

# Tax Alert

5 August 2014

## Duplicated Dividends Tax Administration and Administrative Issues Relating to Cross-Border Interest and Royalties: An Update

*Certain foreign beneficial owners of dividends are no longer required to submit multiple declarations for treaty relief; new forms are expected for interest and royalties*

In a previous Tax Alert (“*Duplicated Dividends Tax Administration*”, dated 18 May 2012) attention was drawn to the fact that recipients of dividends who are entitled to a reduced rate of dividends tax in terms of the double tax treaties between South Africa and the UK, Netherlands, Germany or Switzerland were, at that time, effectively required to duplicate their dividends tax administration.

This duplication arose as a result of the requirement, in order for such a recipient to benefit from a reduced rate of dividends tax under the relevant treaty, for two separate administrative submissions to be made, ie:

- In terms of the dividends tax legislation, a declaration is required to be submitted by the recipient (as the beneficial owner of the dividend) to the company or regulated intermediary paying the dividend to the effect that the dividend is subject to a reduced rate in terms of the relevant treaty, together with an undertaking to inform the company or regulated intermediary should the recipient cease to be the beneficial owner of the dividend; and
- In terms of section 25 of the Tax Administration Act, 2011, an IT24, IT25, IT26 or IT27 form (depending on the country of residence of the recipient) was required to be submitted to SARS. Each of these forms requires certain information relating to the affairs of the taxpayer and requires a similar declaration to that required by the dividends tax legislation. Most importantly,



the forms require that the relevant foreign tax authority certify that the recipient taxpayer is a tax resident of that country.

It was, at the time of the previous Tax Alert, confirmed by SARS that, notwithstanding this apparent duplication, both declarations needed to be made. We therefore urged taxpayers to take note of these requirements and to ensure that both forms were submitted in the appropriate circumstances.

Despite the fact that the IT24, IT25, IT26 and IT27 forms were updated in June 2013, SARS has recently advised that it is no longer necessary to submit these forms in respect of dividends.

Regarding other payments that were dealt with by the IT24, IT25, IT26 and IT27 forms (ie royalties

## *Duplicated Dividends Tax Administration and Administrative Issues Relating to Cross-Border Interest and Royalties: An Update*

and interest), the forms are no longer available on the SARS website (which seems to indicate that their submission in respect of payments other than dividends is also no longer required).

SARS has advised that it is in the process of establishing the administrative requirements that will be applicable to payments of interest and royalties, and formal communication in this regard

is expected from SARS in the near future. Since the withholding tax on interest is not yet in force, this is not yet an issue. However, the royalty withholding tax is in force, and there currently appears to be no form to deal with reduced rates that might apply in terms of an applicable tax treaty. Until such time as these forms are in place, taxpayers are advised to seek advice in this regard.

---

### **Johannesburg**

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

### **Pretoria**

Gert Meiring 011-797-5506  
gert.meiring@za.pwc.com

### **Cape Town**

Leon Swanepoel 021-529-2376  
leon.swanepoel@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**

Hesna Rheeder 051-503-4202  
hesna.rheeder@za.pwc.

---



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 VAT 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.  
© 2014 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.