



November 2023

Deduction of expenses incurred in the production of interest

Broadening of section 11G in the TLAB

In July 2023, the Draft Taxation Laws Amendment Bill (the **DTLAB**) was released for public comment. Following the period of public comment, the Taxation Laws Amendment Bill 36 of 2023 (the **TLAB**) has now been tabled in Parliament.

One of the sections that has been amended since its draft form is the new section 11G (see Tax Alert dated 3 August 2023 titled [Deduction of expenses incurred in the production of interest](#)). In terms of the DTLAB, section 11G was proposed to allow for the deduction of expenditure in circumstances where the taxpayer is not trading.

However, there were a number of concerns with the proposed narrow provisions of section 11G, including, the deduction only being available to companies and only being claimable against interest income accruing in respect of a loan advanced to another company that forms part of the same group of companies:

Accordingly, the following changes have been made in the TLAB:

- The term “interest” has been clarified to mean interest as defined in section 24J (and no regard should be given to whether the amount to be deducted is of a capital nature or not).
- The deduction has been expanded to apply to any person that incurs interest expenditure in the production of interest income without regard to any shareholding threshold of any back-to-back lending arrangement.
- The effective date has been delayed from 1 January 2024 to 1 January 2025 and will apply only in respect of years of assessment commencing on or after that date which will allow for further stakeholder engagement.
- Practice Note 31 will remain in effect until this newly proposed effective date.

KPMG has a highly skilled team of professionals who would be able to assist taxpayers in this regard.

For more information and assistance, please contact:



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