



## General Notes - Second Schedule to the Income Tax Act, 1962

### General Note 7

**GENERAL SUBJECT:** SOURCE OF INCOME

**SPECIFIC ASPECT:** SECTION 9(1)(g)(ii) AND LUMP SUM BENEFITS FROM PENSION AND PROVIDENT FUNDS

**STATUS:** OPINION

**BACKGROUND:** The provisions of section 9(1)(g)(ii) of the Income Tax Act are mutatis mutandis applicable on lump sum benefits that are included in paragraph (e) of the definition of "gross income" in section 1 of the Income Tax Act.

**OPINION:** Paragraph (e) of the definition of "gross income" in section 1 of the Income Tax Act includes "any amount determined in accordance with the provisions of the Second Schedule in respect of lump sum benefits received by or accrued to such person from any fund..." and provides that "the provisions of paragraph (g) of sub-section (1) of section nine shall *mutatis mutandis* apply in the case of any amount determined as aforesaid;".

It follows that the provisions of section 9(1)(g) of the Act must be applied on the taxable portion of a lump sum benefit, that is after allowing the deductions determined in accordance with the provisions of the Second Schedule to the Act.

DISTRIBUTED BY THE OFFICE OF THE COMMISSIONER FOR INLAND REVENUE ON 20 JULY 1995

Reviewed by the

Legal and Policy Division of SARS on

01 March 2007

No changes made