CALL FOR COMMENT: DRAFT INTERPRETATION NOTE ON SECTION 23A: LIMITATION OF ALLOWANCES GRANTED TO LESSORS OF CERTAIN ASSETS

We refer to your call for comment regarding the above-mentioned. Set out below please find SAICA’s comments, which have been provided by members of our National Tax Committee.

In terms of the Draft Interpretation Note:

The following are examples of income that will not be regarded as “rental income” as defined:
• A foreign exchange gain does not fall within the ambit of this definition and will as a result, not be included in the rental income of the lessor in terms of section 23A. However, a foreign exchange loss will be allowed in the determination of the taxable income before allowing the capital allowances that are subjected to the section 23A limitations.
• An amount recouped under section 8(4)(a).

In the determination of net rental income, there is no logical reason to exclude foreign exchange gains and recoupments.

Please do not hesitate to contact me should you require further information.

Yours faithfully

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