



for professionals
since 1941

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The *PPS Conforming Business Provider* policy was a policy that conformed to the requirements in the old section 11(w) of the Income Tax Act (a “pure term” policy for which the premiums were tax deductible). The aforementioned requirements were repealed. The legal requirements for tax deductibility of the premiums have been amended as follows:

- the expenditure incurred in respect of the premiums payable is included in the taxable income of the employee or director of the taxpayer;

OR

- the taxpayer is insured against any loss resulting from the death, disablement or severe illness of an employee or director of the taxpayer; and
- the policy is a risk policy with no cash value or surrender value prior to the maturity date thereof or the death of the employee or director whose life is insured under the policy; and
- the policy is not the property of any person other than the taxpayer at the time of the payment of the premium (the deduction will still be allowed if the policy is ceded for security, with certain exceptions – please see above); and
- no transaction, operation or scheme exists in terms of which any amount recoverable under the policy or an amount equivalent to or in lieu of such amount will be made over by the taxpayer to or in favour of the employee or director or a connected person in relation to the employee or director; the estate of the employee or director; or any person who is or was wholly or partly dependent for his or her maintenance upon the employee or director

Therefore, from 1 January 2011 the abovementioned requirements must be met before the premiums will be deductible in terms of section 11(w) regardless of whether the policy was effected before or after 1 January 2011. This will result in the current distinction between the *PPS Business Provider*[™] and *PPS Conforming Business Provider* being redundant from 1 January 2011. PPS will, therefore, no longer make the *PPS Conforming Business Provider* available. The premiums paid on the *PPS Business Provider*[™] will be deductible if the abovementioned requirements are met. Please note that all existing policies will remain in force, even though new tax regulations will be applied to them (the insurance cover will, per se, remain intact).

The amendment comes into operation as from the commencement of years of assessment commencing on or after 1 January 2011 and applies in respect of premiums incurred on or after that date.