

# SARS could lose out on AB InBev bonanza

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The Anheuser-Busch InBev (AB InBev) takeover of SABMiller may not prove to be as big a bounty for the taxman as initially thought, if South African-based retail investors opt to use Section 42 of the Income Tax Act to delay paying Capital Gains Tax (CGT) on their profits from the £45-a-share offer.



Picture: [Bloomberg / Waldo Swiegers](#)

Nedbank Private Wealth and a number of boutique fund managers are offering clients a way of delaying the CGT that would normally have to be paid by individual shareholders on profit made on the sale of shares. It is an attractive proposal for investors who want to reduce their tax liability, while maintaining an exposure to equities through a unit trust.

South African-based investors held 13.8% of SABMiller at the end of August. There are no details on how much of this stake is held by individuals and how much by fund managers, other than that the Public Investment Corporation held 2.93% and Allan Gray 1.02%.

Traditionally pension funds and unit trusts are regarded as exempt from CGT because of Section 42 of the Income Tax Act, which allows for a tax-free roll-over when trading shares. But individual shareholders have generally paid CGT on capital profits on share trading.

Given the sharp trajectory of the SABMiller share price in recent years it is likely that a substantial chunk of the individual shareholders are looking at a significant capital gain on their investment.

For the South African Revenue Service (SARS), the potential inflow from CGT on the transaction was considered to be close to several billion rand. But the full extent of that inflow may be delayed if SABMiller shareholders chose to switch their

SABMiller shares for units in a unit trust rather than take cash. Nedbank Private Wealth said SABMiller shareholders had three options: to accept the £45 cash offer from AB InBev, accept the partial AB InBev share offer or exchange SABMiller shares for units in the Nedgroup Investments Private Wealth Equity Fund. "Section 42 of the Income Tax Act allows shareholders to exchange existing shares for other instruments without triggering an immediate capital gains tax event. Nedbank Private Wealth is offering its clients the opportunity to exchange their SABMiller shares for units in the Nedgroup Investments Private Wealth Equity Fund, in terms of which Section 42 of the act will automatically apply," Nedbank Private Wealth told its clients. A tax event will be triggered when the units are subsequently sold.

Joanne Isaacs, senior communications manager at Nedbank, said this was not the first time this sort of proposal had been offered. "We continue to find wealth management opportunities for our clients."

SARS spokesman Sandile Memela said the Income Tax Act made provision for the type of transaction offered by Nedbank. "Such a transaction does not represent a permanent loss of income to the fiscus, but rather a deferral."

**Source:** Business Day

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