

# **Draft Interpretation Note: determining a 'group of companies' for purposes of the corporate rules**

This Draft Note when published as final one will provides guidance on the interaction of the definitions of a “group of companies” contained in sections 1(1) and 41(1).

The corporate rules contain, amongst other things, special provisions relating to the income tax consequences (including capital gains tax consequences) of transactions between companies forming part of a “group of companies”. Under qualifying circumstances, the corporate rules make it possible for companies in such a group of companies to transfer assets between each other without adverse tax consequences.

The Income Tax Act contains two definitions of a “group of companies”, namely, a general definition in section 1(1) which generally applies to the Act as a whole and a narrower definition in section 41(1) which applies to the corporate rules and a limited number of other provisions in the Act. The definition in section 41(1) excludes certain companies which might otherwise have qualified for relief under the corporate rules.

**NB:** Readers should take note that the Draft Interpretation Notes documents are not final and therefore do not present the official view or policy of SARS until they are published as Interpretation Notes. These draft documents are made available to the public in order to invite comments by all interested parties (internal and external stakeholders) on aspects such as the correctness of the law, clarity on the specific area of legislation explained in the draft note and areas on which

further clarity is required.

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