dependant or nominee of the person, directly or indirectly in respect of proceeds from a policy of insurance where the person is or was an employee or director of the policyholder; or (applicable from the 1st March 2012)

(iii) by or to a person, or dependant or nominee of the person, in respect of any policy of insurance (other than a risk policy with no cash value or surrender value) that has been ceded to-

(aa) the person;

(bb) a dependant or nominee of the person; or

(cc)..... (deleted effective 1st March 2012)

Provided that-

(aa) the provisions of sub-paragraphs (i) and (ii) shall not apply to any lumpsum award from any pension fund, pension preservation fund, provident fund, provident preservation fund or retirement annuity fund;

(bb) any such amounts which become payable in consequence of or following upon the death of any person shall be deemed to be an amount which accrued to such person immediately prior to his or her death;

(cc) for the purposes of (ii) and (iii), any amount received by or accrued to a dependant or nominee of a person shall be deemed to be received by or to accrue to that person;" paragraph (d) applicable from the 1st March 2012.

Section 1 definition of gross income paragraph (a): *"any amount received or accrued by way of annuity, including any amount contemplated in the definition of 'living annuity' of the definition of 'annuity amount in section 10A(1), other than an amount contemplated in paragraph (d)(ii); (applicable from the 1st March 2012)*

Section 10 Exemptions (1) *“There shall be exempt from normal tax-*

(gG) any amount received by or accrued to a person as contemplated in subparagraph (ii) or (iii) of paragraph (d) of the definition of ‘gross income’ –

(i) in the case of a policy that is a risk policy with no cash value or surrender value, if the amount of premiums paid in respect of that policy by the employer of the person has been deemed to be a taxable benefit of the person in terms of the Seventh Schedule since the later of –

(aa) the date on which the employer or company contemplated in those subparagraphs became the policyholder of that policy; or

(bb) 1 March 2012

Effective date 1st March 2015

(ii) in the case of any other policy, if an amount equal to the aggregate of the amount of any premiums has been included in the income of the person as a taxable benefit in terms of the Seventh Schedule since the date on which the policy was entered into;

Effective 1st March 2012

(gH) any amount received or accrued in respect of a policy if insurance where-

(i) the policy relates to death, disablement or severe illness of an employee or director, or former employee or director, of the person that is the policyholder; and

(ii) no amount of premiums payable in respect of that policy on or after 1 March 2012 is deductible from the income of that person for purposes of determining the taxable income derived by the person from carrying on any trade;

Effective 1st March 2012

(gI) any amount received or accrued in respect of a policy of insurance relating to death, disablement, illness or unemployment of a person who is the policy holder or an employee of the policy holder in respect of that policy of insurance to the extent to which benefits in terms of the policy are paid as a result of death, disablement, illness or unemployment;

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Section 11 General deductions allowed in determination of taxable income.-*“For purposes of determining the taxable income derived by any person from carrying on any trade, there shall be allowed as deductions from income of such person from carrying on any trade, there shall be allowed as deductions from the income of such person derived-*

(w) expenditure incurred by a taxpayer in respect of any premiums payable under a policy of insurance (other than a policy of insurance that relates to the death, disablement or severe illness of an employee or director of the taxpayer arising solely out of and in the course of employment of such employee or director) of which the taxpayer is the policy holder, where-

(i)(aa) the policy relates to the death, disablement or severe illness of an employee or director of the taxpayer; and

(bb) the amount of expenditure by the taxpayer in respect of the premiums payable under the policy is deemed to be a taxable benefit granted to an employee or director of the taxpayer in terms of paragraph 2 (k) of the Seventh Schedule; or

(ii)(aa) the taxpayer is insured against any loss by reason of the death, disablement or severe illness of an employee or director of the taxpayer;

(bb) the policy is a risk policy with no cash value or surrender value;

(cc) the policy is not the property of any person other than the taxpayer at the time of the payment of the premium; (effective 1st March 2015) and

(dd) in respect of any policy entered into-

(A) on or after 1 March 2012, the policy agreement states that this paragraph applies in respect of premiums payable under that policy; or

(B) before 1 March 2012, it is stated in an addendum to the policy agreement by no later than 31 August 2012 that this paragraph applies in respect of premiums payable under that policy;

Effective 1st March 2012.

Section 23 Deductions not allowed in determination of taxable income-(m)(iii) *any deduction which is allowable under section 11(a) in respect of any premium paid in terms of an insurance policy, to the extent that-*

(aa) it covers that person against the loss of income as a result of illness, injury, disability or unemployment; and

(bb) the amounts payable in terms of that policy as contemplated in item (aa) constitutes or will constitute income as defined and...(deleted with effect 1st March 2015)

Seventh Schedule, Taxable Benefits (2) “ For purposes of this schedule and of paragraph (i) of the definition of ‘gross income’ in section 1 of this Act, a taxable benefit shall be deemed to have been granted by an employer to his employee in respect of the employee’s employment with the employer, if as a benefit or advantage of or by virtue of such employment or as a reward for services rendered or to be rendered by the employee to the employer-

(k) the employer has during any period made any payment to any insurer under an insurance policy directly or indirectly for the benefit of the employee or his or her spouse, child, dependant or nominee: Provided that this paragraph shall not apply in respect of an insurance policy that relates to an event arising solely out of and in the course of employment of the employee. (effective 1st March 2013, with an amendment to the full stop at the end of the expression, effective 1st March 2015)

12(C). Benefits in Respect of Insurance Policies

(1) The cash equivalent of the value of a taxable benefit deemed to be granted as contemplated in paragraph 2(k) is an amount of any expenditure incurred by an employer during the year of assessment in respect of any premiums payable under a policy of insurance directly or indirectly for the benefit of an employee or his spouse, child, dependant or nominee.

(2) Where any premium is paid in terms of a policy of insurance contemplated in section 23(m)(iii), the amount of any premium paid by the employer of that employee must, to the extent that the amount has been deemed to be a taxable benefit in terms of paragraph 2(k), be deemed to have been paid by that employee. (deleted with effect from 1st March 2015)

(3) Where an appropriate portion of any expenditure contemplated in subparagraph (1) cannot be attributable to the employee for whose benefit the premium is paid, the amount of that expenditure in relation to that employee is deemed, for the purposes of subparagraph (1), to be an amount equal to the total expenditure incurred by the employer during the year of assessment for the benefit

of all employees divided by the number of employees in respect of whom the expenditure is incurred.

Effective 1st March 2012