

Market Notice

Number: 267
Date 18 October 2011

DIVIDENDS TAX

In 2007, the Minister of Finance announced that Secondary Tax on Companies (STC) would be replaced by Dividends Tax (DT). Since the announcement of DT, legislation has been enacted annually to provide a legislative foundation for the implementation of the DT. The DT legislation has now principally been finalised. An implementation date for the DT of 1 April 2012 has been pronounced in the annual budget announcement and is confirmed in the current Taxation Laws Amendment bill.

The Dividends Tax (DT) will operate from the principle that the liability for DT is triggered by the payment of the dividend and it falls on the recipient (i.e. beneficial owner) to pay the tax to SARS. However, DT will be administered on the basis of withholding the applicable percentage of tax from the dividend payment by either the company declaring the dividend or, where relevant, certain withholding agents (i.e. regulated intermediaries which includes JSE equities members).

Provision is made for exemption from DT or the payment of a reduced rate DT based on the nature or status of the beneficial owner. The beneficial owner is responsible to declare his/her/its status to the company or regulated intermediary prior to the payment of the dividend.

A prescribed DT return must be submitted to SARS by each entity that manages dividends, accounting for the payment/withholding of dividends to beneficial owners and/or the pass through of dividends to regulated intermediaries for further distribution. The return summarises the management (receipt/ declaration of dividends and the distribution of the dividends received/declared) of dividends by the entity and must be accompanied by supporting data underpinning the consolidated view of the return.

The JSE is currently designing the changes on BDA and once complete, a workshop will be set up with the market to go through the requirements and design of the BDA system. It is expected that this workshop will be set up in the next 2 weeks.

Should members have any queries or comments in respect of the above, they can contact Brett Kotze on 011 520 7587 or at brettk@jse.co.za or Chris Grove on 011 5206350 or at chrisg@jse.co.za.



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