

Tax ruling against citrus producer could affect other farmers

BY **Glenneis Kriel** · 22 July 2026 5:00 am · 4 min read

A Western Cape High Court ruling that money placed in a structured self-insurance account is not tax-deductible could have implications for farmers using similar products and diminish the appeal of a tool designed to help agribusinesses build reserves against climate, disease, and market-related losses.



Meiring Citrus used a structured self-insurance product to build a financial buffer against climate, disease, and market risks, but the High Court ruled that money paid into the product was not tax-deductible. Image: Octavia Avesca Spandiel

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The Western Cape High Court recently ruled that R9,6 million placed by Meiring Citrus in a Santam structured self-insurance product is not tax-deductible.

The court overturned an earlier Tax Court ruling in the citrus producer's favour, confirmed an additional assessment raised by the South African Revenue Service (SARS), and reinstated a 10% understatement penalty.

Speaking to *Farmer's Weekly*, Meiring Citrus said it is still considering its options in response to the judgment, including whether to appeal.

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“At the end of the day, we are citrus producers. Legal disputes take us away from our core business, so it is not something we take lightly,” the company explained.

Meiring Citrus maintains that it understood the product to constitute insurance and the payment to be deductible. It added that other farmers bought similar products on the same understanding and could now face uncertainty over deductions claimed in previous tax years.

The appeal of structured self-insurance

Structured self-insurance allows businesses to build up financial reserves to cover future losses. For farmers, its appeal lies in its flexibility, with the funds providing a buffer against risks ranging from adverse weather and natural disasters to plant and animal diseases and market disruptions.

Meiring Citrus said such products enable farmers to strengthen their financial resilience in the absence of adequate government support during disasters and severe market disruptions.

“The idea is to put money away during the good years so that you have something to fall back on when times are tough,” the company explained.

According to the judgment, the product was recommended to Meiring Citrus by its accountant in 2017. The accountant testified that a broker who presented the product to accounting firms during a roadshow had indicated that the premiums would be tax-deductible.



The court did not determine whether this reflected Santam's official position or whether the broker was authorised to provide tax advice.

Meiring Citrus paid R10 million for six months of cover, with an indemnity limit of R12 million. Santam retained R400 000 as an underwriting fee, while R9,6 million was credited to an interest-bearing 'experience account'.

Claims would primarily be funded from this account. Any positive balance and interest could be returned to the client when the policy expired or was cancelled. The account could also be pledged as security.

The value of this reserve emerged several years later. After renewing the policy annually, Meiring Citrus cancelled it in 2021 as it was experiencing financial difficulties resulting from a smaller-

than-expected crop and lower prices linked to the exchange rate.



The R11,3 million held in the account was returned to the company and declared as taxable income. However, because the business was in a tax-loss position that year, no tax was payable on the amount.

The verdict

The court held that conventional insurance involves transferring risk to an insurer, which spreads potential losses across a pool of policyholders. Under this arrangement, however, claims were funded mainly from Meiring Citrus's own money.

Given that the company could recover the balance, together with the interest earned, the court found that the R9,6 million remained the company's asset. It was therefore a deposit rather than a deductible insurance expense.

Only the non-refundable R400 000 underwriting fee qualified as a deductible expense.

The court did not find that the contract was a sham or that Meiring Citrus had committed tax evasion. The case concerned the legal and tax classification of a product the company said it had understood to be tax-deductible insurance.

The judgment indicates that SARS and the courts may consider the substance of such arrangements rather than how they are described. Key considerations include who carries the risk, whether claims are funded from the client's own money, whether the funds earn interest, and whether the client can recover or pledge the balance.

Farmers who hold similar products or previously claimed deductions on them may wish to seek professional tax advice, as the implications will depend on the terms of each arrangement.

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Glennéis Kriel is a senior agricultural journalist for Farmer's Weekly. Her ventures into agricultural journalism started out by chance, more than 20 years ago, when someone suggested she freelance for the magazine, which turned out to be her dream job. Her passion is to write stories that inspire greatness and make people evaluate the way they are doing things.

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