



# **SARS INTERPRETATION UPDATE AND CASES**

## **Session 5**

***Tax Practice on the Move Series***

***YOUR KEY TO THE TAX COMMUNITY***

# About The Presenter



Keitumetse Sesana is the Tax Technical Specialist at the South African Institute of Taxation.

She holds a BCom (Law), LLB and Master of Law (Tax Law). Keitumetse is currently a registered SARS practitioner and holds the designation of Master Tax Practitioner.

Keitumetse has substantial tax advisory experience in international corporate tax matters and related matters. After gaining this experience at one of the “Big Four”, Keitumetse joined the South African Institute of Taxation and is presently mandated to manage stakeholder relations by driving and facilitating meaningful engagement with Government departments regarding legislative design and policy on the varying areas of taxation.

She also actively curates and manages tax technical content on legislative interpretation that is presented to tax practitioners for purposes of their Continuous Professional Development



# About The Guest Panelists



David is a corporate tax advisor. He is a Chartered Accountant, and holds a BCom, BAcc, H Dip Tax and Diploma in Financial Markets and Instruments.



Duncan is a Chartered Accountant and specialises in income tax with particular expertise in capital gains tax and corporate tax. He has 36 years' experience in the tax field, having spent 35 of those years with SARS on a variety of sections in the Durban office: acting head of the law administration section dealing with all objections and appeals, manager of the tax board, and responsible for all JSC and RSC levy rulings.

He worked for head office on: writing numerous guides and interpretation notes and reviewing most of the guides and interpretation notes produced by the Corporate Income Tax Section, participating as an external committee member of the Advance Tax Rulings Section.

# AGENDA

- Discussion of the income tax comments relating to the net-billing tariff system as outlined in the SARS “Draft Guide on the tax treatment of the net-billing tariff system for excess power generation”
- Query corner – a discussion of the top legislative queries received via the SALT helpline
- Live Question and Answer session

# DRAFT GUIDE



# Draft Guide on the tax treatment of the net-billing tariff system for excess power generation

- **What is net-billing framework?**

- Many persons install equipment in order to generate electricity from renewable energy sources. In some cases, there is an excess of electricity that is generated, and that may be exported under the net-billing tariff system.
- The excess power that is exported is temporarily “banked” or stored in the grid and essentially acts as a virtual battery that can accommodate more storage than a conventional battery.
- The customer does not sell the excess power and is, at all times, the owner of the energy that is generated and exported through the grid. No payment is, therefore, received by the customer for the exported power.
- While the customer is still charged the full tariff for the amount of energy consumed and capacity provided, such person receives credit in the form of export credits for electricity exported to the distribution power system, which is calculated using an export tariff approved by NERSA.
- All exported electricity is credited on the customer’s electricity bill and used to offset any current or future electricity purchases.

- **What is the net-billing basis?**

- A prosumer will not be paid in cash for exported electricity.
- The prosumer’s electricity bill will be credited for exported electricity and set off against current and future electricity purchases equal to the financial value of kWh units from the distributor using export credits.
- If a prosumer’s electricity bill exceeds the available export credits in a billing period, such excess will be rolled over on a month-to-month basis. This rollover process will work as follows:
  - The prosumer must be billed the applicable charges, but only the charges relating to the kWh units relating to the energy part of the bill can be offset with export credits. Export credits can be used only against the charge for electricity usage and cannot be set off against the fixed charge and non-energy portion of the bill.

# Draft Guide on the tax treatment of the net-billing tariff system for excess power generation

- **Eligible forms of renewable energy**

- Wind power
- Solar energy
- Water
- Biomass including biogas and biofuel
- Geothermal energy
- Renewable fuel cell resources

- **Eligible persons**

- Subject to the basic requirements mentioned in 2, both natural and juristic persons are eligible to participate in the net-billing tariff. This includes persons that do not conduct any trade and persons that do conduct a trade. 13 Individuals that install the renewable energy generation technologies to residential properties and to commercial properties may therefore equally participate in the net-billing tariff system.

# Draft Guide on the tax treatment of the net-billing tariff system for excess power generation

- Income tax treatment comments discussion by David French



***QUERY CORNER – IN DISCUSSION WITH  
DUNCAN MCALLISTER***

# TOP QUERIES IN THE MONTH OF MAY

1. Third party returns to be submitted by trusts (IT3(t) - Must an interim submission of the IT3(t) be submitted by 30 September 2023?
2. On the trust income tax return what is meant by a passive trust and who is a beneficial owner?
3. What distributions from a resident trust are taxable in the hands of a non-resident beneficiary?
4. An immovable property was sold subject to a suspensive condition during the 2023 year of assessment, but transfer occurred during the 2024 year of assessment. In which tax year must the disposal be declared?
5. A company disposed of shares to a person for no consideration. Must the company pay donations tax?
6. A policeman acquired a notebook for his work. Can he claim a deduction for it in his tax return?
7. Is there a deduction for trademarks and patents?
8. A matron is required to live on the premises. Must she pay fringe benefits tax on the furnished flat she is provided with?
9. Is a donation from a non-resident subject to donations tax?
10. Does the cost of gap cover qualify for a medical tax credit?



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