

## **INCOME FROM FARMING OPERATIONS (INCLUDING PARTNERSHIP FARMING OPERATIONS)**

- All income derived directly from any farming operations will be regarded as farming income. Income from farming activities will also include, for example grazing fees derived by a person who carries on farming operations, recoupment of wear and tear allowed on vehicles, implements and machinery used to carry on farming activities and subsidies received by farmers, whether in respect of farm products or capital expenditure on dams.
- Stakes won by a farmer as a result of racing horses bred by him/her and a fixed rental income received in respect of farming property will, for example, not constitute farming income.
- Where a unique identifier was allocated to this trade in the previous year, please complete that specific allocated number in this section.
- If you have completed the farming section of your return, you are reminded to complete the Statement of Assets and Liabilities at the end of your return.
- If your farming income was derived as a result of a partnership farming operation, the section "Income from local partnership farming operations" must be completed. These additional details (which must be completed for each of the partners of the farming operations) includes:
  - Tax reference number
  - Initials and surname
  - Share percentage (%)
  - Amount of profit/loss
  - Amount of improvements incurred by the partner.
- Income derived from foreign farming activities must not be included in this section for farming operations but rather declared in the "Foreign Income" section of your return.
- **Private consumption**
  - If you utilised livestock/produce for private consumption, an amount equal to the cost of such livestock/produce must be included in the income.
- **Livestock sold on account of drought, stock diseases, etc.**
  - If proceeds in respect of the sale of livestock has been received:
    - On account of drought, stock disease or damage to grazing by fire or plague
    - By reason of participation in a livestock reduction-scheme organised by the Government it must be included in the farming income in the year of assessment in which such a sale takes place as it is taxable.
  - In the event of such sale, the following information is required to be submitted:
    - The names and addresses of persons to whom such livestock were sold or to whom such livestock were given in exchange
    - A description of the livestock
    - The amount of the proceeds received.
  - The Act provides that you may elect, subject to certain conditions, to deduct the cost of replacement livestock purchased in, either:
    - The year of assessment during which such livestock was purchased
    - The year of assessment during which the original livestock was sold.
  - If you wish for the cost of the replacement livestock purchased, to be deducted in the year of sale you must notify SARS of your selection. The assessment for that year of assessment will be reduced
  - If you wish to deduct the cost in the year of disposal, you must submit full particulars of the purchases as the concession will

only be granted if the Commissioner is satisfied that:

- You have replaced the livestock sold on account of drought; stock disease or damage to grazing by fire or plague within four years after the close of the year of assessment during which the livestock was sold
- You have replaced the livestock sold by reason of the participation in a livestock reduction scheme organised by the Government within nine years after the close of the year of assessment during which the livestock was sold.

• **Livestock sales deposited with Land Bank**

- Where a farmer has disposed of livestock on account of drought on or after 1 March 1982 and the whole or any portion of the proceeds of such disposal has been deposited into an account in the name of the farmer with the Land Bank of South Africa, the amount of such deposit will be deemed not to be gross income for the year of assessment. Only that portion of the proceeds deposited within three months after receipt thereof will qualify for this concession
- The amount, so deposited, will be deemed to be gross income in any of the following scenario's:
  - On the date of disposal , if it is withdrawn within six months after the last day of the year of assessment in which such disposal took place
  - On the date of withdrawal, if it is withdrawn after a period of six months, but within six years after the last day of the year of assessment in which such disposal took place
  - On the day before the death or insolvency in the event of a farmer's death or insolvency before the expiration of the six year period
  - On the last day of the six year period if it is not withdrawn within the six year period.
- You cannot make use of this concession if you have selected to claim a deduction for the cost of livestock purchased in replacement in the year of assessment in which the livestock was sold on account of drought.

• **The following may be used as a guide to determine the income/loss from farming operations:**

- Note the following:
  - If your spouse has conducted farming operations for his/her personal account, he/she must submit a separate return
  - Local and foreign farming activities must be reported separately.
- Gross receipts and accruals

(a) Livestock and produce sold or bartered	R
(b) Livestock and produce donated	R

- Prepare and retain a list of:
  - The names and addresses of persons to whom livestock and/or produce were donated
  - A description of the livestock or produce donated
  - The market value thereof.

(c) Livestock and produce removed from South Africa	R
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- If removed livestock or produce were removed from South Africa for purposes other than sale, retain:
  - A description of the livestock or produce removed
  - The market value thereof.

(d) Value of livestock and produce consumed by the farmer, his/her family and domestic workers	R
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- Retain a list of the number of persons in the family, the number of domestic workers and the estimated value (based on the cost of production or market value) of the livestock and produce consumed

(e) Recoupment of machinery, implements, utensils and articles brought into use on or before 1 July 1988	R
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(f) Subsidies received	R
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- Retain a schedule detailing:
  - The type of subsidy received, e.g. for bond interest, dams, fencing, soil erosion, approved bulls, etc.
  - The amount received in respect of each type of subsidy.

(g) Any other farming income, including a withdrawal from Land Bank account of the amount invested in respect of livestock sold on account of drought	R
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- Retain details of any other farming income not specifically mentioned above - this includes bonuses from agricultural co-operatives. Rental received from farming property must be reflected as trading income in the return

(h) Recoupment of expenditure incurred in respect of development and improvements	R
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- Did the farmer or any person other than an employee occupy, during the year of assessment, any farm building, the cost of which has previously been allowed as a deduction for tax purposes? If "yes", retain full particulars for a period of five years in respect of the following:
  - The total amount received or accrued in respect of immoveable assets must be included under this section as a recoupment
  - The total amount recouped will be included in the income, except where a balance in respect of expenditure on development and improvements has been brought forward from the previous year of assessment where the expenditure could not be deducted. In such a case the amount recouped will be set off against the relevant balance and only the excess, if any, will be brought into account as farming income.
- The following information in respect of assets sold, given in exchange or donated must be retained:
  - Description of asset
  - Original purchase price
  - Date sold, exchanged or donated
  - Selling price or market value of asset given in exchange or donated.

**Note:** The total amount of the recoupment in respect of machinery, implements, utensils or articles brought into use on or after 1 July 1988, must be included under part (e) of this section.

<b>GROSS RECEIPTS = Total (a) to (h)</b>	<b>R</b>
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- Farming expenses

**Note:** Expenses in respect of the farmers dwelling or household must be excluded.

(a) Rent	R
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- Retain:
  - A description of the property or properties in respect of which rent was paid
  - The names and addresses of persons to whom payment was made
  - The amount that was paid in respect of each property.

(b) Interest	R
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- Retain a schedule detailing the:
  - Names and addresses of persons or institutions to whom payment was made
  - The amount of each loan
  - Rate of interest payable on each loan
  - Purpose for which each loan was utilised
  - The amount of interest paid on each loan.

Capital repayments must not be included.

<b>(c) Rates and taxes</b>	<b>R</b>
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- Retain a list detailing the:
  - Nature of the taxes
  - The amounts paid.

Income tax must not be included.

<b>(d) Seed and fertiliser</b>	<b>R</b>
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- Retain a list detailing the:
  - Names and addresses of persons from whom purchased were made
  - The amounts paid.

<b>(e) Cash wages paid to farm employees</b>	<b>R</b>
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- Retain a list detailing the:
  - Number of employees normally employed
  - Number of casual employees.
- The actual amounts paid do not include wages of domestic workers
- Wages paid in respect of improvements must not be claimed under cash wages, but under improvements.

<b>(f) Rations purchased for farm employees</b>	<b>R</b>
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- Retain a list detailing the:
  - Names and addresses of persons or firms from whom the farmer purchased rations and the amounts paid.
- Do not include the value of farm produce produced by the farmer or stock bred or purchased by the farmer which has already been included

<p><b>(g) Expenses, i.e. motor vehicles, machinery and implements:</b></p> <p>(i) Fuel, oil and grease          (ii) Repairs and maintenance          (iii) Insurance and licenses          (iv) Wear and tear allowance          (v) Deduction - machinery and implements          (vi) Other (specify on separate schedule)</p> <p>Sub-total</p> <p>Less: Private use of vehicles</p> <p><b>TOTAL</b></p>	<b>R</b>
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- Repairs
  - This part only refers to repairs to vehicles, machinery and implements. Repairs to other items must be shown under item (j) of this section

- Wear and tear allowance of an asset owned by the farmer or acquired in terms of an installment credit agreement
- This allowance may only be claimed in respect of motor vehicles (of which the exclusive or primary function is the transportation of people), caravans, aircraft (except an aircraft used solely or mainly for crop-spraying), and office furniture or office equipment used for farming purposes
- The following information must be retained:
  - Particulars and value of assets on which wear and tear is claimed and which were on hand at the beginning of the year of assessment
  - Dates, description and purchase price of assets purchased or received in exchange during the year of assessment
  - Dates and descriptions of assets sold, exchanged, traded in or scrapped during the year of assessment and the amounts received for such assets
  - The original date of purchase and cost price of each asset must be stated.
- Deduction – machinery and implements owned by the farmer or acquired in terms of an installment credit agreement
  - A deduction in respect of machinery, implements and utensils brought into use for farming purposes for the first time, will be allowed as follows:
    - 50% of the cost of the asset in the year of assessment in which the asset is brought into use
    - 30% of such cost in the following year of assessment
    - 20% of such cost in the third year of assessment.
- This deduction also applies to an aircraft used solely or mainly for the purpose of crop-spraying. The cash cost of a new asset, acquired to replace an asset, which was damaged or destroyed, must be reduced by the amount recouped in respect of the latter asset
- The amount recouped is deferred, and therefore, not included in the farmer's income.

(h) Finance charges	R
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(i) Cost of material and/or contract price in respect of eradication of noxious plants and prevention of soil erosion	R
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- Only the actual costs which were specifically incurred in eradicating noxious plants or soil conservation must be claimed
- Wages, rations, fuel, materials, etc., which have already been claimed under other headings must not again be claimed here
- If independent contractors undertook the work, the names of the contractors and the amounts paid to them must be retained. The nature of the work done by the farmer him/herself or the contractor must be available on request; and
- If the work includes the building of dams, weirs or the erection of fences, explanation why the expenses are claimed under this section must be retained

(j) Repairs (excluding those claimed under item (g)(ii) above)	R
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- Retain a list detailing the:
  - The nature of the repairs
  - The cost of the work done.
- Only repairs to buildings (except the farmer's private dwellings or the dwellings of persons who are not employees), windmills or pumping plant, etc. or expenses for the maintenance of other assets used for farming purposes may be claimed. Wages paid to own farm employees must not be included in this part.

(k) Other (retain on a separate schedule and retain)	R
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<b>EXPENSES = Total (a) to (k)</b>	<b>R</b>
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- **Expenditure on developments and improvements**

(a) Dipping tanks	
(b) Dams, irrigation schemes, boreholes and pumping plant	

(c) Fences	
(d) Erection of or additions or improvements to farm buildings, dwellings for employees	
(e) Planting of trees, scrubs or perennial plants for the production of grapes or other fruit, nuts, tea, coffee, hops, sugar, vegetable oils or fibers and the establishment of an area for such purposes	
(f) Building of roads and bridges used in the farming operations	
(g) Carrying of electric power from the main transmission lines to the farm apparatus	
<b>TOTAL</b>	<b>R</b>

- The following details must be retained in respect of development and improvement works:
  - Description of the work undertaken
  - How the expenses were compiled, i.e. what amounts were spent on wages, materials, etc.
  - If an independent contractor undertook the work, the name and address of the contractor and the amount paid to him/her must be retained.

**Note:** Wages claimed under item (e) must not be claimed again.

- Housing erected for employees does not include housing for the farmer's relatives.

<b>Expenditure on development and improvements = Total (a) to (g).</b>	<b>R</b>
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- **Livestock purchased and received in exchange**

### Example 1

Farming income	R 5,000
Closing stock Livestock	R 1,500
	R 6,500
Less: Opening stock Livestock	R (1,000)
Livestock purchases	R (8,000)
	R (9,000)
Balance of expenditure not allowed	R (2,500)

The amount of R2 500 in respect of the purchase is not allowable and is limited and the amount not allowed is carried forward to the following year of assessment.

This limitation is not applicable if the farmer can show that he/she no longer held and had not disposed of the livestock that he/she acquired on or after 31 May 1988.

If the farmer can prove that, for example, due to drought, the fair market value of his/her livestock at the end of the year of assessment is less than the loss on livestock as shown above, together with the value of opening stock, such loss is reduced by the difference.

### Example 2

Amount to be carried forward (loss on livestock)	R 2,500
Plus: Opening stock of livestock	R 1,000
	R 3,500
Less: Fair market value of closing stock	R 3,000
Allowable	R 500

- The amount of R2 500 is reduced to R 2 000.

- **Standard classification and standard values of livestock**

Deaths during the year	Standard classification	Standard values (Rand)	Own value (Rand)	Number on hand	Total values (Rand)
	Cattle: Bulls	50			
	Oxen	40			
	- Cows	40			
	- Tollies and heifers 2 - 3 years	30			
	- Tollies and heifers 1 - 2 years	14			
	Calves	4			
	Sheep: Wethers	6			
	Rams	6			
	Ewes	6			
	Weaned lambs	2			
	Goats: Fully grown	4			
	Weaned kids	2			
	Horses: Stallions over 4 years	40			
	Mares over 4 years	30			
	Geldings over 3 years	30			
	Colts and fillies: 3 years	10			
	Colts and fillies: 2 years	8			
	Colts and fillies: 1 years	6			
	Foals under 1 year	2			
	Donkeys: Jacks over 3 years	4			
	Jacks under 3 years	2			
	Jennies over 3 years	4			
	Jennies under 3 years	2			
	Mules: 4 years and over	30			
	3 years	20			
	2 years	14			

Deaths during the year	Standard classification	Standard values (Rand)	Own value (Rand)	Number on hand	Total values (Rand)
	1 year	6			
	Ostriches: Fully grown	6			
	Pigs: Over 6 months	12			
	Under 6 months	6			
	Poultry: Over 9 months	1			
	Chinchillas: All ages	1			

<b>TOTAL = Total value of livestock on hand.</b>	<b>R</b>
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• **Election of livestock values**

- Should you not apply the standard values as prescribed and you have not yet made an election in this regard you are requested to complete the following declaration and retain it for inspection purposes, for a period of five years after date of submission of the last return in which you declared any farming activities:

**I hereby select the following classification and values and understand that my selection may be altered only with the consent and approval of the Commissioner for the South African Revenue Service.**

**Mark with an "X":**

(a) **The standard classification and standard values as fixed by the Regulations under the Income Tax Act and set out above.**

(b) **The standard classification, but at my own values as detailed above.**

(c) **My own classification and my own values, as detailed.**

**Date:** ..... **Signature:** .....

• **Selection in respect of equalised normal tax rates**

- If you selected to have your normal tax calculated at equalised tax rates and you have not previously exercised such a selection, complete the following declaration and retain it for a period of five years after the last return was submitted in which you declared farming income:

I.....  
**hereby select that, with effect from the year of assessment ended ....., my normal tax be calculated at the equalised tax rate in terms of the provisions of paragraph 19 of the First Schedule to the Income Tax Act.**

**I understand and accept that this decision is binding for all future years of assessment.**

**Date**..... **Taxpayer/** .....

**Executor/**

**Trustee**

**N.B. - This selection must be exercised only if the farmer wishes to adopt the system of equalised normal tax rates. If normal tax is to be calculated at ordinary rates the selection need not be made.**

**The selection must be made by the person who is carrying on farming operations. In the case of a deceased or insolvent person, the executor or trustee, as the case may be, must make the selection.**