

**GENERAL NOTES – SECOND SCHEDULE TO THE INCOME TAX ACT, No
58 of 1962**

ADDENDUM A TO GENERAL NOTE 5

**GENERAL SUBJECT: SECOND SCHEDULE TO THE INCOME TAX
ACT, No 58 of 1962**

SPECIFIC ASPECT: DETERMINATION OF DEATH BENEFITS

STATUS: DECISION

PURPOSE: The purpose of this Addendum is to replace the contents of General Note GN5 with the contents of this Addendum with effect from 1 October 2007.

BACKGROUND: General Note GN5 interprets certain provisions relating to symbol “N” in the definitions of “formula A” and formula “B” in the Second Schedule to the Income Tax Act, No.58 of 1962, prior to the amendments that were introduced by the Taxation Laws Amendment Act, No. 8 of 2007.

CONFIRMATION: In terms of the Taxation Laws Amendment Act, No 8 of 2007, “formula A” was repealed with effect from 1 October 2007. In addition, the above-mentioned Act replaced the formula-based calculation of the upper limit of the deduction that is represented by symbol “C” of “formula B”, with a capped amount equal to R300 000 also with effect from 1 October 2007.

The number of years of employment or membership to a retirement fund is, therefore, with effect from 1 October 2007, no longer a parameter in the determination of the deduction afforded in the case of lump sum benefits payable on death.

The content of GN5 is therefore no longer applicable in relation to lump sum benefits that accrued on or after 1 October 2007 in consequence of or following upon the death of a member of a retirement fund.

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