General Deductions

Positive Test

Expenditure and losses

Joffe and Co:Losses are possibly expenditure of an involuntary nature
Port Elizabeth Electric Tramway: Losses refer to losses of floating capital

Actually incurred

Nasionale Pers Bpk:If the payment is contingent upon the happening of uncertain future event, the expense can only be actually incurred once the condition has been met
Edgars Store: An expense can only be deducted once there is unconditional legal obligation to pay the expense.
Golden Dumps: Where the obligation to pay the amount is in dispute, the expense can only be actually incurred once the dispute has been settled
Labat:Shares issued for acquiring an asset=S40CA determines the deemed expenditure incurred amount.

During the year of assessment

Sub Nigel: An expense has to be claimed in the year it is incurred. It cannot be claimed in later years.

In the production of income

Port Elizabeth Electric Tramway: What is the purpose of the expense?, How closely connected is that expense to the production of income?
Joffe and Co:If something is inevitable concomitant of the business operations it is not deductible.
BP Southern Africa:Recuring payments to maintaining income earning operations are deductible.
Provider: Amounts paid in terms of service package are deductible.
Mobile Telephone Networks Holdings: Apportionment will depend on the facts of each case, a reasonable apportionment approach will thus be followed.

Not of capital nature

New State Areas: Fixed vs Floating capital.
Rand Mines: Cost incurred to create a capital structure=capital
cost incurred to work on the capital structure=revenue
BPSA:The legal categorisation of a payment does not determine if it is capital or revenue but rather the purpose of the ecpenditure.Was the enduring benefit created?

Trade Test

Burgess

A wide interpretation should be given to a trade

Prepaid Expenditure

S23 does not apply:

1.Where goods are supplied within 6 months from year end.
2.Liability imposed by legislation.
3.Where aggregate of all remaining prepayments <R100 000

Negative Test

Warner Lambert

If there is a link between the company's ability to trade and the expenditure, it will be incurred for the purpose of trade.

Scribante Construction

If there is a link between the availability of funds for the company and the company's income-earning capabilities then incurred in the production of income.