Dear Sir/Madam

COMMENTS: INTERPRETATION NOTE ON THE APPLICATION OF SECTION 11(o) OF INCOME TAX ACT, NO. 58 OF 1962

We thank you for the opportunity to provide input on the Draft Interpretation Note on the application of section 11(o) of the Income Tax Act, No. 58 of 1962 ("the Draft IN") published by the South African Revenue Service. We set out below the SAICA submission comments in relation to this issue.

In our view, the Draft IN is lacking in that it does not provide any guidance in respect of obsolete intangible assets, such as computer software.

It is unclear as to whether a taxpayer will be able to claim a deduction in terms of section 11(o) of the Act in respect of obsolete software. The Draft IN should clarify whether the mere obsolescence of the software is to be interpreted as having resulted in the alienation, loss or destruction of the software, or whether further action by the taxpayer, such as the deletion of the software from its computer system, would be required in order for the taxpayer to qualify for the deduction provided for in section 11(o).

Please do not hesitate to contact us, should you have any questions regarding the above.

Yours faithfully

Muneer Hassan CA(SA)
PROJECT DIRECTOR: TAX
The South African Institute of Chartered Accountants