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No. 20337

GENERAL NOTICE ALGEMENE KENNISGEWING

NOTICE 1746 OF 1999

SOUTH AFRICAN REVENUE SERVICE
OFFICE OF THE COMMISSIONER FOR THE
SOUTH AFRICAN REVENUE SERVICE

PRACTICE NOTE: NO 6/1999

DATE: 30 JULY 1999

INCOME TAX: GAME FARMING

1. Due to the rapid growth in game farming and organised hunting expeditions on game farms it has become necessary to explain the South African Revenue Service's practice in regard to these activities.

2. It appears that a large number of farmers are carrying on farming operations with game in addition to other farming operations, and it is almost impossible to distinguish between the two activities.
3. The same tests used to determine whether a person is carrying on ordinary farming operations are applicable to game farming. Where a person who owns land and occasionally allows hunters, for example, to cull the game thereon, such activities cannot, on that account alone, be accepted as constituting farming with game. Such a person will have to convince the Commissioner that game is purchased, sold, bred, etc on a regular basis before the activities can be regarded as *bona fide* farming operations.

4. Game farming:

4.1 Income

4.1.1 The fortuitous sale of game, game carcasses, skins, etc by a farmer constitutes farming income and is taxable. Income derived from persons to whom the right is granted to hunt game on the farm is also regarded as farming income.

4.1.2 Income from the following activities is *not* regarded as farming income and therefore separate financial accounts must be submitted:

- Accommodation and catering.
- Admission charged to persons for spending holidays on the farm.
- Where the farmer or his or her employees act as guides for holiday-makers/hunters.

4.2 Stock

4.2.1 Opening and Closing stock

Because of the practical difficulties encountered in establishing the actual number of game livestock on hand at any given time, the prevailing practice of excluding game livestock from opening and closing stock is continued.

4.2.2 Paragraph 8 of the First Schedule to the Income Tax Act, 1962 (the Act)

In view of the fact that game farming has taken on substantial proportions, significant amounts are expended in order to acquire game that is utilised for breeding and hunting purposes, and in order to treat all types of livestock farming on the same basis the provisions of paragraph 8 of the First Schedule to the Income Tax will be applied to game stock acquired.

The prevailing practice is therefore withdrawn and the limitations of paragraph 8 of the First Schedule will therefore also be applicable to game acquired with effect from 1 March 1999.

Paragraph 8 of the First Schedule to the Income Tax Act provides that where any farmer during the year of assessment incurred expenditure in respect of the acquisition of livestock, the deduction which may be allowed in terms of section 11(a) or (b) of the Act in respect of the cost price of such livestock will be ringfenced. The purchase price and the value of livestock held and not disposed of by a farmer at the beginning of the year of assessment will be limited to the sum of the income received and accrued to the farmer from farming together with the value of the livestock held and not disposed of by him at the end of the year of assessment.

The balance of the purchase price, if any, will be carried forward to the following year of assessment, where the same principle will be applicable.

The practical implication is illustrated by way of the following example:

	R	R	R
Farming income			50 000
<u>Plus:</u> Standard value of livestock at the end of the year: other than game	300		
game	<u>NIL</u>	300	
Produce			
Value of produce at the end of the year		<u>2 000</u>	<u>2 300</u>
			52 300
<u>Less:</u> Standard value of livestock at the beginning of the year: other than game	279		
game	NIL		
produce	<u>NIL</u>	<u>279</u>	<u>279</u>
Amount by which expenditure deductible under section 11(a) or (b) must be limited			52 021
<u>Less:</u> Expenditure deductible under section 11(a) or (b) in respect of the acquisition of game livestock		300 000	
Deductible during current year		<u>52 021</u>	
Transferred to the following year		<u>247 979</u>	

4.2.3 Paragraph 13 and 13A

Game livestock is regarded as livestock if a person is carrying on farming.

It is accepted that where a taxpayer carries on farming operations with game and game has been sold in the circumstances contemplated in paragraphs 13 and 13A of the First Schedule to the Act, the taxpayer will be entitled to the relief provided for in these paragraphs.

4.3 Expenditure

4.3.1 The following expenditure is regarded as farming expenditure:

Equipment - vehicles, fire-arms, meat saws, two-way radios, etc.
(Depreciation in terms of section 12B).

Facilities	- slaughter rooms, meat rooms, cooling rooms, biltong rooms, skin rooms and trophy rooms. (Allowable in terms of paragraph 12(1) of the First Schedule to the Income Tax Act).
Services	- butchers, trackers, professional hunters. [Running expenses – section 11 (a)].
Promotion and Advertising	- travelling costs (overseas), advertising material. [Running expenses – section 11 (a)].
Other	- ammunition, fuel, etc. [Running expenses – section 11 (a)].

5. Improvements:

Expenditure in respect of dams, boreholes, pumping plants and fencing incurred by a game farmer qualifies as a deduction in terms of paragraph 12(1) of the First Schedule to the Income Tax Act (the Act).

Expenditure on improvements in respect of buildings and the construction of roads and bridges will only be allowed as a deduction if they are being used in connection with farming operations. In this regard the judgements handed down in Special Court cases 23 SATC 336 and 40 SATC 232 can be used as guidelines. Expenditure in respect of facilities which are used to accommodate visitors and hunters will not qualify as expenditure on improvements.

6. Housing for safari-goers and hunters:

Expenditure in respect of residential facilities such as bedrooms, dining-rooms and sitting rooms that are made available to safari-goers and hunters, is not farming expenditure and therefore not deductible in terms of paragraph 12(1) of the First Schedule to the Act. Wear and tear in terms of section 11(e) on beds, furniture, refrigerators, stoves, etc will be allowed as a deduction against camping fees, accommodation fees and visitors fees.

This Practice Note replaces Practice Note No 27 dated 19 August 1994.

for COMMISSIONER FOR THE SOUTH AFRICAN REVENUE SERVICE
PRETORIA

KENNISGEWING 1746 VAN 1999

SUID-AFRIKAANSE INKOMSTEDIENS
KANTOOR VAN DIE KOMMISSARIS VIR DIE
SUID-AFRIKAANSE INKOMSTEDIENS

PRAKTYKNOTA: NO 6/1999

DATUM: 30 JULIE 1999

INKOMSTEBELASTING: WILDBOERDERY

1. As gevolg van die toenemende groei in wildboerdery asook georganiseerde jagtogte op wildplase het dit vir die Suid-Afrikaanse Inkomstediens nodig geword om sy praktyk in verband met hierdie bedrywighede te verklaar.
2. Dit blyk dat 'n groot aantal boere, tesame met ander boerderybedrywighede ook wildboerdery beoefen, en dat dit gevolglik bykans onmoontlik is om die twee bedrywe van mekaar te skei.
3. Dieselfde toetse om te bepaal of 'n persoon 'n boerderybedryf beoefen, is ook van toepassing ten opsigte van wildboerdery. Waar 'n persoon wat grond besit en slegs by geleentheid jagters toelaat om, byvoorbeeld, wild uit te dun, sal sodanige aktiwiteite nie sonder meer as wildboerdery beskou word nie. So 'n persoon sal die Kommissaris moet oortuig dat daar op 'n gereelde grondslag wild aangekoop, verkoop, geteel, ensovoorts word, alvorens die bedrywighede as *bona fide* boerderybedrywighede beskou kan word.
4. Wildboerdery:
 - 4.1 Inkomste
 - 4.1.1 Toevallige verkope van wild, wildkarkasse, velle, ensovoorts deur 'n boer is boerderyinkomste en is belasbaar. Inkomste verkry van persone aan wie die reg verleen word om wild op die plaas te jag, word ook as boerderyinkomste beskou.
 - 4.1.2 Inkomste uit die volgende aktiwiteite word *nie* as boerderyinkomste beskou *nie*:
 - Akkommodasie en spyseniering.

- Toelaat van persone om op die plaas vakansie te hou.
- Waar die boer self of sy/haar werknemers as gidse vir vakansiegangers optree?

4.2 Voorraad

4.2.1 Begin en eind voorraad

As gevolg van die praktiese probleme wat ondervind word om 'n korrekte opname van die getalle en soort wild voorhande op 'n gegewe tydstip te maak, word die bestaande praktyk om wild uit te sluit van begin en eind voorraad voortgesit.

4.2.2 Paragraaf 8 van die Eerste Bylae tot die Inkomstebelastingwet, 1962 (die Wet).

In die lig van die feit dat wildboerdery wesentlike afmetings aanneem en daar buitensporige bedrae spandeer word vir die verkryging van wild vir aanteel- en jagdoeleindes en ook sodat alle tipe boerdery op dieselfde wyse hanteer word, sal die bepalinge van paragraaf 8 van die Eerste Bylae tot die Inkomstebelastingwet toegepas word op wildaankope.

Die bestaande praktyk word teruggetrek en die beperkinge van paragraaf 8 van die Eerste Bylae sal gevolglik van toepassing wees op wildaankope met ingang vanaf 1 Maart 1999.

Paragraaf 8 van die Eerste Bylae tot die Inkomstebelastingwet, maak voorsiening dat waar 'n boer uitgawes gedurende die jaar van aanslag aangegaan het vir die verkryging van lewende hawe, die aftrekking wat toelaatbaar is, ingevolge artikel 11(a) of (b) van die Wet beperk word. Die aankoopprys en die waarde van lewende hawe wat aan die begin van die jaar van aanslag, deur hom besit en nie van die hand gesit is nie, sal beperk

word tot, die som van boerderyinkomste wat gedurende die jaar van aanslag deur 'n boer ontvang of toegeval het, tesame met die waarde van lewende hawe aan die einde van die betrokke jaar van aanslag wat deur hom besit is en nie van die hand gesit is nie. Die balans van die aankoopprys, indien enige, sal oorgedra word na die daaropvolgende jaar van aanslag, waar dieselfde beginsel sal geld.

Die praktiese implikasie word geïllustreer met die volgende voorbeeld:

	R	R	R
Boerderyinkomste			50 000
<u>Plus:</u> Standaard waarde van lewende hawe op hande aan die einde van die jaar van aanslag: anders as wild	300		
wild	<u>NUL</u>	300	
Produkte			
Waarde van produkte aan die einde van die jaOar		<u>2 000</u>	<u>2 300</u>
			52 300
<u>Min:</u> Standaard waarde van lewende hawe op hande aan die einde van die jaar van aanslag: anders as wild	279		
wild	NUL		
produkte	<u>NUL</u>	<u>279</u>	<u>279</u>
Bedrag waarmee die toelaatbare uitgawe ingevolge artikel 11(a) of (b) beperk moet word.			52 021
<u>Min:</u> Uitgawe aftrekbaar ingevolge artikel 11(a) of (b) vir die verkryging van wild		300 000	
Aftrekbaar gedurende die huidige jaar van aanslag		<u>52 021</u>	
Oorgedra na die daaropvolgende jaar		<u>247 979</u>	

4.2.3 Paragrawe 13 en 13A

Wild word beskou as lewende hawe indien 'n persoon boerderybedrywighede met wild beoefen.

Dit word aanvaar dat waar 'n belastingpligtige boerderybedrywighede met wild beoefen, en wild verkoop word in omstandighede soos beoog in paragrawe 13 en 13A van die Eerste Bylae tot die Wet, die belastingpligtige geregtig sal wees op die toegewings waarvoor in die paragrawe voorsiening gemaak word.

4.3 Uitgawes

4.3.1 Die volgende uitgawes word as boerderyuitgawes beskou:

- | | |
|--------------------|---|
| Toerusting | - voertuie, gewere, vleissae, tweerigtingradio's ens.
(Slytasie ingevolge artikel 12B). |
| Fasiliteite | - slag-, vleis-, koel-, biltong-, vel- en trofeekamers.
(Toelaatbaar ingevolge paragraaf 12(1) van die Eerste Bylae tot die Inkomstebelastingwet). |
| Dienste | - slagters, spoorsnyers, professionele jagters.
[Lopende uitgawes – artikel (11(a)).] |
| Werwing en reklame | - reiskoste (oorsee), reklamemateriaal.
[Lopende uitgawes – artikel (11(a)).] |
| Ander | - ammunisie, brandstof, ens.
[Lopende uitgawes – artikel (11(a)).] |

5. Verbeterings:

Onkoste ten opsigte van damme, boorgate, pompmasjiene en omheinings wat 'n wildboer aangaan, kwalifiseer as 'n aftrekking onder paragraaf 12(1) van die Eerste Bylae by die Inkomstebelastingwet (die Wet).

Verbeteringsonkoste ten opsigte van geboue en die konstruksie van paaie en brûe sal alleenlik as 'n aftrekking toegestaan word indien dit in verband met

boerderywerksaamhede gebruik word. Die uitsprake in hofsake 23 SATC 336 en 40 SATC 232 kan hier as riglyn gebruik word. Onkoste ten opsigte van geriewe wat gebruik word om besoekers en jagters te huisves, word nie as verbeterings-onkoste beskou nie.

6. Behuising vir safarigangers en jagters:

Onkoste ten opsigte van verblyfgeriewe soos slaap, eet- en sitkamers wat aan safarigangers en jagters beskikbaar gestel word, is nie boerderyonkoste wat ingevolge paragraaf 12(1) van die Eerste Bylae by die Wet as 'n aftrekking in aanmerking geneem kan word nie. Slytasie ingevolge artikel 11(e) op beddens, meubels, yskaste, stowe, ens. sal as aftrekking toegelaat word teen kamp-, akkommodasie- en besoekersgelde.

Hierdie praktyknota vervang praktyknota nommer 27 gedateer 19 Augustus 1994.

n. KOMMISSARIS VAN DIE SUID-AFRIKAANSE INKOMSTEDIENS

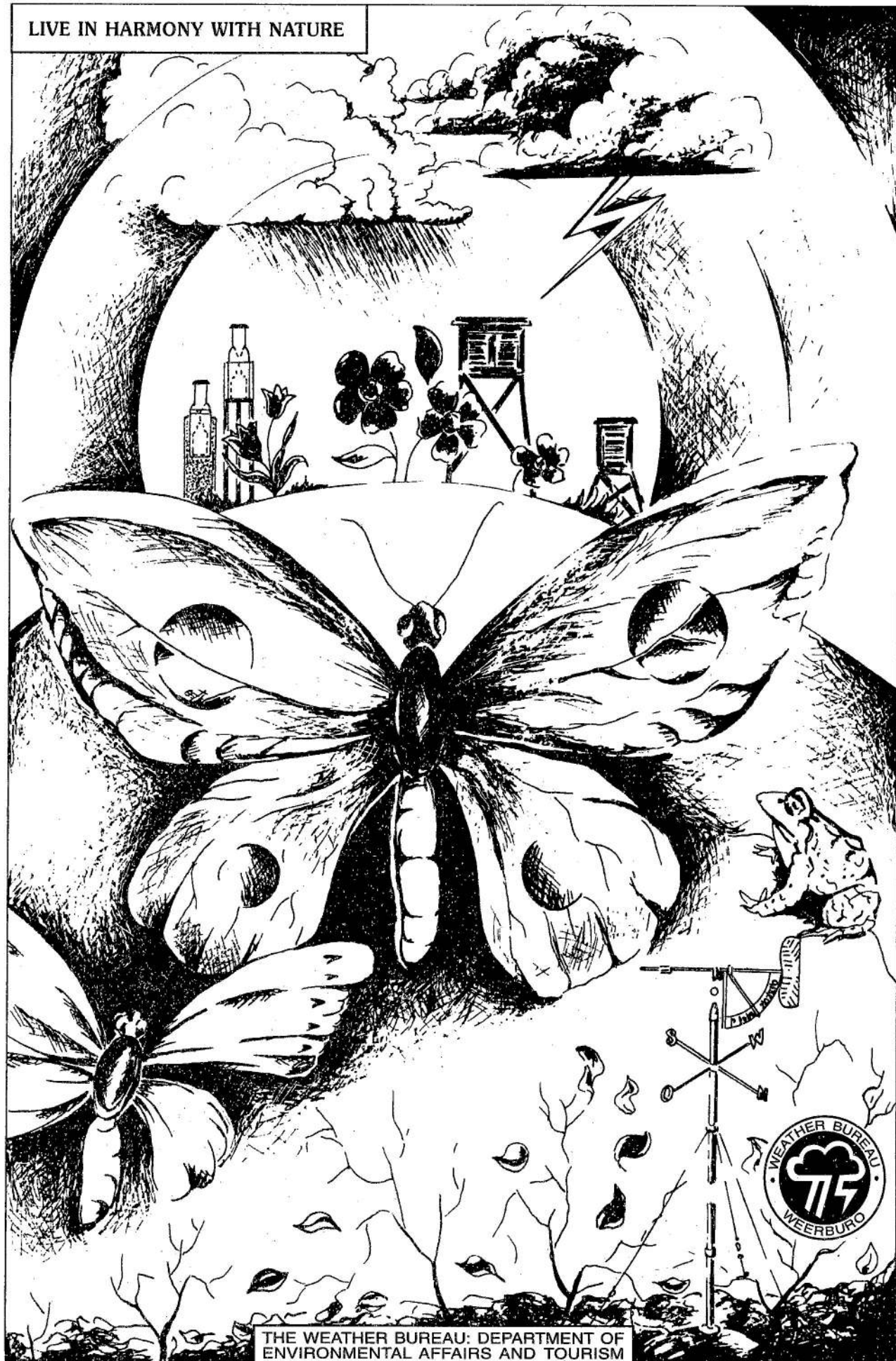
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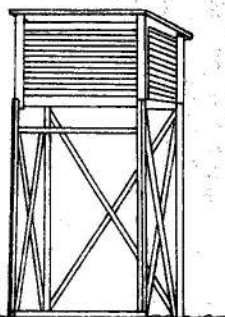
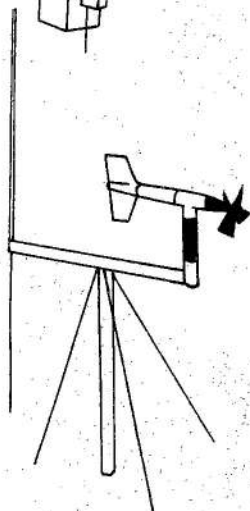
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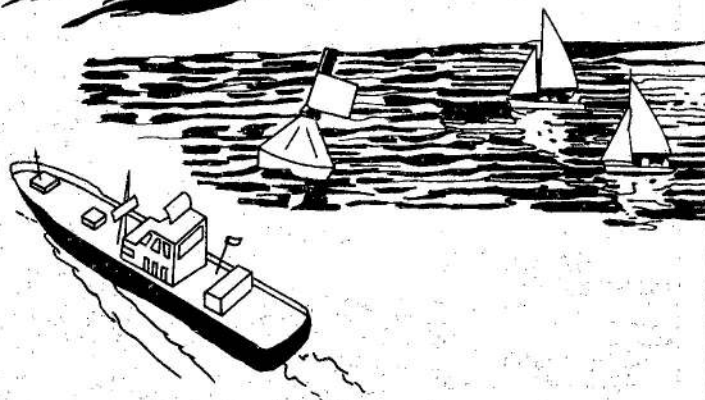
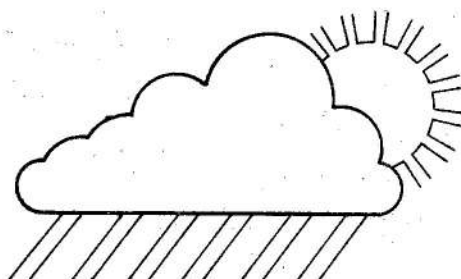


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