

Tax Alert

16 January 2012

Dividends Tax

On 20 December 2011 the effective date of 1 April 2012 for the replacement of Secondary Tax on Companies with a dividends tax to be levied on shareholders was formalised by the publication of a notice to this effect in Government Gazette no. 34873. This just leaves 11 short weeks for taxpayers to prepare for the new tax.

Most importantly, taxpayers will need to ensure that the necessary systems are in place to account for dividends tax and comply with the administrative requirements of the tax. Especially in the listed company environment a major part of the administration of the dividends tax is in the hands of regulated intermediaries (e.g. banks and brokers) and taxpayers need to communicate with these parties to ensure proper implementation. The most important issues in this regard relate to:

- The determination of any STC credits at 31 March 2012 and the tracking thereof on subsequent dividends;
- Declarations by shareholders exempt from dividends tax; and
- Declarations by shareholders entitled to a reduced rate of tax in terms of double tax agreements.

Of relevance in this regard is that the South African Revenue Service has recently published a document titled *Business Requirements Specification: Administration of the new Dividends (Withholding) Tax*. This document provides that a dividends tax return will need to be submitted by each entity that manages dividends and specifies the requirements for the supporting data to be submitted as part of the return. It is apparent from this document that the supporting data that will be required to be included in a return is substantial, including in relation to the

recipient of the dividend, and taxpayers and their regulated intermediaries will need to ensure that they have the relevant information in place in order to comply.

The document also sets out the minimum data requirements to be included in declarations by shareholders for exemption or reduced rates of withholding. This document can be used by taxpayers and regulated intermediaries as a basis for preparing their own forms.

For more information, please call any of the contacts below:

Johannesburg

Kyle Mandy 011-797-4977
kyle.mandy@za.pwc.com

Pretoria

Bennie Botha 012-429-0292
bennie.botha@za.pwc.com

Cape Town

Osman Mollagee 021-529-2061
osman.mollagee@za.pwc.com

Durban

Jerry Maharaj 031- 271 2028
jerry.maharaj@za.pwc.com

Port Elizabeth

Ian Olls 041-391-4474
ian.olls@za.pwc.com

East London

Susan Minnie 043 707 9600
susan.minnie@za.pwc.com

Bloemfontein

Gert Nel 051-503-4222
gert.nel@za.pwc.com



This Tax Alert is provided by PricewaterhouseCoopers Tax Services (Pty) Ltd for information only, and does not constitute the provision of professional advice of any kind. The information provided herein should not be used as a substitute for consultation with professional advisers. Before making any decision or taking any action, you should consult a professional adviser who has been provided with all the pertinent facts relevant to your particular situation. No responsibility for loss occasioned to any person acting or refraining from acting as a result of using the information in the Tax Alert can be accepted by PricewaterhouseCoopers Tax Services (Pty) Ltd, PricewaterhouseCoopers Inc or any of the directors, partners, employees, sub-contractors or agents of PricewaterhouseCoopers Tax Services (Pty) Ltd, PricewaterhouseCoopers Inc or any other PwC entity.

© 2011 PricewaterhouseCoopers ("PwC"), a South African firm, PwC is part of the PricewaterhouseCoopers International Limited ("PwCIL") network that consists of separate and independent legal entities that do not act as agents of PwCIL or any other member firm, nor is PwCIL or the separate firms responsible or liable for the acts or omissions of each other in any way. No portion of this document may be reproduced by any process without the written permission of PwC.