

## START-UP EXPENSES

*This **draft legislation** is released for public information. The amendments contained in this draft are merely proposals which are **subject to change and final approval by the Minister of Finance**. Early comments on this draft will be considered for possible inclusion in a revised draft Bill.*

*It is the intention to release the revised draft Bill in the first seven days of October, prior to the commencement of the informal Parliamentary process.*

*There will be an opportunity to comment on the revised draft Bill, either directly to the National Treasury and SARS or during the public hearings in the Parliamentary Committees in mid-October 2003.*

*Due to time constraints, it will not be possible to respond individually to comments received. However, receipt of comments will be acknowledged and fully considered by the National Treasury and SARS.*

*Comments may be submitted to either:*

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### Insertion of section 11A in Act 58 of 1962

. The following section is hereby inserted in the Income Tax Act, 1962, after section 11:

#### **“Deductions in respect of expenditure and losses incurred prior to commencement of trade**

**11A.** (1) For purposes of determining the taxable income derived during any year of assessment by a person from carrying on any trade, there shall be allowed as a deduction from the income so derived, any expenditure and losses—

(a) actually incurred by that person prior to commencement of and in preparation for carrying on that trade;

(b) which would have been allowed as a deduction in terms of section 11 (other than section 11(x)) or section 11B, had the expenditure or losses been incurred after that person commenced carrying on that trade; and

(c) which were not allowed as a deduction in that year or any previous year of assessment.

(2) So much of the expenditure and losses contemplated in subsection (1) as exceeds the income derived during the year of assessment from carrying on that trade after deduction of any amounts allowable in that year of assessment in terms of any other provision of this Act, shall not be set off against any income of that person which is derived otherwise from carrying on that trade, notwithstanding section 20(1)(b).

(3) In the case of a small business corporation as defined in section 12E, the expenditure and losses actually incurred as contemplated in subsection (1) shall for purposes of this section be increased by an amount equal to such expenditure and losses, but not exceeding R20 000.”.