

Supreme Court of Appeal of South Africa

MEDIA STATEMENT

From: The Registrar, Supreme Court of Appeal

Date: Tuesday 31 March 2009

Status: Immediate

The appellant, a hotelier, was paid almost R1,3 million as compensation for the early termination of a contract under which it had agreed to accommodate a number of foreign students in its hotel for some 2 years. The appellant contended that this sum had incorrectly been included in its taxable income. It argued that the contract had formed part of its income-producing structure and that any amount paid for its early termination was capital. This argument had been rejected in both the Tax Court and the High Court.

The Supreme Court of Appeal today dismissed a further appeal with costs, holding that the contract was a product of the appellant's business, not part of its income-producing structure, and that the amount paid on its termination was revenue.

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