IAC Tax Guide

2026

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1. Introduction

1.1 2026 updates

It is the IAC's pleasure to present you with the updated Tax Handbook for 2026. The text has been updated to reflect the changes announced in the most recent National Budget and rate changes. This includes changes to allowances, incentives and rebates. Furthermore, enhancements were made to various sections of the guide, including fringe benefits and additional footnotes for legislative references.

Please note that the purpose of this Tax Handbook is to provide our members with an overview of the South African tax landscape but is should not be used as technical in-depth guidance as it should not be read in isolation but rather in conjunction with the relevant tax legislation and public guidance provided by SARS.

1.2 Tax authority

The South African Revenue Service (SARS) is South Africa's national tax authority. SARS is established under the South African Revenue Service Act No. 34 of 1997 as an autonomous agency. This Act has been amended in numerous instances. SARS is responsible for the collection and administration of all national taxes, duties and levies. SARS is also responsible to provide a Customs service which facilitates legitimate trade.

1.3 Overview of taxes

The following taxes are levied under the Income Tax Act:[1]

- Normal tax (income tax)
  - Pay-as-you-earn (PAYE)
  - Provisional tax
  - Capital gains tax (CGT)
- Tax on foreign entertainers and sportspersons
- Withholding tax on non-resident sellers of immovable property
- Withholding tax on royalties
- Withholding tax on interest
- Donations tax
- Dividends tax
- Turnover tax on micro businesses

National taxes are also levied under specific tax legislation, including:

- Air passenger departure tax
- Diamond export levy
- Estate duty
- International oil pollution compensation fund contribution levy
- Mineral and petroleum resources royalties
- Securities transfer tax
- Skills development levy
- Transfer duty
- Unemployment insurance fund contributions

[1] Income Tax Act No. 58 of 1962, and its amendments.

- Value-added tax

Various duties and levies are imposed under the Customs and Excise Act,[2] including:

- Ordinary customs duty
- Environmental levy
- Anti-dumping, countervailing and safeguard duties on imported goods
- Specific excise duty
- Specific customs duty
- Ad valorem excise duties
- Ad valorem customs duty
- General fuel levy and road accident fund levy
- Ordinary levy, this is the equivalent of ordinary customs duty paid by governmental bodies in Botswana, Lesotho, Namibia and Eswatini, for specified purposes.

1.4 Budget highlights 2026

The highlights for 2026 are:

- The revised tax revenue estimate for 2025/26 is reviewed upward by R21.3 trillion from the 2025 Budget.
- The tax-to-GDP ratio increases to 25.9 per cent.
- The R20 billion tax increase previously pencilled in for the 2026 Budget is withdrawn.
- Personal income tax brackets and medical tax credits will be fully adjusted for inflation, after two years with no inflationary relief.
- Tax thresholds and limits are also adjusted for the impact of inflation, to assist small businesses and encourage savings.

[2] Customs and Excise Act No. 91 of 1964, and its amendments.

2. Income Tax

South Africa has a residence-based tax system which means that:

- South African residents are taxed on their worldwide income.
- Non-residents are taxed on their taxable income from a South African source.

Persons (natural and legal) are required to register for income tax within 21 business days of becoming liable to register.

Taxable income is determined per year of assessment, and the following steps are generally followed:

Gross income

- Resident – total amount of worldwide income, in cash otherwise, received by, accrued to or in favour of that person.
- Non resident - the total amount of income, in cash or otherwise, received by or accrued to or in favour of that person from a source within South Africa
- During that year or period of assessment, excluding receipts or accruals of a capital nature

Income

- Deduct all amounts that are exempt from normal tax from gross income to determine “Income”

Taxable income

- Deduct allowable deductions from “Income”
- Add specific inclusions
- Add taxable capital gains applying the relevant inclusion rate

2.1 Personal income tax

2.1.1 Residency test

A natural person is regarded as a South African tax resident if any of the following criteria are met.

Ordinarily resident test

A person is regarded to be ordinarily resident of South Africa if the person has the intention to live in a South Africa at a particular point in time, for a significant period, with the place being his or her real home for that time. This test is based on a “state of mind” and not duration of presence in South Africa. Various factors are considered to determine whether a person is ordinarily resident in South Africa, including:

- An intention to be ordinarily resident.
- Most fixed and settled place of residence.
- Habitual abode, i.e., present habits and mode of life.
- Place of business and personal interests.
- Employment and economic factors.
- Status of individual in country, i.e., immigrant, work permit periods and conditions, etc.
- Location of personal belongings.
- Nationality.
- Family and social relations (schools, church, etc.).
- Political, cultural or other activities application for permanent residence or citizenship.
- Period abroad; purpose and nature of visits.
- Frequency of and reasons for visits.[3]

The test for ordinary residence is not limited to a single year. For example, if a person leaves South Africa to work in a foreign country for a few years after which the person intends to return to South Africa, the person will be regarded as a South African tax resident even though he may be physically absent from the country for a few years.

A natural person, who is ordinarily resident, spending time outside South Africa and who intends returning to South Africa, is regarded as a resident, regardless of the period of time spent outside the country.

Physical presence test

A natural person, who is not ordinarily resident in South Africa at any time during a year of assessment but meets all three of the following requirements of the physical presence test, will be considered to be a resident:

- Physically present in South Africa for more than 91 days during the relevant year of assessment.
- Physically present in South Africa for more than 91 days during each of the five years of assessment preceding the relevant year of assessment, and
- Physically present in South Africa for more than 915 days in aggregate during those five preceding years of assessment.

For purposes of this calculation, a day includes a part of a day. A day begins at 00:00 and ends at 24:00. A person who arrives in South Africa at 23:59 would thus be regarded as being physically present for one day, even though that person was only present for a minute of that day. For this reason, both the day of arrival and departure, as indicated in the person’s passport, are included in the count of the number of days.

[3] Interpretation Note 3 (Issue 2).

For purposes of calculating the aggregate (total) number of days in the physical presence test, any day during which a person is in transit through South Africa between two places outside South Africa, and where that person does not formally enter through a port of entry is excluded.

The effect of the definition of a "resident" is that a natural person who is not ordinarily resident in the South Africa can, in terms of the physical presence test, only become a resident for tax purposes in the year after a period of five consecutive years of assessment during which the person is physically present in South Africa for a qualifying period or periods. A person will be a resident with effect from the first day of the relevant year (that is, the sixth year) during which all the requirements of the physical presence test have been met. A person who has met the requirements of the physical presence test and is therefore resident will be subject to tax in the Republic on worldwide income received or accrued from the first day of that year of assessment.[4]

2.1.2 Ceasing to be a tax resident

Ordinarily resident

A natural person ceases to be ordinarily resident in South Africa when that person leaves the country and does not return and spend periods of time in South Africa which meet the requirements of the physical presence test. Generally, if a natural person emigrates from South Africa to another country, that person ceases to be a resident of South Africa from the date that person emigrates.

Physical presence test

A natural person, who is resident by virtue of the physical presence test, ceases to be a resident when that person is physically outside South Africa for a continuous period of at least 330 full days. Tax residence will cease from the day that the person left South Africa. The continuous period of 330 full days cannot be observed over a single year of assessment, because the person must have been physically present in South Africa for at least 92 days during that year to qualify as a resident during that year of assessment. The continuous period of at least 330 full days will, therefore, always extend over two years of assessment.

Implications of ceasing to be a resident

Event	Tax implications
Deemed disposal	All assets (except assets specifically excluded) are deemed to be disposed at market value on the date immediately before the person ceased to be resident.
Deemed re-acquisition	All assets (except assets specifically excluded) are deemed to be re-acquired on the date the person cease to be resident.
Year of assessment ends	The person's year of assessment ends on the day before he/she ceases to be resident.
New year of assessment starts	The person's new year of assessment starts on the date he/she ceases to be resident.

2.1.3 Tax treaties

A tax treaty is an international agreement aimed at eliminating or providing relief from international double taxation. A tax treaty does not impose tax. Tax is imposed by a country's domestic law. The purpose of a tax treaty is to allocate taxing rights.

[4] Interpretation Note 4 (Issue 5).

A person can be resident in more than one country at a time. Residence is a question of fact based on the connection between the person and the relevant country as well as the duration of the person's presence in that country. Persons who are exclusively resident of a country other than South Africa for purposes of applying a tax treaty are excluded from the definition of "resident". A natural person who meets the ordinary residence test or the physical presence test will therefore not be a resident of South Africa if, notwithstanding having met those tests, that person is held to be exclusively a resident of a country other than South Africa for purposes of the application of any tax treaty approved by Parliament and published in the *Government Gazette*. The list of approved tax treaties is available on the SARS website.

2.1.4 Non-residents

Persons who are not South African tax residents are taxed on their income from South African sources.

Employment income

Income from employment is generally subject to income tax in the source country, i.e., where the services are actually rendered. Employees who are non-resident but working in South Africa are liable for income tax in South Africa on any South African-source income. The normal employees' tax rules apply to the remuneration received by or accrued to these employees. Income from employment, when the employer or representative employer is a resident, will be subject to income tax by way of PAYE which is to be deducted from the remuneration.

Natural persons who are not ordinarily resident in South Africa should bear in mind the physical presence test.

Foreign diplomats

Salary and emoluments payable by a foreign diplomatic or consular mission in South Africa to a person who has not been granted diplomatic immunity are exempt from tax if the employee is stationed in South Africa for the sole purpose of holding an office in South Africa as an official of a foreign government and the person is not ordinarily resident in South Africa.

Note that this exemption does not extend to any domestic or private servant of the diplomat/consul.

2.1.5 Married persons

Married individuals are generally taxed as separate taxpayers, except:

- where income is received by or accrued to a spouse through a donation, settlement or disposition by the other spouse, which is deemed to be income of the spouse who made the donation, settlement or disposition that was done to avoid tax.
- where income is derived by one spouse from the other spouse, through a partnership or a private company where the other spouse is a connected person, or derived from a trade that is carried on by the other spouse, the income is taxed in the hands of the other spouse to the extent of the amount of which the income is excessive.

Where the person is married in community of property, the net rental income from property or any income derived otherwise than from the carrying on of any trade shall be deemed to have accrued in equal shares to both spouses. Any other income that does not fall within the joint estate is taxed in the hands of the spouse entitled thereto.

2.1.6 Restraint of trade

An amount received by or accrued to a natural person as consideration for any restraint of trade imposed on the person regarding employment or the holding of any office; or any past or future employment or the holding of an office, constitutes gross income for that natural person and is subject to normal tax.

2.1.7 Dividends

Dividends received by individuals from South African companies are generally exempt from income tax but are subject to 20% dividend tax which is withheld by the entities paying the dividends to the individuals. Dividends received by South African resident individuals from real estate investment trusts (REITs) listed and regulated property-owning companies) are subject to income tax, and non-residents in receipt of those dividends are only subject to dividends tax.

Most foreign dividends received by individuals from foreign companies (shareholding of less than 10% in the foreign company) are taxable at a maximum effective rate of 20%. No deductions are allowed for expenditure to produce foreign dividends.

2.1.8 Interest

The following exemptions apply for interest from a South African source earned by individuals -

- Younger than 65 years - up to R23 800 per annum,
- 65 years and older, up to R34 500 per annum.

Interest earned by non-residents is exempt if the person is physically absent from South Africa for more than 183 days during the 12-month period before the interest accrues or is received, provided the interest-bearing debt is not effectively connected to a permanent establishment (such as a fixed place of business) in South Africa.

2.1.9 Tax-free investments

All amounts received from a "tax-free investment"[5] is exempt from personal income tax, and the capital gain or capital loss from the disposal of the investment is disregarded for capital gains tax purposes. A dividend that is paid to a natural person relating to a tax-free investment is exempt from dividends tax.

The contributions to a tax-free investment are limited to –

- an amount of R46 000 during a year of assessment; and
- a lifetime contribution limitation of R500 000.

In instances where an individual ceases to be a resident resulting in a year of assessment of less than 12 months, the following limitations apply with effect from 1 March 2026:

- The total contribution limitation of R46 000 apply for years of assessment during the 12-month period commencing in March and ending at the end of February of the immediately following calendar year. The taxpayer may utilise the contribution limitation as best suits the taxpayer, provided that the cumulative contributions made during the 12-month period do not exceed the contribution limitation.[6]

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[5] Section 12T of the Income Tax Act.

[6] Section 12T(4)(a) of the Income Tax Act.

- The amount allowed to be deducted in the retirement calculation of years of assessment during the 12-month period commencing in March and ending at the end of February of the immediately following calendar year must not exceed R430 000.[7]

If during any year of assessment any person contributes in excess of the amount of R46 000 in respect of tax free investments, an amount equal to 40 per cent of that excess is deemed to be an amount of normal tax payable by the person in respect of that year of assessment or the last year of assessment when there is more than one year of assessment during the period of 12 months.

2.1.10 Allowances

Allowances are generally paid to employees to meet expenditure incurred on behalf of an employer. Any portion of the allowance not expended for business purposes must be included in the employee's taxable income.

a) Subsistence allowances and advances

In instances where an individual is required to spend at least one night away from his or her usual place of residence on business, the accommodation to which that allowance or advance relates is in South Africa, and the allowance or advance is granted to pay for:

- Meals and incidental costs, an amount of R595[8] is deemed to have been incurred per day; or
- Incidental costs only, an amount of R184[9] is deemed to have been incurred per day.

Where the accommodation to which that allowance or advance relates is outside South Africa, a specific amount per country is deemed to have been expended. Details of these amounts are published on the SARS website www.sars.gov.za, under Legal Counsel / Secondary Legislation / Income Tax Notices / 2026 / Notice 7174. In instances where the country in which the accommodation is located is not listed in the Income Tax Notice, the daily amount would be USD215.

The full amount of a subsistence allowance that exceeds the business expenses, or the amount calculated at the above rates must be included in the employee's taxable income.

Part of a day

Where the recipient is, by reason of the duties of his or her office or employment, obliged to spend a part of a day away from his or her usual place of work or employment, a reimbursement or advance for expenditure actually incurred by the recipient is exempt if the recipient is allowed by his or her principal to incur expenditure on meals and other incidental costs for that part of a day, and the amount of the reimbursement does not exceed R184.

b) Travel allowance

Travel allowances are subject to employees' tax, i.e. 80% of the travel allowance is subject to PAYE. If the employer is satisfied that at least 80% of the use of the motor vehicle will be for business purposes, then the 80% becomes 20%. No fuel cost may be claimed if the employee has not borne the full cost of fuel used in the vehicle, and no maintenance cost may be claimed if the employee has not borne the full cost of maintaining the vehicle (e.g., if the vehicle is covered by a maintenance plan).

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7 Section 11F(2)(a) of the Income Tax Act.

8 This amount was increased from R570 to R595 from 1 March 2026.

9 The amount was increase from R176 to R184 per day with effect from 1 March 2026.

Motor vehicle travelling allowances are taxable but expenses for business travel may be deducted from the allowance received, provided the employee keep an accurate record, (e.g., a logbook distinguishing between business and non-business travel) to claim a deduction for business travel. A travel logbook must contain the following:

- Date of travel.
- Destination(s) of travel.
- Reason for travel, and
- Business kilometres travelled.

The following rates per kilometre may be used to determine the allowable deduction for business travel against an allowance or advance where actual costs are not claimed:[10]

Where the value of the vehicle	Fixed cost (R)	Fuel cost (c/km)	Maintenance cost (c/km)
Does not exceed R115 000	38 344	132.9	49.1
Exceeds R115 000 but not R230 000	68 487	148.4	61.4
Exceeds R230 000 but not R345 000	98 689	161.2	67.8
Exceeds R345 000 but not R460 000	125 393	173.4	74.0
Exceeds R460 000 but not R575 000	152 097	185.5	86.9
Exceeds R575 000 but not R690 000	180 078	212.8	102.0
Exceeds R690 000 but not R805 000	208 106	216.5	114.5
Exceeds R805 000	237 679	220.1	126.9

Details of these amounts are published on the SARS website www.sars.gov.za, under Legal Counsel / Secondary Legislation / Income Tax Notices / 2026 / Notice 7182.

In the above table, the term value is determined as follows:

- If the motor vehicle was acquired under a *bona fide* sale/exchange on arm's length basis, the value is equal to the cost, including VAT but excluding any finance charges/interest.
- If the motor vehicle is held by the person under an instalment credit agreement (or ownership passed to the person after termination of the lease), the value is equal to the cash value of the motor vehicle as defined in section 1 of the VAT Act.
- In any other case, the value is equal to the market value of that motor vehicle at the time the person first obtained the vehicle or use thereof plus the VAT that would have been payable at the time if it was purchased at market value.

The fixed cost must be reduced on a pro-rata basis if the vehicle is used for business purposes for less than a full year. The actual distance travelled during a tax year, and the distance travelled for business purposes, substantiated by a logbook, are used to determine the costs which may be claimed against a travelling allowance.

Reimbursement of travel expenses

[10] The updated table becomes effective on 1 March 2026.

If the allowance or advance is based in the actual distance travelled by the employee for business purposes, no tax is payable on an allowance paid by an employer to an employee, up to the R4.95[11] cents per kilometre, regardless of the value of the vehicle.

This alternative is not available if other compensation in the form of an allowance or reimbursement (other than for parking or toll fees) is received from the employer in respect of the vehicle.

Where an employer reimburses the employee for business kilometres travelled in addition to the travel allowance, the two must be combined for travel allowance purposes. Failing to reduce the travel allowance may be regarded as an excessive allowance, as the value of the allowance should be based on the expected business-related expenditure, where the employer is certain that the employee will incur business-related expenditure on behalf of the employer.

c) Uniform allowance

The value of a uniform, or the amount of an allowance granted by an employer to an employee in lieu of any such uniform, must be included in the employee's gross income. The value of the uniform or the amount of the allowance will be exempt from normal tax if:

- The employee is required to wear a special uniform while on duty as a condition of the employee's employment and
- The uniform is clearly distinguishable from ordinary clothing.

2.1.11 Fringe benefits

Employment benefits, which are commonly referred to as "fringe benefits", are included in gross income and are valued in terms of the provisions of the Seventh Schedule. Fringe benefits differ from normal remuneration and allowances as they are not paid in cash. The amount which is subject to tax in the employee's hands is the value of the benefit less any amount paid by the employee for the benefit.

For more information on fringe benefits, please refer to the SARS Guide for Employers in respect of Fringe Benefits.[12]

a) Assets acquired at less than actual value

A taxable benefit arises when an employee receives an asset from his/her employer, an associated person or any other person under an arrangement with the employer for less than the actual value.[13] For purposes of calculating a taxable benefit, a partner is deemed to be an employee of a partnership.

The following are examples of instances where assets are given to employees at less than their actual value:

- Prizes given to an employee by an employer or any other person by arrangement with the employer, for sales performance, outstanding work, etc.
- Benefits enjoyed by employees according to an agreement whereby employees are provided with credit cards and may purchase goods.
- In cases where the employer arranges for the employee to acquire an asset from any other person at a discount, a benefit accrues to the employee.

[11] The rate per kilometre was increased from R4.76 to R4.95 from 1 March 2026.
[12] PAYE-GEN-01-G02 - Guide for Employers in respect of Fringe Benefits - External Guide
[13] Paragraphs 2(a), 2A and 5 of the Seventh Schedule.

- The provision of security for the protection of the private home of an employee in the form of the installing of an alarm system, burglar bars or the provision of armed response.

The benefit is the difference between the cash equivalent value of the asset and the amount paid by the employee. However, where the asset is -

- Movable property and the employer acquired the asset in order to dispose of it to the employee; the value to be placed on the asset is the cost thereof to the employer.
- Trading stock of employer, the value to be placed on the asset is the lower of the cost thereof to the employer or the market value.
- Marketable securities, the value to be placed on the asset is the market value.
- An asset which the employer had the right to use prior to acquiring ownership thereof (for example, a leased asset on which the employer had the right to acquire ownership at the end of the lease agreement), the value to be placed on the asset is the market value.

Employees' tax must be deducted in the month during which the employee acquires the asset. If the amount of employees' tax to be deducted is excessive in relation to the employee's remuneration for that month, the deduction of the tax in respect of the benefit may be spread over the balance of the tax year during which the benefit accrued to the employee. The amount should be reflected under the code 3801.

With effect from 01 March 2014, a taxable fringe benefit may arise where the employee acquires an asset from the employer at less than the market value.

Note that meals, refreshments, vouchers, fuel, power, water (as part of a supply of residential accommodation), share options, broad-based employee shares are not considered as taxable benefits of assets acquired at less than actual value.

Relief for low-cost housing will have no value if the:

- The remuneration proxy of the employee in respect of the year of assessment of acquisition does not exceed R360 000[14] per year.
- The immovable property acquired by the employee is used for residential purposes.
- The market value of the immovable property to the employee on the date of acquisition is not more than R650 000;[15] and
- The employee is not a connected person in relation to the employer.[16]

b) Bargaining council contributions

An employee is deemed to have been granted a taxable benefit by his/her employer if, the employer has made contributions to the Bargaining Council.[17]

The value of the taxable fringe benefit will be the value of the amount contributed or paid by the employer for the benefit of an employee to the Bargaining Council. Where the bulk contribution is made by the employer and the employer is unable to determine the value of a taxable benefit per employee, the taxable value per employee shall be the total contributions divided by number of

[14] The amount was increased from R250 000 to R360 000 with effect from 1 March 2026.
[15] The amount was increased from R450 000 to R650 000 with effect from 1 March 2026.
[16] Paragraph 5(3A) of the Seventh Schedule.
[17] Paragraphs 2(m) and 12E of the Seventh Schedule.

employees. This excludes contributions made by employer to a pension or provident fund on behalf of the employee. Employee's direct contribution to the Bargaining Council will not be subject to PAYE.

The cash equivalent of the benefit, if applicable, must reflect under code 3833.

c) Employee debts or release from obligation to pay

A taxable benefit shall be deemed to have been granted if employer has paid an amount owing by employee to a third party, whether directly or indirectly, without requiring employee to make any payment for amount paid or employer has released employee from an obligation to pay an amount owing by employee to employer.[18]

Where the amount owed by employee to employer has prescribed, the employer shall be deemed to have released employee from his/her obligation of paying debt unless the Commissioner is satisfied that it was not the intention of employer to transfer the benefit to employee. This excludes medical contributions made by employer or medical costs incurred by employer.

The value of the benefit is the amount paid by the employer including the amount paid by the employer on behalf of the employee to a retirement annuity fund or amount of the debt from which employee has been released. There is no limitation on method by which this debt may have been arisen or the size of the debt.

The taxable benefit will have no value in the following instances:

- The employer has paid subscription fees to a professional body if such membership of such body is a condition of the employee's employment
- Insurance premiums indemnifying an employee solely against claims arising from negligent acts or omissions on part of the employee in rendering services to the employer
- Any portion of the value of a benefit which is payable by a former member of non-statutory force or service as defined in the Government Employees Pension Law, 1996 to the Government Employees' Pension Fund.

No value shall be placed on the benefit should the new employer grant a low interest or interest free debt to the employee to enable him/her to recompense the previous employer, such new debt owed cannot be regarded as a study loan in respect of which no benefit is considered to arise.

A refund of any bursary, debt in respect of studies or similar assistance by an employer on behalf of his/her employee to the employee's previous employer, is not regarded as a taxable benefit, if:

- The employee's previous employer made a grant on condition that the employee rendered service to the employer for an agreed period.
- On termination of service before the expiration of the period agreed upon, the employee is liable to refund an amount to his/her previous employer.
- Upon accepting employment with a new employer, outstanding amount is refunded to previous employer by new employer on behalf of the employee.
- The employee consequently is liable to work for the new employer for a period not shorter than the remaining period which he/she should still have worked for the previous employer.

A scholarship, which is subject to repayment if certain written conditions are not met, is treated as a bona fide scholarship or bursary until the conditions are not fulfilled. Consequently, the amount of

[18] Section 11F of the Income Tax Act, read with Paragraphs 2(h) and 13 of the Seventh Schedule.

the scholarship will be regarded as a debt and any benefit that the employee may have received will constitute a taxable benefit in the tax year in which such conditions are not fulfilled.

Employees' tax must be deducted from the cash equivalent during the month in which the benefit accrues to the employee. However, where the amount of employees' tax to be deducted is excessive in relation to the employee's monthly remuneration for that month, the deduction of the tax in respect of the benefit may be spread over the balance of the tax year during which the benefit accrued to him/her. The cash equivalent of the benefit must be reflected under code 3808.

Retirement Annuity Fund contributions paid by an employer on behalf of the employee is regarded as payment of employee's debt which has to be reflected under code 3828.

d) Employer contributions to insurance policy schemes

Any direct or indirect contribution by an employer to an insurer in respect of insurance benefits for the benefit of an employee, his spouse, children, dependent or nominee constitutes a taxable fringe benefit in the employees' hands. This does not apply where not the total cost is in respect of an insurance policy that relates to an event arising solely out of, in the course of, and in the course of employment of the employee.

The cash equivalent of the benefit is the amount of any expenditure incurred by the employer in respect of premiums paid under a policy of insurance during that year of assessment. Where a portion of any expenditure incurred by the employer cannot be attributed to the employee for whose benefit the premium is paid, the benefit will be the total amount of expenditure incurred by the employer for the benefit of all employees divided by the number of employees in respect of whom the expenditure is incurred, during the year of assessment. The taxable benefit must be reflected under the income code 3801 on the IRP5/IT3 (a) certificates.

e) Employer-owned vehicles

A taxable benefit is deemed to be granted where employee is granted the right of use of any motor vehicle for private or domestic purposes.[19] The taxable value per month is, generally, 3.5% of the *determined value*. However, where the vehicle is:

- Under a maintenance plan when the employer acquired the vehicle, the taxable value is 3,25% of the determined value; or
- Acquired by the employer under an operating lease, the taxable value is the cost incurred by the employer under the operating lease plus the cost of fuel.

The determined value is:

- in the case of new motor vehicles provided by motor manufacturers, importers, dealers, and rental companies, the dealer-billing price of such vehicles, being the selling price, the manufacturer or importer of that vehicle recommends selling it to dealers or rental companies, including VAT.
- in the case of pre-owned motor vehicles provided by motor manufacturers, importers, dealers and rental companies, the cost of acquisition of such vehicles, or if the vehicle was acquired at no cost, the market value, including VAT and costs to repair the vehicle but excluding finance charges or interest.

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[19] Paragraphs 2(b) and 7 of the Seventh Schedule, read with Section 8(1)(b)(ii) and (iii), 23A(1) of the Income Tax Act.

- the “cash value” of the motor vehicle if the motor vehicle is or was held under an instalment credit agreement.
- the retail market value of the motor vehicle (at the time the employer first obtained the right of use of the motor vehicle) if the motor vehicle is held under a lease (other than an operating lease) or was held under a lease (other than an operating lease) and then acquired by the employer on termination of the lease; or
- in any other case, the price of acquisition of the vehicle, including VAT, or if the vehicle was acquired for no cost, the market value.

The employer must include 80% of the fringe benefit in the employee’s remuneration for the purposes of calculating PAYE. The percentage is reduced to 20% if the employer is satisfied that at least 80% of the use of the motor vehicle for the tax year will be for business purposes.

On assessment, the fringe benefit for the tax year is reduced by the ratio of the distance travelled for business purposes, substantiated by a logbook, divided by the actual distance travelled during the tax year.

On assessment, further relief is available for the cost of licence, insurance, maintenance and fuel for private travel, if the full cost thereof has been borne by the employee and if the distance travelled for private purposes is substantiated by a logbook.

f) Free or cheap services

A taxable benefit shall be deemed to have been granted if any service has at the expense of employer been rendered to employee (whether by employer or by some other person) and that service has been utilised by employee for his/her private or domestic purposes and no consideration or an inadequate consideration has been given by the employee.[20]

In the case where any travel facility is granted by an employer engaged in business of conveying passengers for reward by sea or air, to enable employee or his/her relative to travel to any destination outside Republic for private purposes, an amount equal to lowest fare payable by any passenger utilising such facility less any amount paid by employee or his/her relative. Forward and return journey is regarded as one journey.

For any other services, the value of the benefit is the cost to employer in rendering such service or having service rendered, less any amount paid by employee.

The following services are regarded as having no taxable value:

- Travel facility granted by an employer engaged in the business of conveying passengers for reward by land, sea or air, to enable any employee, his/her spouse or minor children to travel, to any destination - In Republic or to travel overland to any destination outside Republic; or Outside Republic if such travel was undertaken on a flight or voyage made in ordinary course of employer’s business and such employee, spouse, or minor child was not permitted to make a firm advance reservation of the seat or berth occupied by him/her.
- Transport service rendered to employees in general for conveyance of such employees from their home to place of employment and vice versa.
- Communication service provided to an employee if the service is used mainly for the purposes of the employer’s business.
- Services rendered to employees at their place of work:

[20] Paragraph 2(e) and 10 of the Seventh Schedule.

  - For better performance of their duties
  - As a benefit to be enjoyed by them at their place of work
  - For recreational purposes at work or a place of recreation, other than at place of work that is for the use of employees in general.
- Provision of parking for motor vehicles of personnel at their place of work.
- Travel facility granted by employer to spouse or minor child of employee if employee is:
  - For duration of his/her employment stationed for purposes of employer's business at a specific place in Republic further than 250 kilometres away from his/her usual place of residence in Republic.
  - Required to spend more than 183 days during the tax year at that specific place; and such a facility is granted in respect of travel between the employee's usual place of residence in the Republic and that specific place where the employee is so stationed.

Employees' tax must be deducted from the cash equivalent of the benefit, and the cash equivalent must be reflected under code 3806.

g) Interest-free or low-interest loans

The difference between the actual amount of interest charged on an interest-free or low-interest debt owed by an employee and the interest charged at the official rate of interest, must be included in the gross income of the employee.[21]

The official rate of interest is linked to the repurchase rate plus one per cent. The official rate is adjusted at the beginning of the month following the month during which the Reserve Bank changes the repurchase rate.

Table 3 which is available on the SARS website reflects the official interest rate as well as the relevant period it was applicable. This rate changed from 8.5% from to 8.25% from 1 June 2026, to 8% from 1 September 2025 and to 7.75% from 1 December 2025.[22]

Where the loan is in a foreign currency, the official rate is 100 basis points above the foreign equivalent of the South African repo rate for that currency. The equivalent rate for Euros, for example, is that which is set by the European Central Bank as a repurchase rate, plus 100 basis points (to arrive at the official rate for Euros).

No value shall be placed in the benefit received because of any of the following:

- A debt owed by any employee to his/her employer if such debt or the aggregate of such debts does not exceed the sum of R3 000 at any time. Debt owed contemplated in this exclusion are short-term debts granted at irregular intervals to employees and not all debts owed merely because they are less than R3 000. A taxable benefit would arise if the debt owed granted on a regular basis to all employees or a certain category of employees notwithstanding the fact that the debt owed does not exceed R3 000.
- Granting of debt to enable employee to further his/her own studies.
- Where a financial institution (e.g. bank) provides debt to its employees at same rate as to its customers on the same conditions and under same circumstances even the customer rate is below official interest rate.

[21] Paragraph 2(f), 10A and 11 of the Seventh Schedule.

[22] SARS Table of Interest Rates (Table 3) Rates at which interest-free or low interest loans are subject to income tax

- Low interest or interest free debt is provided to a director of a company or to a member of a close corporation, no taxable benefit will accrue if such debt is, for example, provided only as a result of the director's shareholding and not in respect of any services rendered. In such a case, the interest on the debt owed will not be deductible in the hands of the company or close corporation.
- Debt owed to the employer as a result of a loan granted by that employer to that employee which does not exceed R450,000 if –
  - the debt was granted for the purposes of acquiring immovable property used for residential purposes by the employee.
  - the market value of the immovable property acquired does not exceed R450,000 in relation to the year of assessment during which the property was acquired.
  - the remuneration proxy of the employee does not exceed R250,000 in relation to the year of assessment during which the loan is granted; and
  - the employee is not a connected person in relation to the employer.

Paragraph 10A of the Seventh Schedule makes provision for the benefits granted to employees under a certain type of housing scheme, to be deemed to constitute a debt owed. Under this type of scheme, the employee's house is acquired by and registered in the name of his/her employer. The employee is in terms of the agreement with the employer either entitled or obliged to acquire the house, either on termination of his/her service or after the expiration of a fixed period at a price stated in such an agreement. The employee is granted the right to occupy the house and as a consideration in respect of his/her occupation pays a rental to the employer, which is calculated as a percentage of the cost of the house to the employer. This scheme is in effect identical to the granting by the employer of a low-interest housing debt and is in terms of Paragraph 10A to be treated as such.

Where the employee ultimately purchases the house from the employer, which will probably be at a price considerably lower than its then market value, the difference between the market value and the purchase price will not be subject to tax in the hands of the employee, provided that the purchase price is not lower than the market value of the house on the date on which the original agreement was concluded between the employer and the employee.

Where the debt owed by the employee to the employer is used by the employee to produce income, for example where the employee uses the money to purchase fixed property from which he/she derives rental income, the cash equivalent of the taxable benefit which is included in the employees' taxable income, will be deemed to be interest actually paid by him/her and will be allowed as a deduction from the income earned.

A portion of the cash equivalent is, for employees' tax purposes, deemed to have accrued to an employee where:

- Interest on the debt owed becomes payable by the employee at regular intervals during the tax year, on each date during the year on which interest becomes payable
- Interest on the loan becomes payable at irregular intervals or where interest is not payable, on the last day of each period during the year in respect of which any cash remuneration becomes payable to the employee.

The cash equivalent of the benefit must be reflected under code 3801.

h) Long-service/bravery awards

Where assets are presented to the employee as an award for a long service or bravery,[23] the value determined is reduced by the lesser of the cost to the employer of all such assets so awarded to the relevant employee during the tax year and R16 000.[24]

In the case of a long-service reward, the following requirements must be met to qualify for a nil fringe benefit value:

- The employee must have completed an initial unbroken period of 15 years' service with the employer, and any subsequent unbroken period of 10 years' service with that same employer; and
- The total value of the long service award must not exceed R16 000.

The cash equivalent of the benefit (i.e. where the above requirements are not met) must be reflected under code 3835.

i) Meals, refreshment, and meal vouchers

A benefit arises if an employee is provided with any meal or refreshment or voucher entitling him/her to any meal or refreshment (other than as part of residential accommodation) for free or for a consideration which is lower than the value of the benefit.[25] The value of the benefit is the cost to the employer less any consideration paid by the employee.

The following are regarded as having no value:

- Meals or refreshments supplied in a canteen, cafeteria or dining room operated by or on behalf of the employer and patronised wholly or mainly by employees or on the business premises of the employer.
- Meals and refreshments supplied by the employer to any employee during business hours or extended working hours or on a special occasion.
- Meals or refreshments enjoyed by an employee in the course of providing a meal or refreshment to any person whom the employee is required to entertain on behalf of the employer.

Board and meals provided with accommodation are dealt with as part of the accommodation benefit.

The cash equivalent of the benefit must reflect under code 3801 and PAYE must ne deducted from the cash equivalent of the benefit.

Example

An employer pays R20 a meal for his employees at a diner close to where his business is situated. He provides each employee with 20 coupons per month for which the employee must pay R160 (R8 per coupon). Each coupon is for one meal. The taxable value of the benefit is calculated as follows:

Cost to employer (20 x 20)	R400
Less cost to the employee	R160

[23] Paragraphs 5 (2), 6(4), 10(2) of the Seventh Schedule, read with paragraph (c) of the definition of gross income.

[24] The amount was increased from R5 000 to R16 000 with effect from 1 March 2026.

[25] Paragraph 2(c) and 8 of the Seventh Schedule.

Taxable benefit R240

j) Medical costs incurred by an employer

A taxable benefit shall be deemed to have been granted where the employer, directly or indirectly, incurred any amount (other than a medical scheme contribution paid to a registered medical scheme) in respect of medical, dental and similar services, hospital services, nursing services or medicines provided to the employee, his/her spouse, child, relative or other dependant.[26]

The taxable value of the benefit is equal to the amount incurred by employer (directly/indirectly) in respect of any medical, dental, similar services, hospital services, nursing services or medicines in respect of employee, his/her spouse, child or other relative or dependents.

Where payment is made in manner that an appropriate portion thereof cannot be attributed to employee, his/her spouse, children, relatives and dependents, the amount of that payment in relation to that employee and his/her spouse, children, relatives and dependents is deemed to be, amount equal to total amount incurred by employer during relevant period in respect of all medical, dental and similar services, hospital services, nursing services or medicines for benefit of all employees, spouses, children, relatives and dependents divided by number of employees who are entitled to make use of those services.

The benefit is regarded as having no value where it results from the provision of medical treatment listed in any category of prescribed minimum benefits determined by Minister of Health in terms of section 67(1)(g) of Medical Schemes Act no. 131 of 1998, which is provided to employee, his/her spouse or children in terms of a scheme or programme of that employer, which:

- Constitutes carrying on of business of medical schemes if that scheme or programme is approved by Registrar of Medical Schemes as being exempt from complying with requirements of medical schemes.
- Does not constitute the carrying on of the business of medical schemes, if that employee and his/her spouse and children, are:
  - Not beneficiaries of a medical scheme registered under the Medical Schemes Act no. 131 of 1998
  - Beneficiaries of such medical scheme and the total cost of that treatment is recovered from that medical scheme.
- Where the services are rendered, or the medicines are supplied for purposes of complying with any law of the Republic.
- Derived from an employer by:
  - A person who by reason of superannuation, ill-health or other infirmity retired from the employ of that employer.
  - The dependants of a person after that person's death, if that person was in the employ of that employer on the date of death.
  - The dependants of a person after that person's death, if that person retired from the employ of that employer by reason of superannuation, ill-health or other infirmity.
  - An employee who is 65 years or older
- Where the services are rendered by the employer to its employees in general at their place of work for the better performance of their duties.

[26] Paragraphs 2(j) and 12B of the Seventh Schedule.

Employees' tax must be deducted during the month in which the benefit accrues. The information in respect of taxable benefit must be reflected under:

- Code 3813 — cash equivalent of the benefit (costs paid on behalf of the employee, whether the expenses were paid in respect of an immediate family member or other relatives/dependants of the employee).
- Code 4024 — medical costs deemed to be paid by the employee.

k) Medical scheme contributions

A taxable benefit shall be deemed to have been granted where the employer contributes directly or indirectly to a medical scheme on behalf of an employee and his/her dependants.[27]

The value of the benefit is the amount of the contribution or payment by the employer (directly or indirectly) to a medical scheme for the benefit of the employee and dependants of such employee for any period.

The amount of contributions paid by the employer on behalf of an employee who is 65 years and older and is still in the employ of such employer is a taxable fringe benefit. However, where an employee has retired from the employ of such employer, irrespective of the age of the employee and the employer continues to pay contributions on behalf of that retired employee, the fringe benefit is regarded as having no value.

In cases where the contribution or payment is made by the employer in such a manner that an appropriate portion thereof cannot be attributed to the relevant employee, in other words, where the employer makes a lump sum payment to the scheme in respect of all employees or a class of employees, the amount of that contribution or payment in relation to that employee and his/her dependents is deemed to be an amount equal to the total contribution or payment by the employer to the scheme during the relevant period for the benefit of all employees and their dependents divided by the number of employees in respect of whom the contribution or payment is made.

If the apportionment of the contribution or payment amongst all employees does not reasonably represent a fair apportionment of that contribution or payment amongst the employees, the Commissioner may on application by the taxpayer, decide that the apportionment be made in such other manner as is fair and reasonable.

The fringe benefit is regarded as having no value in any of the following instances:

- A pensioner (a person who by reason of superannuation, ill-health or other infirmity retired from the employ of such employer).
- The dependants of a pensioner after the death of the pensioner, (if such pensioner retired from the employ of such employer by reason of superannuation, ill-health or other infirmity).
- The dependants of a deceased employee after such employee’s death, if such deceased employee was in the employ of the employer on the date of death.

Employees' tax must be deducted during the month in which the benefit accrues.

The fringe benefit value taxed in the hands of the employee must be added to the value of code 4005 if the benefit was included in the employee's remuneration.

[27] Section 6A of the Income Tax Act, read with paragraphs 2(i) and 12A of the Seventh Schedule.

Employer's medical scheme contributions made for the benefit of the employee must be reported under:

- Code 3810 (fringe benefit value)
- Code 4474 where the employee is not a retired employee or the contributions were not made for the benefit of the dependants of a deceased employee
- Code 4493 where the "no value" provisions apply in respect of the relevant employee/former employee.

l) Pension and provident fund contributions

An employee is deemed to have been granted a taxable benefit by his/her employer if, the employer has made contributions or paid any amount to the pension or provident fund on behalf of the employee excluding any amount which is transferred as surplus as defined in the Pension Funds Act.[28]

For defined contribution components, the value of the taxable fringe benefit will be the value of the amount contributed or paid by the employer for the benefit of an employee who is a member of that fund. "Defined contribution component" includes a benefit or part of a benefit receivable from a pension fund or provident fund that consists of a risk benefit provided by the fund directly or indirectly for the benefit of a member of the fund, if the risk benefit is provided by means of a policy of insurance or a risk benefit policy.

Self-insured risk benefits are classified as a 'defined contribution component'. The value of the risk premiums under self-insured risk benefits must be determined based on the cost to the employer (i.e. the actual contribution made by the employer).

A risk benefit policy means a policy under which the risk benefit provided by the fund directly or indirectly for the benefit of a member of the fund is provided by means other than a policy of insurance.

Where the fund member category is other than only defined contribution components, the value of the taxable fringe benefit must be determined in accordance with a formula.

No value must be placed on any contribution made by an employer to a fund if the benefit is for a retired member of the fund of in respect of dependants, nominees of a deceased member of that fund.

The board of a fund must provide the employer with the certificates of the employees who are the members of a fund.

m) Relocation costs

If an employer pays the cost of certain expenditure for an employee's relocation from one place of employment to another, the appointment of the employee or the termination of the employee's employment, the benefit enjoyed by the employee relating to the expenditure incurred by the employer will be exempt from normal tax.

n) Relatives of employees and others

Employee is deemed to be granted a taxable benefit[29] by his/her employer if, as a reward for services rendered or to be rendered by the employee:

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[28] Section 11F of the Income Tax Act, read with paragraphs 2(h), 2(l), 12D and 13 of the Seventh Schedule.

[29] Paragraph 16 of the Seventh Schedule.

- Employer has granted a benefit or advantage directly or indirectly to a relative of the employee; or
- Anything done by employer under any agreement, transaction or arrangement to confer any benefit or advantage upon any person other than the employee, whether directly or indirectly.
- The benefit or advantage would have been a taxable benefit if it had been granted to employee in terms of paragraph 2.

In the case of a bona fide scholarship granted to a relative of an employee to study at a recognised educational or research institution constitutes a taxable benefit if the remuneration proxy derived by the employee in relation to a year of assessment exceeded R900 000. The taxable benefit is the amount that exceeds:

- R30 000 in respect of grade R to grade 12.
- R30 000 in respect of a qualification classified as NQF level 1 to 4.
- R90 000 in respect of a qualification classified as NQF level 5 to 10.[30]

Provisions of this paragraph shall not apply where the benefit has already been taxed in the hands of the employee.

o) Residential accommodation

A benefit arises when the employee is provided with residential accommodation, irrespective of whether it is provided furnished or unfurnished, with or without meals, with or without power and water.[31]

The value of the fringe benefit to be included in gross income is the lower of the benefit calculated by applying the following prescribed formula, or the cost to the employer if the employer does not have full ownership of the accommodation. The formula will apply if the accommodation is owned by the employee, but it does not apply to holiday accommodation hired by the employer from non-associated institution.

The prescribed formula is as follows:

$$A - B \times \frac{C}{100} \times \frac{D}{12}$$

Where

- A represents the remuneration proxy derived by the employee in the previous year of assessment. Remuneration proxy means:
    - Remuneration as defined in paragraph 1 of the Fourth schedule in respect of the preceding year of assessment (excluding the previous year's value of the taxable residential accommodation).
    - Where the employee was employed by the employer concerned for the whole of the preceding year, the full remuneration.
    - If the previous year's remuneration is less than the 365 days, the remuneration needs to be grossed up to 365 days.
    - If the employee was not employed in the previous year, the first month's remuneration needs to be grossed up to 365 days.

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[30] Section 10(q) of the Income Tax Act.

[31] Paragraphs 2(d), 9 and 10A of the Seventh Schedule.

- B represents an abatement equal to an amount of R99 000[32] provided that the abatement is reduced to ZERO where:
    - The employer is a private company and the employee, or his/her spouse controls the company or is one of the persons controlling the company, whether control is exercised directly as a shareholder in the company or as a shareholder in any other company, or
    - The employee, his/her spouse or minor child has a right of option or pre-emption granted by the employer or any other person by arrangement with the employer or any associated institution in relation to the employer, whereby the employee, his/her spouse or minor child may become the owner of the accommodation, whether directly or indirectly by virtue of a controlling interest in a company or otherwise.
- C = 17, or if the accommodation consists of a house, flat or apartment consisting of at least four rooms –
    - C = 18 if such accommodation is unfurnished and power or fuel is supplied by the employer, or such accommodation is furnished but power or fuel is not supplied by the employer.
    - C = 19 if such accommodation is furnished and power or fuel is supplied by the employer.
- D represents the number of full months in relation to the tax year during which the employee was entitled to the occupation of the accommodation for.

An employee will be deemed to have an interest in the accommodation if:

- The accommodation is owned by the employee or a connected person in relation to such employee.
- Any increase in the value of the accommodation in any manner (directly or indirectly) accrues for the benefit of the employee or a connected person in relation to the employee.
- The employee or a connected person in relation to such employee has a right to acquire accommodation from his/her employer.

Where the employee has an interest in the accommodation, the rental value shall be the lower of the amount determined under the above formula and the amount of expenditure incurred in respect of the accommodation.

Where more than one residential accommodation, at different places has been made available to the employee, which he/she is entitled to occupy from time to time while performing his/her duties, the amount of the value of the unit with the highest rental value over the full period during which the employee was entitled to occupy more than one unit, must be included in his/her gross income.

In the case of holiday accommodation, the value of the benefit is:

- If hired from an unconnected person, rental payable and any amounts chargeable in respects of meals, refreshments or any services relating to such accommodation.
- In any other case, the prevailing rate per day that such accommodation is let to any unconnected person.

No value shall be placed on any accommodation away from the employee's usual place of residence:

[32] The amount was increased from R95 750 to R99 000 from 1 March 2026.

- In the Republic, while such employee is absent from his/her usual place of residence in the Republic, for the purpose of performing the duties of his/her employment. This provision shall not apply to any residential unit where more than one residential accommodation at different places has been made available to the employee which he/she is entitled to occupy from time to time while performing his/her duties.
- Outside the Republic for a period not exceeding two years from date of arrival of that employee in Republic for the purposes of performing duties of his/her employment or if that accommodation is provided to employee during the year of assessment and that employee is physically present in the Republic for a period of less than 90 days in that year.

The above exceptions with regards to nil value do not apply in the following instances:

- If the employee was present in the Republic for a period exceeding 90 days during the year of assessment immediately preceding the date of arrival of that employee in the Republic
- To the extent that the cash equivalent of the value of the taxable benefit derived from the occupation of the residential accommodation exceeds an amount equal to R25,000 multiplied by the number of months during which the employee was away.

The cash equivalent of the benefit, where applicable, must be calculated during the year at the same intervals at which the employee receives his/her cash remuneration and employees' tax must be deducted. The cash equivalent of the benefit must be reflected under the code 3805.

Example

An employee earning R10 000 per month receives accommodation from his employer who owns the property that consists of five rooms. The employee uses the accommodation for the full year and pays R100 rent per month. All other expenses relating to the accommodation are borne by the employer.

The value of the taxable benefit is determined as follows:

$$A - B \times \frac{C}{100} \times \frac{D}{12}$$

A = 10 000 x 12 = R120 000

B = R99 000

C = 18 since the accommodation is unfurnished but the related expenses are borne by the employer.

D = 1 to determine the value of the monthly benefit

Sub-total:	315
Less rental paid by the employee	(100)
Taxable benefit per month	215

p) Right to use any asset other than residential accommodation or motor vehicle

A taxable benefit arises whenever an employee is granted the right to use any asset for his private or domestic purposes either free of charge or for a consideration which is lower than the value of use.[33] Special rules apply for the right to use residential accommodation and motor vehicles. For other assets the value of the taxable benefit is determined as follows:

[33] Paragraphs 2(b) and 6 of the Seventh Schedule.

- If the employer leases the asset - The rental paid by the employer less any amount paid by the employee in respect of the asset.
- If the employer owns the asset – The lower of the market value at the time the employee started to use the asset or the cost to the employer x 15% per year apportioned for the portion of the year the employee used the asset.
- If the employee is granted the sole right to use the asset for the majority of the asset's useful life, the value of the benefit would be the cost to the employer.

The following assets are excluded and the right to use them are not regarded as a fringe benefit:

- Where the private use of the asset by the employee is incidental to the business use, or the asset is provided by the employer as an amenity to be enjoyed by the employee at his place of work or for recreational purposes at that place or a place of recreation provided by the employer for the use of his employees in general. This exclusion does not apply to clothing provided by the employer.
- Where the asset consists of any equipment or machine that the employees use from time to time in short periods and SARS is satisfied that the value of the private use is negligible.
- Where the employee uses telephone or computer equipment mainly for the purposes of the employer's business (such as a cell phone or a laptop computer owned by the employer and used mainly for business).
- Books, literature, recordings and works of art.

The taxable benefit will be deemed to have accrued to the employee on the date on which he was first granted the right of use of such asset. The cash equivalent of the benefit must be apportioned and is deemed to have accrued on a monthly or weekly basis during the year at the same intervals that the employee receives his/her cash remuneration, except in respect of those cases where the employee is granted the sole right of use of the asset during its useful life or a major portion thereof.

As the latter benefit is deemed to accrue on the date on which he/she was first granted the right of use of such asset, employees' tax must be deducted from the full value of the benefit during that specific month.

q) Subsidies in respect of debt

A taxable benefit shall be deemed to have been granted if the employer has paid any subsidy in respect of the amount of interest or capital repayments payable by the employee in terms of any debt.[34]

A taxable benefit shall be deemed to have been granted if the employer has made a payment to a third party to grant a low interest or interest free debt to an employee of the employer. Such payment would be deemed to be a subsidy.

Employee's tax should be imposed on the full amount of the subsidy in respect of any such debt. The cash equivalent of the benefit must be reflected under code 3801.

2.1.12 Deductions

Where an individual does not carry on a business in his or her own name and derives income either by way of income on passive investments, for example interest and dividends, or by way of remuneration (from employment) the available deductions are severely limited.

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[34] Paragraphs 2(g) and 12 of the Seventh Schedule.

a) Accounting fees

Accountancy/administration fees may be deducted for the completion of Income Tax returns if the individual receives business income, commission, interest, royalties, foreign income, pension annuity, retirement annuity, purchased annuity or other receipts and accruals.[35] Only professional fees which were actually paid or are payable for the completion of the Income Tax return could be considered as a deduction. No deduction is allowed against remuneration in the form of salary or wages.

Investment income will only be considered if the amount was taxable. Since interest income up to R23800 for persons under 65 years and up to R34 500 for persons over 65 years is exempt from Income Tax, fees paid will only be allowed as a deduction to the extent that it does not create a loss.

Note that annuity income is not considered to be investment income for the purpose of the deduction in respect of allowable accountancy fees.

In the case of a pensioner whose financial affairs (pensions, annuities, investment income, etc.) are administered by a banking institution, board of executors or similar institution, the administration fees paid to the institution including any fees for the completion of tax returns will qualify for deduction.

The amount paid or payable should be included under source code 4043.

For more information, please refer to Practice Note 37 on the SARS website.

b) Depreciation

Taxpayers may claim an amount representing the diminishing value of an asset which is owned by the taxpayer and used for the purpose of his/her trade.[36] The amount calculated must be reflected next to the code 4027 in the 'Other Deductions' section of the return.

For more information refer to Interpretation Note: No. 47: Wear-and-Tear or Depreciation Allowance. Provision is made for 'small items' (an item that normally functions on its own and does not form part of a set) that are acquired and the cost thereof does not exceed R7 000 to be written off in full in the year in which the asset is acquired.

Receipts or proof of purchase and payment of such items must be retained for a period of five years to substantiate the claim, should SARS request it.

c) Donations

Deductions in respect of donations to certain public benefit organisations are limited to 10% of taxable income (excluding retirement fund lump sums and severance benefits). The amount of donations exceeding 10% of the taxable income is treated as a donation to qualifying public benefit organisations in the following tax year, i.e., is carried forward to the following year of assessment.[37]

A donation amount will only qualify as a deduction if the receipt/certificate issued by the donee states that it is issued in terms of section 18A of the Income Tax Act.

Employees sometimes make donations through their employer and receive the benefit of a reduction in the monthly PAYE deducted. The donation will reflect under source code 4030 on the employees' IRP5 certificate issued by the employer. In these instances, the IRP5 certificate will be accepted as proof of donations in terms of section 18A(2)(b) of the Income Tax Act. Upon assessment, the system

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[35] Section 11(a) of the Income Tax Act.

[36] Section 11(e) of the Income Tax Act.

[37] Section 18A of the Income Tax Act.

will convert source code 4030 (reflected on the IRP5 certificate) to 4011 and allow the deductions to be claimed by the taxpayer.

d) Home office expenses

The deduction of any expenses in respect of a residential/domestic premises is prohibited, except if a part of the residential premises is used for purposes of trade by a person in employment, a commission earner or a holder of office.[38] A part of the residential premises will only be regarded as being used for trade if the following requirements are met:

- It is occupied for the purposes of the taxpayer's trade.
- It is specifically equipped for purposes of the taxpayer's trade, for example medical equipment required for a dentist's room, tools for a mechanic, desk/ computer/chair for an office type worker.
- It is used regularly for the purposes of the taxpayer's trade (i.e. frequently). The taxpayer will not meet the requirement of "regular use" if for example he/she works once a week from the part of the residential premises and for the rest of the week from a separate business premises/the employer's premises.
- It is used exclusively for the purposes of the taxpayer's trade. The taxpayer will not meet the requirement of "exclusive use" if he/she works in the lounge/dining room, if these rooms are also used for their normal purposes; or if the taxpayer and the spouse share the dedicated study/room in the home to work (as the room is being shared it is not used exclusively for the taxpayer's trade only).

If the income against which the deduction is claimed is employment income or from the holding of an office, no deduction is allowed unless:

- The income from such employment or office is derived mainly from commission or other variable payments which are based on work performance, and duties are mainly performed otherwise than in an office provided by an employer
- The taxpayer's duties are mainly performed in that part of the private residence occupied for purposes of his/her work (e.g., a study). "Mainly" means more than 50%.

Examples of expenses that may be claimed: rates and taxes, cleaning costs, electricity, interest on bond, repairs. Should the taxpayer qualify for a deduction, the amount must be calculated as follows:

(A/B) x C, where -

- A = The area (m^2) specifically equipped and used regularly and exclusively for the trade.
- B = The total area (m^2) of the residence, including any outbuildings and the area used for trade in the residence.
- C = The costs incurred in the acquisition and upkeep of the property, excluding expenses of a capital nature.

For more information and examples refer to Interpretation Note: No. 28: Deductions of Home Office Expenses Incurred by Persons in Employment or Persons Holding an Office.

e) Legal costs

Individuals may claim legal costs incurred if it is directly related to their salary package, e.g., a CCMA case where the claim (resulting from a court order) is included in income or an out of court settlement

[38] Section 11(a), 23(b) and 23(m) of the Income Tax Act.

in respect of labour disputes that will result in the taxpayer receiving an amount that is taxable.[39] The deduction should be included under code 4404. All documents and proof supporting the claim must be available on request.

f) Medical and disability expenses

Individuals paying contributions to medical schemes are entitled to a rebate of the monthly contributions up to R376 for each of the first two persons covered by those medical schemes, and R254 for each additional dependant. This rebate is referred to as a medical scheme fees tax credit.[40]

In addition to the above, persons are also entitled to the additional medical expense credit which is calculated as follows.

- Any person who is at least 65 years old is entitled to a rebate of 33.3% of the sum of qualifying medical expenses paid and borne by the individual, and an amount by which medical scheme contributions paid by the individual exceed three times the medical scheme fees tax credits for the tax year.
- Any person that has a disability, or whose spouse or child has a disability, is entitled to a rebate of 33.3% of the sum of qualifying medical expenses paid and borne by the individual, and an amount by which medical scheme contributions paid by the individual exceed three times the medical scheme fees tax credits for the tax year.
- Any other person is entitled to a rebate of 25% of an amount equal to the sum of the qualifying medical expenses paid and borne by the individual, and an amount by which medical scheme contributions paid by the individual exceed four times the medical scheme fees tax credits for the tax year, limited to the amount which exceeds 7.5% of the person's taxable income (excluding retirement fund lump sums and severance benefits).

g) Public office

Any allowance granted to a holder of a public office to pay expenses incurred relating to his/her office, is deemed to have been expended to the extent that he/she has incurred the following expenses for his/her office:[41]

- Secretarial services, duplicating services, stationery, postage, telephone calls, the hire of office accommodation and the maintenance of such accommodation.
- Travelling.
- Hospitality extended at any official or civic function which the holder of such office is by reason of the nature of such office normally expected to arrange.
- Subsistence and incidental costs while away from his/her usual place of residence.

The deduction should be included under code 4047.

h) Retirement fund contributions

Members of pension, provident and retirement annuity funds may deduct amounts contributed to those funds during the year of assessment. Amounts contributed by employers and taxed as fringe benefits are treated as contributions by the individual employees.

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[39] Section 11(c) of the Income Tax Act.
[40] Section 6A of the Income Tax Act.
[41] Section 8(1)(d) of the Income Tax Act.

The deduction is limited to 27.5% of the greater of the amount of remuneration for PAYE purposes or the person's taxable income (both excluding retirement fund lump sums and severance benefits).

The deduction is further limited to the lower of R430 000 or 27.5% of the person's taxable income, before the inclusion of a taxable capital gain.[42] Any contributions exceeding the limitations are carried forward to the immediately following year of assessment, and are deemed to be contributed in the following year. The amounts carried forward are reduced by contributions set off against retirement fund lump sums and retirement annuities.

i) Services rendered outside South Africa

Where remuneration (e.g. salary, leave, bonus, commission, allowance or an amount referred to in section 8B or 8C) is received for services rendered to an employer outside South Africa such income received could be exempt in terms of section 10(1)(o)(ii) if the employee was outside South Africa:

- for a period exceeding 183 full days in any twelve-month period, and
- for a continuous period of 60 days during the twelve-month period and the services were rendered during the period.

If a South African tax resident who is an employee renders services outside South Africa on behalf of an employer, and the "days" requirements (described above) are met:

- The first R1.25 million of foreign employment income earned will qualify for exemption and may, therefore, be deducted.
- Any foreign employment income above R1.25 million will be taxed in South Africa, applying the normal tax tables for that particular year of assessment

For more information refer to Interpretation Note No. 16: Exemption from Income Tax - Foreign Employment Income.

j) Subsistence

In instances a person received local subsistence allowance reflected under source code 3704, the amount claimed must be based on the actual expenses or the deemed expenses.[43] The expenses claimed must be inserted next to code 4017 in the 'Other deductions' section of the return.

If a foreign subsistence allowance was received, it will reflect under code 3715 or 3754 on the IRP5/IT3(a) Employee Tax Certificate. The expenses claimed must be inserted next to code 4019 in the 'Other Deductions' section of the return.

A schedule detailing the following must be prepared to substantiate the claim:

- The period in respect of which the expenses were claimed
- The destination where the money was spent
- The total number of days for which expenses were claimed
- Specify whether local or foreign expenditure.

Proof of payment to support the expenses claimed must be retained for a period of five years.

[42] Section 11F of the Income Tax Act.
[43] section 8(1)(c)(ii) of the Income Tax Act.

k) Travel claims against allowance

Taxpayers are required to keep records (logbook) of actual business kilometres travelled with their vehicles when claiming against a travel allowance for the year of assessment.[44] A logbook is available on the SARS website.

The following minimum information relating to business kilometres travelled should be reflected:

- Opening kilometres (at the beginning of the tax year or when the taxpayer started using the vehicle for business purposes during the tax year)
- Closing kilometres (at the end of the tax year)
- Date on which the travel took place
- The destination to and from
- The kilometres travelled
- The reason for the travel.

Expenses incurred for travel between the taxpayer's place of business and his/her residence are considered private expenses and are not deductible. If the taxpayer conducts business from home, the home should be treated as a place of business. This means that kilometres travelled when travelling from home to perform business would be considered as business kilometres.

Travelling expenses may be claimed based on one of the following methods of calculation:

- Actual expenses where the taxpayer have kept record of actual expenses, use the receipts in respect of these actual expenses to complete the line items as provided for in the return.
- Fixed cost rate where the taxpayer has not kept records of actual expenses. In such instance, SARS will automatically apply the fixed cost rate to calculate the travel claim.

In instances where the taxpayer kept records and claim based on actual expenses, the person may claim wear and tear on the vehicle if owned by the taxpayer. If the vehicle was acquired during the year of assessment, only the relevant portion may be claimed.

The value of the vehicle (when calculating wear and tear) is usually the cost price, including VAT but excluding finance charges/interest. The wear and tear allowance must be determined over a period of seven years from the date of original acquisition, and the cost of the vehicle is limited to R920 000.[45]

In instances where the individual leases the vehicle and have not actually purchased it, the lease payments for the period the vehicle was used for business may also be allowed as a deduction. The deduction is, however, limited to the amount of the fixed cost determined by the Minister for the category of vehicle used.

The vehicle's value excludes finance charges, but the taxpayer may claim the applicable amount separately. The deduction is, however, limited to an amount which would have been incurred had the original debt (cost of the vehicle) been R920 000.

2.1.13 Retirement fund benefit

Transfers between funds for members 55 and older

In 2022, changes were made to the Income Tax Act to allow for tax-neutral transfers between retirement funds by members who are 55 years or older in instances where transfers of retirement

[44] Section 8(1)(b) of the Income Tax Act.
[45] Section 8(1)(b)(iiiA)(bb)(A) of the Income Tax Act.

interests in relation to a member who has reached normal retirement age has not yet opted to retire. It has

The 2023/4 National Budget proposed that members of pension or provident funds who have reached the normal retirement age as stipulated in the rules of that fund but have not yet opted to retire must, as part of the involuntary transfer, be able to have their retirement interest transferred from a less restrictive to a more restrictive retirement fund without incurring a tax liability. The value of the retirement interest, including any growth thereon, will remain ring-fenced and preserved in the receiving pension or provident fund until the member elects to retire from that fund. This means that these members will not be entitled to the payment of a withdrawal benefit in respect of the amount transferred.

Lump sum withdrawal

Retirement fund lump sum withdrawal benefits consist of lump sums from a pension, pension preservation, provident, provident preservation or retirement annuity fund on withdrawal (including assignment in terms of a divorce order).

Tax on a specific retirement fund lump sum withdrawal benefit is equal to:

- The tax determined by applying the below tax table to the aggregate of the lump sum, plus all other retirement fund lump sum withdrawal benefits accruing from March 2009, all retirement fund lump sum benefits accruing from October 2007, and all severance benefits accruing from March 2011.
- Less the tax determined by applying the tax table to the aggregate of all retirement fund lump sum withdrawal benefits accruing before the lump sum from March 2009, all retirement fund lump sum benefits accruing from October 2007, and all severance benefits accruing from March 2011.

Taxable income (R)	Tax rate
1 – 27 500	0%
27 501 – 726 000	18% of taxable income above R27 500
726 001 – 1 089 000	R125 730 + 27% of taxable income above R726 000
1 089 001 and above	R223 740 + 36% of taxable income above R1 089 000

Retirement or severance benefit

Retirement fund lump sum benefits consist of lump sums from a pension, pension preservation, provident, provident preservation or retirement annuity fund on death, retirement, or termination of employment due to attaining the age of 55 years, sickness, accident, injury, incapacity, redundancy or termination of the employer’s trade.

Severance benefits consist of lump sums from or by arrangement with an employer due to relinquishment, termination, loss, repudiation, cancellation or variation of a person’s office or employment.

Tax on a specific retirement fund lump sum benefit or a severance benefit is equal to:

- The tax determined by applying the tax table below to the aggregate of the lump sum, plus all other retirement fund lump sum benefits accruing from October 2007, all retirement fund

lump sum withdrawal benefits accruing from March 2009, and all other severance benefits accruing from March 2011.

- Less the tax determined by applying the tax table to the aggregate of all retirement fund lump sum benefits accruing before the lump sum from October 2007, all retirement fund lump sum withdrawal benefits accruing from March 2009, and all severance benefits accruing before severance benefit from March 2011.

Taxable income (R)	Tax rate
1 – 550 000	0%
550 001 – 770 000	18% of taxable income above R550 000
770 001 – 1 155 000	R39 600+ 27% of taxable income above R770 000
1 155 001 and above	R143 550 + 36% of taxable income above R1 155 000

Two-Pot retirement system

The first phase of legislative amendments to the retirement system took effect on 1 March 2024. The intent of these amendments is to enable pre-retirement access to a portion of one's retirement assets, while preserving the remainder for retirement. Retirement fund contributions will remain deductible up to R350 000 per year or 27.5 per cent of taxable income per year – whichever is lower.

Permissible withdrawals from funds accrued before 1 March 2024 will be taxed according to the lump sum tables. Withdrawals from the "savings pot" before retirement will be taxed at marginal rates. On retirement, any remaining amounts in the savings pot will be taxed according to the retirement lump sum table (for example, R550 000 is a tax-free lump sum on retirement).

SARS introduced a calculator to assist pension fund members with an illustrative amount of what they can possibly expect as a payout. All relevant and accurate information must be provided to get a clear estimate of the payout.[46]

SARS will not issue a tax directive without a valid tax reference number or when a person has any outstanding returns.

2.1.14 Tax rates

The following tax rates apply for individuals for the period 1 March 2026 – 28 February 2027:

2026/27		2025/26	
Taxable income	**Tax rate**	**Taxable income**	**Tax rate**
R0 – R245 100	18% of each R1	R0 - R237 100	18% of each R1
R245 101 - R383 100	R44 118 + 26% of the amount above R245 100	R237 101 - R370 500	R42 678 + 26% of the amount above R237 100
R383 101 – R530 200	R79 998 + 31% of the amount above R383 100	R370 501 - R512 800	R77 362 + 31% of the amount above R370 500
R530 201 – R695 800	R125 599 + 36% of the amount above R530 200.	R512 801 - R673 000	R121 475 + 36% of the amount above R512 800
R695 801 - R887 000	R185 215 + 39% of the amount above R695 800	R673 001 - R857 900	R179 147 + 39% of the amount above R673 000
R887 101 - R1 878 600	R259 783 + 41% of the amount above R887 000	R857 901 - R1 817 000	R251 258 + 41% of the amount above R857 900
R1 878 601 and above	R666 339 + 45% of the amount above R1 878 600	R1 817 001 and above	R644 489 + 45% of the amount above R1 817 000

[46] The calculator is available at Two-Pot Retirement System | South African Revenue Service.

2.1.15 Rebates

The following rebates apply for the 2026/7 tax year:

- Primary rebate – R 17 820
- Secondary rebate (persons 65 and older) – R 9 765
- Tertiary rebate (persons 75 and older) – R 3 249

2.1.16 Provisional tax

A provisional taxpayer is any person who earns income from remuneration from an unregistered employer, or income that is not remuneration, or an allowance or advance payable by the person's principal. An individual is not required to pay provisional tax if he or she does not carry on any business, if:

- The person is younger than 65 years and his/her taxable income is R 99 000 or less.
- The person is aged 65 to below 75 years and his/her taxable income is R 153 250 or less.
- The person is older than 75 years and his/her taxable income is R 171 300 or less.
- Will not exceed the tax threshold for the tax year; or
- The person's income from interest, dividends, foreign dividends, rental from the letting of fixed property, and remuneration from an unregistered employer, will be R30 000 or less for the tax year.

Provisional tax returns showing an estimation of total taxable income for the year of assessment are required from provisional taxpayers.[47]

Deceased estates are not provisional taxpayers.

2.1.17 Withholding taxes

In limited circumstances, the applicable tax rate may be reduced in terms of a tax treaty with the country of residence of a non-resident.

a) Disposal of immovable property

A provisional tax of 7.5% is withheld on behalf of non-resident individuals selling immovable property in South Africa. The amount withheld is set off against the normal tax liability of the non-residents. The tax to be withheld from payments to the non-residents is at a rate of 7.5% for a non-resident individual, 10% for a non-resident company, and 15% for a non-resident trust that is selling the immovable property.[48]

b) Foreign entertainers and sportspersons

A final tax at the rate of 15%, is imposed on gross amounts payable to non-residents, for activities exercised by them in South Africa as entertainers or sportspersons.[49]

[47] Interpretation Note 1 (Issue 3).
[48] Section 35A of the Income Tax Act.
[49] Section 47B and 47D of the Income Tax Act.

c) Interest

A final tax at a rate of 15%, is imposed on interest from a South African source, payable to non-residents.[50] Interest is exempt if payable by any sphere of the South African government, a bank, or if the debt is listed on a recognised exchange.

d) Royalties

A final tax at a rate of 15%, is imposed on the gross amount of royalties from a South African source payable to non-residents.[51]

2.2 Corporate tax

The holder of shares in a company and the company itself are separate taxable entities. The ownership of the company (ownership of the shares), and management of the day-to-day activities of the company are usually also separate.

The term "company" is defined in the Income Tax Act to include any association, corporation or company incorporated or deemed to be incorporated by or under any law in force or previously in force in the Republic or in any part thereof, or any body corporate formed or established or deemed to be formed or established by or under any such law, any co-operative and closed corporation.

Companies (other than small business corporations, micro businesses, companies mining for gold and long-term insurance companies) pay tax on their taxable income at a flat rate of 27%.[52]

2.2.1 Residents

A company, trust etc. is regarded as a South African tax resident if it is incorporated, established or formed in South Africa, or has its place of effective management in South Africa. A company's place of effective management is the place where key management and commercial decisions that are necessary for the conduct of its business as a whole are in substance made. This approach is consistent with the OECD's commentary on the term "place of effective management".

A company may have more than one place of management, but it can only have one place of effective management at any one time. There are normally multiple facts that need to be taken into account, often involving multiple locations, and from those facts and locations it is therefore necessary to determine a single dominant place where effective management is located.[53]

2.2.2 Non-residents

A company which is not a "resident", carrying on a trade within South Africa, pays tax at a flat rate of 27% on income derived from a source within South Africa.

2.2.3 Contributed tax capital

Contributed tax capital (CTC) is a calculated amount for tax purposes that is the amount of tax capital of a class of shares in a company, ensuring that no tax is paid on the return of that amount to shareholders. An amount of CTC is determined by either:

- The consideration received by or accrued to a resident company in exchange for the issue of shares of a particular class by that resident company; or

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[50] Part IVB of the Income Tax Act.

[51] Part IVA of the Income Tax Act.

[52] Section 2(1) of the Income Tax Act, read with paragraph 2 of Schedule 1 of Act. No. 19 of 2023 on the Rates and Monetary Amounts and Amendment of Revenue Laws.

[53] Interpretation Note No. 6 (Issue 2).

- The aggregate of the market value of a foreign company when it becomes a tax resident in South Africa together with the consideration subsequently allocated in respect of a particular class of shares.

However, CTC is reduced by any amounts, referred to as capital distributions, transferred by the company to the shareholders. To address certain concerns, the law was amended. From 1 January 2024, the market value amount of the shares in the foreign company becoming a South African tax resident that is used for contributed tax capital purposes is reduced if that company holds shares in other South African companies. Consequently, the market value of the shares must be reduced by an amount equal to the difference between:

- the market value of the shares held by that foreign company in each resident company
- an amount equal to the percentage of shares held by that foreign company in the resident company, of the aggregate CTC in respect of each class of share of each resident company, immediately before the date on which that foreign company becomes tax resident.

The anti-avoidance measure only applies to each resident company in which the foreign company holds at least 50 per cent of the equity shares or voting rights immediately before the date on which that foreign company becomes a tax resident in South Africa. For example:

Non-resident intermediary (Company A) with a financial year ending on 31 December becomes an SA resident on 2 February 2024. On 1 February 2024, the day before it becomes an SA resident, the market value of the shares in Company A is R600 000 and it has 3 subsidiaries: non-resident Company B (shareholding 100%), resident Company C (shareholding 60% of each of Company C's class A and class B shares) and resident Company D (shareholding 30% and voting rights 80%). The market value of the shares held in Company B is R100 000, Company C is R200 000, and Company D is R300 000. The CTC of Company C is R40 000 for class A shares and R10 000 for class B shares, and of Company D is R200 000.

Company A's CTC will be: R600 000 – [Company C R200 000 – (R40 000 x 60%) – (R10 000 x 60%)] – [Company D R300 000 – (R200 000 x 30%)] = R600 000 – R170 000 – R240 000 = R190 000

CTC in relation to a class of shares that are denominated in a foreign currency has to be translated to Rand using the spot rate on the date the relevant amount is recognised for income tax purposes.[54]

2.2.4 Incentives

a) Electrical vehicles

Motor vehicle manufacturers may deduct 150% of the following costs incurred to mainly use in the production of battery electric or hydrogen-powered vehicles in South Africa:[55]

- Building (including improvements to a building)
- New and unused machinery, plant, implement, utensil or article (including improvements thereto).

Provided that, where any machinery, plant, implement, utensil, article or improvement qualifying for a deduction under this section is mounted or affixed to any concrete or other foundation or supporting structure and—

[54] Section 25E of the Income Tax Act.

[55] Section 12V of the Income Tax Act.

- the foundation or supporting structure is designed for such machinery, plant, implement, utensil, article or improvement and constructed in such manner that it is or should be regarded as being integrated with the machinery, plant, implement, utensil, article or improvement; and
- the useful life of the foundation or supporting structure is or will be limited to the useful life of the machinery, plant, implement, utensil, article or improvement mounted thereon or affixed thereto,

the foundation or supporting structure shall be deemed to be part of the machinery, plant, implement, utensil, article or improvement mounted thereon or affixed thereto.

The cost to a taxpayer is deemed to be the lesser of the actual cost to the taxpayer or the cost which a person would, if the person had acquired that asset under a cash transaction concluded at arm's length on the date on which the transaction for the acquisition was concluded, have incurred in respect of the direct cost of the acquisition of the asset.

The asset must be brought into use on or after 1 March 2026 and before 1 March 2036.

b) Environmental assets

Environmental treatment and recycling assets (new and unused) are eligible for the following annual allowance:

- 40% of the cost in year 1
- 20% of the cost each of the subsequent tax years.[56]

The cost to a taxpayer shall be deemed to be the lesser of the actual cost to the taxpayer or the cost which a person would, if that person had acquired such asset under a cash transaction concluded at arm's length on the date on which the transaction for the acquisition was in fact concluded, have incurred in respect of the direct cost of the acquisition.

No deduction is allowed where the asset was disposed of by the taxpayer during any previous year of assessment.

c) Renewable energy tax incentive

The tax incentive available for businesses to promote renewable energy is temporarily expanded to encourage rapid private investment to alleviate the energy crisis. The current incentive allows businesses to deduct the costs of qualifying investments over a one- or three-year period, which creates a cash flow benefit in the early years of a project.

Businesses can deduct 50% of the costs in the first year, 30% in the second year and 20% in the third year for qualifying investments in wind, concentrated solar, hydropower below 30 megawatts (MW), biomass and photovoltaic (PV) projects above 1 MW. Investors in PV projects below 1 MW can deduct 100 per cent of the cost in the first year. [57]

Under the expanded incentive, businesses will be able to claim a 125% deduction in the first year for all renewable energy projects with no thresholds on generation capacity. The adjusted incentive will

[56] Section 37B of the Income Tax Act.

[57] Sections 12BA of the Income Tax Act. Also see sections 8, 11, 12E, 12N, 12P, 15, 23A and 23G of the Income Tax Act as well as paragraph 66 of the Eighth Schedule.

only be available for investments brought into use for the first time between 1 March 2023 and 28 February 2025.[58]

If a taxpayer disposes of an asset on or before 1 March 2026 in respect of which an enhanced renewable energy tax incentive is granted, the amounts (a maximum of 125 per cent of the cost of the asset) deducted under section 12BA of the Act will be fully recouped in terms of section 8(4)(a) read together with new provision section 8(4)(nA) of the Act.

b) Research and development

The following capital allowance is available for research and development:

- Plant and machinery acquired and brought into use – 50%/30%/20% of cost.
- Buildings used wholly or mainly for research and development – 5% annual allowance.[59]

Applicants have a six-month grace period to submit pre-approval applications. For example, if a company has started spending on R&D activities on 16 February 2024, they will have up until 16 August 2024 to submit their application if they would like to be eligible to claim the expenditure already incurred on qualifying R&D activities from the date of 16 February 2024. If a business applies within the first 6 months of 2024, the grace period will be limited to expenditure starting from 1 January 2024 onwards.

The revised R&D tax incentive apply in respect of applications received and expenditure incurred on or after 1 January 2024 and up to and including 31 December 2033. [60]

c) Urban development zone incentive

Costs incurred in erecting, demolishing or extending a building, excavating land, providing water, power, parking, drainage and access to a building in an urban development zone is deductible as follows: 20% in the first year and 8% in subsequent years.

Improvements to existing buildings are deductible over 5 years.

It was proposed to extend the incentive for a further five years to 31 March 2030.

2.2.5 Allowances

a) Capital allowances

Asset type	Conditions	Annual allowance
Industrial buildings or improvements thereto	Construction of buildings or improvements on or after 1 January 1989, where the building is used wholly or mainly for a process of manufacture or similar process or research and development.	• 5% of cost

[58] Section 12BA of the Income Tax Act.
[59] Section 11D of the Income Tax Act.
[60] Section 11D of the Income Tax Act.

New commercial buildings (excluding residential accommodation)	Cost incurred to erect any new and unused building or improving an existing building which is used wholly for the purpose of producing income in the course of trade.	• 5% of cost
Aircraft		• 20% of cost
Farming equipment and assets used in the production of renewable energy	Machinery, implements, utensils or articles (excluding livestock) and bio-diesel plant and machinery.	• 50% in first year • 30% in second year • 20% in third year
Ships	South African registered ships used for prospecting, mining or as a foreign-going ship	• 20% of cost
Plant and machinery	New and unused manufacturing assets	• 40% in the first year • 20% in each of the 3 subsequent years
Plant and machinery	Used manufacturing assets	• 20% of cost
Licences	Expenditure, other than for infrastructure, to acquire a licence from a government body to carry on telecommunication services, exploration, production or distribution of petroleum or the provision of gambling facilities	• Evenly over the period of the licence up to 30 years

b) Doubtful debts

This is an allowance for an amount representing debts which are doubtful, i.e., there is a reasonable expectation not being able to recover these debts.[61] The allowance is only made in respect of debts which would have been allowed as a deduction had they become bad. The allowance depends on whether the taxpayer applied IFRS 9 to the debt (for financial reporting purposes) or not.

IFRS 9

If IFRS 9 is applied to a debt for financial reporting purposes (other than in respect of lease receivables, as defined in IFRS 9, that have not been included in income) a doubtful debts allowance of 40% may be claimed on the total of:

- the loss allowance relating to impairment that is measured at an amount equal to the lifetime expect ed credit loss (per IFRS 9) in respect of debt
- bad debts (written off for financial reporting purposes) which were not allowed under section 11(a) or (i), if the debt was included in income in the current or any previous year

A further a deduction of 25% of the loss allowance relating to impairment, as contemplated in IFRS 9, in respect of other debts is added to determine the full doubtful debt allowance.

[61] Section 11(j) of the Income Tax Act.

Not IFRS 9

In this instance the doubtful debt allowance is determined as the total of:

- 40% of debts in arrears for 120 days or more
- 25% if debts in arrears for 60 days or more, but less than 120 days.

The allowance must be included in the income of the taxpayer in the following year of assessment and must exclude any losses claimed as bad debt deductions.

c) Learnership allowance

Employers are entitled to an annual allowance and a completion allowance if the employer is a party to a qualifying learnership agreement with an employee. The term "registered learnership agreement" as defined in section 12H(1) means a learnership agreement that is registered in accordance with the Skills Development Act and entered into between a learner and the employer before 1 April 2027.

Deduction

The allowable deduction during any year of assessment that a learner is a party to a registered learnership agreement with an employer and that agreement was entered into pursuant to a trade carried on by that employer is equal to:

- R40 000 for a learner holding an NQF-level qualification from 1-6, or
- R20 000 for learners holding an NQF-level qualification from 7-10.

If the learnership agreement is for less than 12 full months during the year of assessment, the applicable amount is reduced pro rate based on the number of full months. For example, if a NQF2 learner was employed under a qualifying learnership agreement for 5 and a half months, the deduction would be calculated as 40 000 x 5/12 = R16 666.67

If the learner is a person with a disability at the time of entering into the learnership agreement, the deduction in respect of that learner is:

- R60 000 for a learner holding an NQF-level qualification from 1-6, or
- R50 000 for learners holding an NQF-level qualification from 7-10.

Completion of learnership

If a learner is a party to a registered learnership agreement with an employer for less than 24 full months, that agreement was entered into pursuant to a trade carried on by that employer, and that learner successfully completes that learnership during that year of assessment, the deduction is:

- R40 000 for a learner holding an NQF-level qualification from 1-6, or
- R20 000 for learners holding an NQF-level qualification from 7-10.

If the learnership period was equal to or exceeded 24 full months, the deduction is calculated as follows:

- R40 000 for a learner holding an NQF-level qualification from 1 to 6 multiplied by the number of consecutive 12-month periods within the duration of that learnership agreement or
- R20 000 for a learner holding an NQF-level qualification from 7 to 10 multiplied by the number of consecutive 12-month periods within the duration of that learnership agreement.

If the learner is a person with a disability at the time of entering into the learnership agreement, the deduction in respect of that learner is:

- R60 000 x number of consecutive 12-month periods within the duration of that learnership agreement (NQF 1-6), or
- R50 000 multiplied by the number of consecutive 12-month periods within the duration of that learnership agreement (NQF 7-10).

NQF 1	Grade 9	**NQF 6**	National Diploma and Advanced certificates in any field of study
NQF 2	Grade 10 or Level 2 Vocational Certificate	**NQF 7**	Bachelor's degree, Advanced Diploma, B-tech, and Post Graduate Certificate
NQF 3	Grade 11 or Level 3 Vocational Certificate	**NQF 8**	Honors degree, Post Graduate Diploma, and Professional qualifications
NQF 4	Grade 12 or Level 4 Vocational Certificate	**NQF 9**	Master's Degree
NQF 5	Higher certificates and Advanced National or vocational certificate	**NQF 10**	Doctor's degree

d) Wear and tear

If a taxpayer chooses to use the straight-line method of calculating wear and tear, Interpretation Note47 sets out the periods over which an asset can be depreciated, which are acceptable to the SARS. The Interpretation Note does not apply where the taxpayer uses the diminishing-value method.

Wear and tear may only be claimed on assets used for the purposes of trade. Assets held in reserve or as replacements will not qualify for the allowance until they are brought into use. If the asset is used for only a part of the year, the allowance must be apportioned.

Wear and tear is based on cost (excluding finance charges and VAT claimed as input tax). Moving costs of an asset must be written off over the remaining estimated useful life of the asset. If the asset has already been written off, the moving costs will be allowed in full in the year incurred.

If the cost of an item is less than R7 000, the item can be written off in full in the year of assessment the asset was brought into use.

2.2.6 Deductions

a) General deductions

According to the general deduction formula,[62] a person is entitled to deduct expenditure and losses actually incurred in the production of income, provided it is not of a capital nature.

b) Bad debts

A bad debt deduction is allowed where the following conditions are met:

- The amount is due to the taxpayer

[62] Section 11(a) of the Income Tax Act.

- The debt became bad during the year of assessment, and
- The debt is in respect of amounts which have been included in the taxpayer's income in the current or any previous year of assessment.[63]

The debt is only regarded as being bad if the taxpayer can show that it has ceased active recovery collection or handed the debt over to an attorney or debt collector and has written the debt off in its book.

c) Employer-owned life policies

Benefit for business

An employer may deduct premiums paid by it under a policy of insurance if all of the following apply:[64]

- The employer is the policyholder at the time of the payment of each premium.
- The policy relates to the death, disablement or severe illness of an employee or director.
- The policy is a risk policy with no cash value or surrender value.
- The employer has elected to deduct the premiums.

This allowance applies in respect of policies which are not for the benefit of employees or directors at all. If an insured event occurs, the insurance proceeds form part of the employer's gross income, but it will be exempt if no premiums were deductible on or after 1 March 2012.

Benefit for employee/dependents

An employer may deduct premiums paid by it under a policy of insurance if all of the following apply:

- The employer is the policyholder.
- The policy relates to the death, disablement or severe illness of an employee or director.
- The premiums paid by the employer are taxed as a fringe benefit in the hands of the employee.

These types of policies would generally pay out directly to the employee when an insured event occurs, but could pay out to the employer, who uses the funds to pay a benefit to the employee or his or her family. Where the proceeds of these policies are paid directly or indirectly to the employee or family, and the employee has been taxed on the premiums as a fringe benefit, he or she may be entitled to a tax exemption in respect of the policy proceeds.

d) Legal expenses

In some instances, legal expenditure including the following may be deducted if certain conditions are met:

- fees for legal practitioners.
- expenses incurred in order to procure evidence or expert advice.
- court fees.
- taxing fees, witness fees and expenses.
- the costs of sheriffs and messengers of the court; and
- any other similar costs.

[63] Section 11(i) of the Income Tax Act.

[64] Section 11(w) of the Income Tax Act.

To qualify for the deduction, the costs must be actually incurred; in respect of any claim, dispute or action at law; incurred in the course of, or by reason of, ordinary operations in carrying on trade; and not be of a capital nature. [65]

e) Patents, copyrights, designs and trademarks

Acquisition of patents

Expenditure actually incurred on the acquisition of intellectual property is deductible incurred to acquire (from someone else)

- any invention or patent (defined in the Patents Act)
- any design (defined in the Designs Act)
- any copyright (defined in the Copyright Act)
- any property of a similar nature (other than a trademark)
- any knowledge connected with the use of such property or the right to have such knowledge imparted.

The deduction is allowed in the year of assessment in which the property is brought into use for the first time by the taxpayer for the purposes of his trade. If the expenditure is less than or equal to R5 000 it is deducted in full in the year that the asset is brought into use for the first time.

If the expenditure exceeds R5 000 the annual allowance is

- 5% of the expenditure, in the case of an invention, patent, copyright or similar property (including knowledge and knowledge rights)
- 10% of the expenditure, in the case of a design or similar property (including knowledge or knowledge rights).

Registration and extension of term

A deduction is allowed in respect of expenditure actually incurred in:

- obtaining the grant, restoration or extension of the term of any patent; or
- obtaining the registration or extension of registration of any design; or
- the registration or renewal of the registration

f) Repairs

A person may deduct expenditure actually incurred during the year of assessment on repairs of property occupied for the purpose of trade or in respect of which income is receivable, including any expenditure so incurred on the treatment against attack by beetles of any timber forming part of such property and sums expended for the repair of machinery, implements, utensils and other articles employed by the taxpayer for the purposes of his trade.[66]

g) Restraint of trade

A taxpayer may deduct any amount actually incurred in the course of the carrying on of his trade; as compensation in respect of any restraint of trade imposed on any person who is a natural person,

[65] Section 11(c) of the Income Tax Act.
[66] Section 11(d) of the Income Tax Act.

labour broker or personal service provider to the extent that the amount constitutes (or will constitute) income of the person to whom it is paid.[67]

The deduction is, however, limited and shall not exceed in any one year the lesser of –

- the amount incurred divided by the number of years (or part thereof) during which the restraint will apply; or
- one third of the amount incurred.

This deduction is not apportioned if the expense is incurred part way through the tax year.

h) Donations

Donations to certain public benefit organisations is deductible, limited to 10% of taxable income before the deduction of donations, and excluding any retirement lump sum benefit and severance benefit. The taxpayer must be in receipt of a s 18A donations certificate. Donations in excess of 10% of taxable income are rolled over to the next year of assessment but are still limited to 10% of the taxable income in the following years of assessment.

2.2.7 Micro businesses

A person will qualify as a micro business if that person is a –

- natural person (or the deceased or insolvent estate of a natural person which was a registered micro business at the time of death or insolvency); or
- company,

and the "qualifying turnover" of that person for the year of assessment does not exceed R2,3 million.[68]

If that person carries on a business during a year of assessment for a period of less than 12 months, the turnover requirement of R2,3 million is reduced proportionally.

Micro businesses have a simplified tax system (turnover tax) which serves as an alternative to income tax, provisional tax and CGT. Micro businesses may opt to register for turnover tax or register for normal income tax. A person qualifying as a micro business may apply to register as a micro business

- before the beginning of a year of assessment, that is, before 1 March, or before a date during the year of assessment prescribed by the Commissioner: or
- if that micro business commences business activities during the course of a year of assessment, within two months from the date of commencement of its business activities.

If the registration is approved, it will be effective from the beginning of the year of assessment.

a) Qualifying turnover

"Qualifying turnover" is different from a registered micro business' "taxable turnover", which is the amount upon which the turnover tax is payable. "Qualifying turnover" is defined as the total receipts derived by the person from carrying on any business activities, but excluding –

- any amounts of a capital nature received from conducting business, for example, an amount received from the sale of equipment that was used in the business.

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[67] Section 11(cA) of the Income Tax Act.

[68] The cap was amended from R1 million to R2,3 million with effect from 1 March 2026 for natural persons (including deceased and insolvent estates of a natural person registered as a micro business at the time of death or insolvency. The new cap becomes effective for companies from 1 April 2026.

- any amounts received by or accrued to a small, medium or micro-sized enterprise from a small business funding entity or government grants which are exempt from income tax.

b) Taxable turnover

Turnover tax is imposed on the taxable turnover of the registered micro business in the year of assessment. Taxable turnover is the amount, not of a capital nature, that is received by a micro business during a year of assessment from carrying on business activities in the Republic, less any amounts refunded to any person for goods and services supplied by the micro business. The turnover tax system does not allow the deduction of expenses against income as is the case under the normal tax system.

Since taxable turnover consists of all amounts not of a capital nature received by the micro business, a micro business that is a vendor for VAT purposes must include in its taxable turnover any VAT charged by it on the supply of goods or services.

Specific inclusions

The following must be included in "taxable turnover":

- 50% of all receipts of a capital nature from the disposal of immovable property mainly used for business purposes, other than trading stock; and
- any other asset mainly used for business purposes, other than any financial instrument. The micro business must include the gross amount of a capital nature received and not the capital gain.
- Investment income, other than dividends and foreign dividends, received by a company.

c) Partnerships

Partnerships are taxed on a flow-through basis in that the taxable turnover of a partnership will be taxed in the hands of each partner based on the profit-sharing ratio stipulated in the partnership agreement. Partners individually registered as micro businesses for turnover tax purposes and each partner is separately liable for turnover tax based on that partner's taxable turnover as determined under the partnership profit-sharing ratio.

All partners will be disqualified from being subject to turnover tax if any one of them is not a natural person or if the qualifying turnover of the partnership as a whole exceeds R2,3 million. A specific partner will be disqualified if that partner holds shares in a company or is a member of another partnership, but this disqualification will not affect the remaining partners.

The income of any disqualified partner will be subject to normal tax based on the partner's profit-sharing ratio. Note that the aggregate qualifying turnover of the partnership must still be determined by considering the collective qualifying turnover of all the partners, including any partners who do not qualify as micro businesses.

d) Payment of turnover tax

Registered micro businesses are required to make two interim payments and, if necessary, one final payment on assessment. A registered micro business must, within six calendar months of the start of the year of assessment, make an estimate of its taxable turnover for the full year of assessment, calculate the turnover tax payable on that estimated taxable turnover and pay 50% thereof to SARS.

The second interim payment must be paid on or before the last day of the year of assessment, that is, 28 or 29 February. This payment will also be based on an estimate of the taxable turnover for the year

of assessment and a calculation of turnover tax payable on such estimate. The second interim payment is thus the total turnover tax payable on the estimated taxable turnover for the full year of assessment, less the first interim payment previously paid by the micro business.

e) Recordkeeping

The following records must be kept:

- Records of all amounts received.
- Records of dividends declared.
- A list of each asset with a cost price of more than R10,000 at the end of the year of assessment as well as of liabilities exceeding R10,000.

2.2.8 Small business corporations

The small business corporation regime provides two major concessions to entities (private companies, close corporations and co-operatives) which comply with all of the following requirements:

- The holders of shares in the company or members of the close corporation or co-operative must, at all times during the year of assessment, be natural persons.
- No shareholders or member should hold any shares or have any interest in the equity of any other company, other than SBCs.
- The gross income of the entity for the year of assessment may not exceed R20 million.
- Not more than 20% of the total of all receipts and accruals (other than those of a capital nature) and all capital gains of the entity may consist collectively of "investment income" and income from rendering a "personal service".
- The entity may not be a "personal service provider".

SBCs are taxed at a progressive rate which is lower than the personal income tax rate and corporate tax rate. [see Annexure A]. Furthermore, SBCs are allowed to immediately write-off of all plant or machinery brought into use for the first time by the entity for purpose of its trade (other than mining or farming) and used by the entity directly in a process of manufacture or similar process in the year of assessment.

Asset type	Conditions	Annual allowance
Plant and machinery	Brought into use for the first time by that taxpayer on or after 1 April 2001 and used directly in a process of manufacture	• 100% of cost
Non-manufacturing assets	Acquired on or after 1 April 2005	• 50% in first year • 30% in second year • 20% in third year

2.2.9 Personal service providers

A personal service provider is any company or trust of which any service rendered on behalf of the company or trust to a client of the company or trust is rendered personally by any person who is a connected person in relation to such company or trust, and any one of following conditions are met:

- The service was rendered by the person directly to the client,

- The duties must be performed mainly at the premises of the client and is subject to the control or supervision of the client.
- More than 80% of the income during the year of assessment from services rendered consists of amounts received from any one client or any entity associated or related to that client.

Should that company or trust employ three or more full-time employees (excluding shareholders or the settlor or any beneficiary of the trust or any person that is a connected person in relation to that person) throughout the year of assessment and the employees are engaged in the business of the company in rendering the specific service, that company or trust will not be regarded as a personal service provider.

The personal service provider is taxed as follows:

- Remuneration paid/payable to a personal service provided is subject to PAYE
- Remuneration to a company is subject to 27% tax.
- Remuneration paid to a trust (other than a special trust) is subject to 45% tax.

A personal service company can only claim the following deductions:

- Amounts paid to employees for services rendered, provided such amounts will form part of the employee's gross income.
- Bad debts.
- Contributions to pension, provident and benefit funds.
- Refunds of remuneration.
- Legal expenses.
- Other expenses in respect of the premises, insurance, repairs, fuel, maintenance if the assets are used exclusively for purposes of trade.

2.2.10 Body corporates

Levies accrued to sectional title body corporates or share block companies are exempt from income tax. In addition to this exemption all other receipts and accruals are exempt up to a maximum of R50 000 per annum.[69] Income exceeding this exemption is subject to tax at 27%. These entities are exempt from provisional tax.

2.2.11 Public benefit organisations

An approved public benefit organisation (PBO) carries out certain public benefit activities in a non-profit manner substantially in South Africa. The annual trading income exemption is the greater of 5% of total receipts and accruals or R200 000. Income more than this exemption is subject to tax at 27%. A PBO is exempt from provisional tax.[70] A PBO is exempt from CGT except for assets used in a trading activity. An audit certificate confirming the donations received may be required.

2.2.12 Recreational clubs

A recreational club is a non-profit organisation which provides social and recreational amenities or facilities for its members. The annual trading income exemption is the greater of 5% of total membership fees and subscriptions or R120 000.[71] Income in excess of this exemption is subject to tax at 27%.

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[69] Section 10(1)(e) of the Income Tax Act.
[70] Section 10(1)(cN) of the Income Tax Act.
[71] Section 10(cO) of the Income Tax Act.

An approved recreational club is exempt from provisional tax. Subject to certain rollover relief, recreational clubs are subject to CGT.

2.2.13 Special economic zones

Special Economic Zones (SEZs) within South Africa are geographically designated areas set aside for specifically targeted economic activities to promote national economic growth and exports by using support measures to attract foreign and domestic investments and technology.

Categories of SEZs that may be designated by the Minister of Trade and Industry may include:

- Free ports.
- Free Trade Zones (FTZs).
- Industrial Development Zones (IDZs); and
- Sector Development Zones (SDZs).

A qualifying company may deduct from the income an allowance equal to ten per cent of the cost to the qualifying company of any new and unused building owned by the qualifying company, or any new and unused improvement to any building owned by the qualifying company, if that building or improvement is wholly or mainly used by the qualifying company during the year of assessment for purposes of producing income within a special economic zone, in the course of the taxpayer's trade, other than the provision of residential accommodation.[72]

No deduction may be allowed under this subsection in respect of any building that has been disposed of by the qualifying company during any previous year of assessment.

2.2.14 Trusts

Special trusts are taxed using the same progressive rate table as individuals. A special trust is:

- A trust created solely for the benefit of one or more persons with a disability that incapacitates them from earning sufficient income for their maintenance or managing their own financial affairs, or
- A testamentary trust formed for relatives of the deceased where the youngest beneficiary is younger than 18 years.

Other trusts are taxed at a fixed rate of 45%.

a) Trust distributions – South African trust

Distributions from trusts are taxed in terms of the conduit principle where the nature of income is retained and taxed in the hands of the beneficiaries, subject to certain deeming provisions.

Deeming provisions

If the income or capital gain of the trust is attributable to any donation, settlement or other similar disposition (including the sale of an asset to a trust by way of an interest free loan) the income or a portion thereof may be deemed to accrue to the donor, rather than the beneficiaries or the trust, subject to certain conditions.

Capital gains distributed to an exempt person, such as a public benefit organisation or a non-resident beneficiary, is taxed in the trust.

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[72] Sections 12R and 12S of the Income Tax Act.

Trust losses

A loss incurred by a trust cannot be distributed to beneficiaries. The loss is carried forward as an assessed loss in the trust to the next tax year.

Distributions from a South African trust to a non-resident beneficiary

Income distributed to a non-resident beneficiary is taxed in the hands of the beneficiary on a source basis in South Africa. A capital gain distributed to a non-resident beneficiary is taxed in the trust. If the income is attributable to a donation or other similar disposition by a resident donor, it is deemed to accrue to the resident donor and is taxed in that donor's hands.

Trust to trust distribution of a capital gain

A capital gain distributed from one trust to another trust retains its nature and is taxed in the second trust. This distributed capital gain cannot then be further distributed to beneficiaries of the second trust unless the second trust had a vested interest in the asset of the first trust prior to the disposal.

b) Trust distributions – Foreign trust

Income distributions retain their nature and are taxed accordingly in the hands of the South African resident beneficiary. Capital distributions are taxed in the hands of the South African resident beneficiary where all of the following applies:

- that person was a beneficiary of the trust in the year in which the income was earned.
- the amount had not already been taxed in South Africa.
- the amount would have constituted income of the trust if it had been a South African resident trust.

If the capital distribution was in respect of accumulated foreign dividends and the trust held more than 50% of the equity shares and/or voting rights in the foreign company, the exemption is limited, and the dividend is taxed at an effective rate of 20%. This is also applicable to capital distributions of accumulated foreign capital gains on the sale of shares in that foreign company which is taxable at the effective capital gains tax rate applicable to that beneficiary.

2.2.15 Withholding taxes

In limited circumstances, the applicable tax rate may be reduced in terms of a tax treaty with the country of residence of a non-resident.

a) Disposal of immovable property

A provisional tax of 10 % is withheld on behalf of non-resident companies selling immovable property in South Africa. The amount withheld is set off against the normal tax liability of the non-residents. In the case of a non-resident trust, the tax rate is 15%.[73]

b) Interest

A final tax at a rate of 15%, is imposed on interest from a South African source, payable to non-residents. Interest is exempt if payable by any sphere of the South African government, a bank, or if the debt is listed on a recognised exchange.[74]

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[73] Section 35A of the Income Tax Act.

[74] Part IVB of the Income Tax Act.

c) Royalties

A final tax at a rate of 15%, is imposed on the gross amount of royalties from a South African source payable to non-residents.[75]

2.2.16 Assessed losses

The term assessed loss means any amount by which permissible deductions under section 11 of the Income Tax Act exceeded the income in respect of which they were deductible.[76]

Companies have to limit the carry forward of assessed losses from previous years of assessments to the higher of R1 million and 80% of the current taxable income.[77]

2.2.17 Provisional tax

A company is a provisional taxpayer unless it is specifically excluded from the definition of "provisional taxpayer" in paragraph 1 of the Fourth Schedule.

a) First payment

The estimate of taxable income may not be less than the basic amount, unless circumstances justify a lower estimate. The basic amount is the taxable income of the latest preceding tax year, provided the assessment is issued at least 14 days prior to the submission of the provisional tax return. If that assessment is for a tax year older than 18 months, the basic amount is increased by 8% per year. Where a taxpayer has not been assessed previously, a reasonable estimate of the taxable income, and not merely a default of nil, must be made.

b) Second payment

The amount of the second payment depends on the taxpayer's taxable income:

- If the actual taxable income is R1 million or less, the basic amount may be used. If a lower estimate is used, it must be within 90% of the taxable income finally assessed.
- If the actual taxable income exceeds R1 million, the estimate must be within 80% of the taxable income, excluding retirement fund lump sums, finally assessed.[78]

If the above requirements are not met, a penalty of 20% is levied on the difference between the estimated tax and 90% of the actual tax (if the taxable income is R1 million or less), or 80% of the actual tax (if the taxable income exceeds R1 million), less PAYE and provisional tax paid in the year of assessment. The penalty may be waived if the taxpayer can prove that due care has been taken in seriously calculating the estimate.

c) Third payment

Third provisional payments are only applicable to individuals and trusts with taxable income in excess of R50 000, and companies and close corporations with taxable income in excess of R20 000.

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[75] Part IVA of the Income Tax Act.
[76] Section 20(2) of the Income Tax Act.
[77] Section 20 of the Income Tax Act.
[78] Paragraph 20 of the Fourth Schedule.

3. Capital gains tax

Capital gains tax is governed under the Eighth Schedule of the Income Tax Act. SARS has published a comprehensive guide on CGT which is available on their website but has not been updated since 2020.

3.1 Persons liable for CGT

CGT applies to any capital asset of a South African resident, unless the asset is specifically excluded from the scope of CGT. Non-residents are liable for CGT on:

- Fixed (immovable) property situated in South Africa
- Any interest or right in immovable property situated in South Africa (e.g., a usufruct)
- Assets effectively connected with a South African permanent establishment of the non-resident.

3.2 Basic framework

The following basic framework applies:

- Gross income
- Less: Exempt income
- Equals: Income
- Less Deductions and allowances
- Add net capital gain x relevant inclusion rate
    - Capital gains for the year assessment
    - Less Capital losses of the year
    - Less: Annual exclusion (Individuals and special trusts)
    - Equals: Aggregate capital gain
    - Less: Assessed capital loss from previous year of assessment
    - Equals: Net Capital gain
- Equals: Taxable income for the year

3.3 Capital gains

A capital gain[79] arises when the proceeds from a disposal of an asset exceed the base cost and a capital loss arises when the base cost exceeds the proceeds. Capital losses may be set off only against capital gains. The sum of all capital gains and capital losses, less an annual exclusion if applicable, is carried forward to the next year of assessment if this amount is a negative figure. An assessed capital loss must be set off against an aggregate capital gain in a year of assessment.

3.4 Disposals

CGT is triggered by the disposal or deemed disposal of an asset. The term “disposal” is described widely in paragraph 11 of the Eighth Schedule. Events which trigger a disposal include a sale, donation, exchange or loss of an asset. A person is deemed to have disposed of assets for CGT purposes, amongst others, on death or when ceasing to be a resident.

The time of disposal is determined under paragraph 13 of the Eighth Schedule.

[79] Paragraph 3 of the Eighth Schedule.

3.5 Proceeds

The amount received by or accrued to the seller on disposal of an asset constitutes the proceeds.[80] Assets disposed of by donation, for a consideration not measurable in money, or to a connected person at a non-arm's length price are treated as being disposed of for an amount received or accrued equal to the market value of the asset. The proceeds will also be equal to market value if a person dies, ceases to be a resident or is subject to other deemed disposal events. Amounts included in income such as a recoupment of capital allowances are excluded from proceeds.

The proceeds must be reduced by:

- Any amount of the proceeds that must be or was included in gross income
- Any amount of the proceeds that must be (or was taken) into account when determining the taxable income (not being the capital gains tax inclusion in taxable income)
- Any amount of proceeds that is repayable during that year of assessment to the person who acquired the asset (in other words the proceeds are only reduced if they are repaid in the same year that they arose)
- Any reduction of proceeds resulting from the cancellation, termination or variation of the disposal agreement in the same year that the disposal took place (other than any cancellation or termination of an agreement that results in the asset being acquired by the person that disposed of it.

3.6 Base cost

Broadly the determination of the base cost[81] of an asset depends on whether the asset was acquired–

- Before 1 October 2001.
- On or after 1 October 2001.
- By donation, for a consideration not measurable in money or from a connected person at a non-arm's length price; or
- In consequence of a deemed disposal event such as death of a person, ceasing to be a resident or conversion of a capital asset to trading stock.

Some expenditure that may form part of the base cost of an asset are:

- The cost of the asset
- Transfer costs (including any VAT or transfer duty paid, to the extent that the amount does not qualify as an input tax under the VAT Act, or is otherwise not refundable under the VAT Act or the Transfer Duty Act)
- Cost of improvements to or enhancement of the value of the asset
- Advertising costs to find a buyer or seller
- Cost of having the asset valued in order to determine a capital gain or capital loss
- Costs directly relating to the buying or selling of the asset, for example, fees paid to a surveyor, broker, agent or consultant for services rendered
- Cost of establishing, maintaining or defending a legal title or right in the asset
- Cost of moving the asset from one place to another upon acquisition or disposal
- Cost of installing the asset, including the cost of foundations and supporting structures

[80] Paragraph 35 of the Eighth Schedule.
[81] Paragraph 20 of the Eighth Schedule.

Expenses such as borrowing costs, raising fees, bond costs, repairs and maintenance, rates and taxes, and similar expenses do not form part of an asset's base cost.

3.6.1 Assets acquired before 1 October 2001

The capital gain or capital loss relating to the period before 1 October 2001 must be excluded, hence, a value for the asset as at that date (referred to as the "valuation date value") needs to be determined. One of the following methods may be used to determine the valuation date value of the asset:

- 20% × (proceeds less allowable expenditure incurred on or after 1 October 2001). This method would typically be used when no records have been kept, and no valuation was obtained as at 1 October 2001.
- Market value of the asset on 1 October 2001. In order to use this method, the asset must have been valued on or before 30 September 2004 except in the case of certain assets whose prices were published in the Government Gazette, such as South African-listed shares or participatory interests in collective investment schemes.
- Time-apportionment base cost method. This is a method of calculating the value of the asset based on how long a person has owned it before, and on or after 1 October 2001.

3.6.2 Assets acquired on or after 1 October 2001

The base cost of an asset acquired on or after 1 October 2001 is the amount the taxpayer incurred for acquisition of the asset plus other expenditure incurred directly relating to buying, selling, or improving it. The base cost does not include any amount otherwise allowed as a deduction for income tax purposes.

3.6.3 Assets acquired by donation

An asset is deemed to be acquired at market value on the date of acquisition when it is acquired by way of donation, consideration not measurable in money, or transaction between a connected person not at an arm's length price.

3.7 Specific exclusions

The following are some of the specific exclusions which are not subject to CGT:

- A capital gain or capital loss on disposal of a personal use asset by a natural person or special trust.[82] Examples are motor vehicles, including a motor vehicle for which a travel allowance was received, caravans, furniture, and jewellery.
- The first R3 million[83] of the profit made (capital gain) on South African residents' primary residence is in South Africa is excluded. If the residence is held by, say two individuals (for ex ample, a husband and wife married in community of property) and both of them use it as a primary residence, the R2 million must be apportioned in relation to their interests, i.e., each spouse may claim an exclusion of up to R1,5 million if the property is sold. They cannot each claim R3 million. Where the residence is on land of more than two hectares, the exclusion only applies to the gain made on the residence, and two of the hectares of land that it is on, provided that the land is used mainly for domestic or private purposes together with the

[82] Paragraph 53 of the Eighth Schedule.

[83] Paragraph 45(1) of the Eith Schedule. The amount was increased from R2 million to R3 million with effect from 1 March 2026.

residence; and the land is disposed of at the same time and to the same person who buys the residence.[84]

- A capital loss on disposal by a creditor of debt owed by a connected person.[85]
- A "registered micro business", as defined under the Sixth Schedule, must disregard for CGT purposes, any capital gain or capital loss on disposal of any asset used mainly for business purposes.[86]
- Compensation for personal injury, illness or defamation.[87]
- A capital loss on the disposal relating to prizes or winnings from gambling, games or competitions.[88]
- A donation or bequest of an asset to an approved public benefit organisation.[89]
- Specified disposals of an interest of at least 10% of the equity shares in a foreign company.[90]
- Land or the right to land donated under land reform measures.[91]

Small businesses

A natural person who operates a small business as sole proprietor, in a partnership or owner in a company must, if specified requirements are met, disregard a capital gain on disposal of an active business asset, interest in the active business assets of a partnership or entire direct interest in a company. For purposes of this dispensation, the term "small business" means a business of which the market value of all its assets, as at the date of the disposal of the asset or interest, does not exceed R15 million.[92]

The person must have attained the age of 55 years, or the disposal must be in consequence of ill-health, other infirmity, superannuation or death, the person held the active business for at least five years before the disposal, and was substantially involved in the operations of the business of that small business during that period was substantially involved in the operations of the business of that small business during that period. The sum of amounts to be disregarded during the lifetime of the person may not exceed R2.7 million.[93]

3.8 Roll-over relief

Generally, roll-over relief means that recognition of the capital gain is deferred until a future date. Rollovers only apply in certain situations, e.g., where the special corporate rules apply. Rollovers apply in the following situations:

- Involuntary disposals (paragraph 65)
- Disposal by recreational club (paragraph 65B)
- Reinvestment in replacement assets (paragraph 66)
- Transfer of a unit by a share block company to its member (paragraph 67B)

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84 Paragraph 46 of the Eighth Schedule.
85 Paragraph 56 of the Eighth Schedule.
86 Paragraph 57 of the Eighth Schedule.
87 Paragraph 59 of the Eighth Schedule.
88 Paragraph 60 of the Eighth Schedule.
89 Paragraph 62 of the Eighth Schedule.
90 Paragraph 64B of the Eighth Schedule.
91 Paragraphs 64A and 64D of the Eighth Schedule.
92 Paragraph 57(1) of the Eighth Schedule. The amount was increased from R10 million to R15 million with effect from 1 March 2026.
93 Paragraph 57(3) of the Eighth Schedule. The amount was increased from R1,8 million to R2,7 million with effect from 1 March 2026.

- Mineral rights conversions and renewals (paragraph 67C)
- Communication license conversions (paragraph 67D)

3.9 Value-shifting arrangements

Value-shifting arrangements[94] are arrangements by which a person retains an interest in a company, trust, or partnership but the value of his interest reduces because his rights or entitlements change (i.e., a connected person benefits). This type of arrangement is a disposal for CGT purposes, and the time of disposal is the date on which the value decreases. The value of the interest of a connected person (held directly or indirectly in the company, trust, or partnership) can increase or the connected person can acquire an interest in the company, trust or partnership.

3.10 Inclusion rates

Once the net capital gain is determined, the relevant inclusion rate has to be applied to determine the person's taxable income for the year of assessment.[95]

Natural persons, deceased estates, insolvent estates and special trusts

For natural persons, deceased estates, insolvent estates and special trusts, 40% of the net capital gain is included in taxable income and is subject to income tax at the marginal rate of tax of that natural person, deceased estate, insolvent estate or special trust.

Companies and trusts (other than special trusts)

For companies and trusts other than special trusts, 80% of the net capital gain must be included in taxable income.

3.11 Annual exclusion

The annual exclusion applies only to natural persons and special trusts. The annual exclusion is R 50 000 per annum.[96] In the year that a person dies, the annual exclusion is increased to R440 000.[97]

The annual exclusion is not a deduction, but a reduction that reduces a person's total capital gains (to arrive at an aggregate capital gain) before the 40% inclusion rate is applied to any net capital gain remaining.

If the person's capital losses exceed his or her capital gains, the excess of the loss over the profit is reduced by the annual exclusion to arrive at an aggregate capital loss. This reduced loss is then carried forward to the next year of assessment after adding any assessed capital losses brought forward.

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94 Paragraph 23 of the Eighth Schedule.

95 Section 26A if the Income Tax, read with paragraph 10 of the Eighth Schedule.

96 Paragraph 5(1) of the Eighth Schedule. The annual exclusion was increased from R40 000 to R50 000 with effect from 1 March 2026.

97 Paragraph 5(2) of the Eighth Schedule. The amount was increased from R300 000 to R440 000 with effect from 1 March 2026.

4. International tax

4.1 Introduction

It is important to note that the term "international tax" is used for international aspects of income tax and does not constitute a separate tax type. Each country determines its own domestic tax rules which, generally, include the treatment of cross-border transactions.

There are some international bodies, including the SADC, the United Nations (UN) and the Organisation for Economic Cooperation and Development (OECD) that aims to harmonise taxes and develop international tax principles. The organisation seeks to promote economic development through issuing publications and statistics on various topics, including competition, corporate governance, electronic commerce, trade and taxation. The Model Tax Treaties developed by these organisations such as the OECD and the UN are used by many countries as a basis for drafting their double tax treaties. The Model Treaties are not binding.

4.2 Role of an international tax advisor

An international tax advisor is, generally, not expected to have a perfect knowledge of all foreign tax systems; his role is to act as intermediary between the client and the overseas expert to ensure that relevant and complete advice is sought and obtained.

From a South African perspective, the role of an international tax advisor would involve advising residents on the South African tax liability that will arise on income derived from foreign sources and also advising non-residents on their tax liability in respect of South African sourced income. This requires excellent knowledge of, at least, the following:

- Tax planning
- Domestic tax laws
- Tax treaty provisions & interpretation thereof
- Regional treaties (SADC, Model Tax Conventions, EAC, MTC, ATAF, MTC)
- International developments – "soft law" (OECD & UN)
- Exchange control regulations
- Specialisations
- Transfer pricing
- Treaty negotiation
- Corporate international tax
- Individual international tax
- Trusts

4.3 Base erosion and profit shifting (BEPS)

The term BEPS generally refers to tax avoidance by multinational enterprises that make use of gaps in the interaction of different tax systems to artificially reduce taxable income or shift profits to low-tax jurisdictions in which little or no economic activity is performed. To address BEPS the OECD recommends that countries should ensure that ensure profits are taxed where economic activities generating those profits are performed and where value is created. In this regard, the OECD issued a 15-point Action Plan:

- Action 1: Address the Tax Challenges of the Digital Economy
- Action 2: Neutralise the Effects of Hybrid Mismatch Arrangements

- Action 3: Strengthen Controlled Foreign Companies Rules
- Action 4: Limit Base Erosion via Interest Deductions and Other Financial Payments
- Action 5: Counter Harmful Tax Practices More Effectively, Taking into Account Transparency and Substance
- Action 6: Prevent Treaty Abuse
- Action 7: Prevent the Artificial Avoidance of PE Status
- Action 8: Assure that Transfer Pricing Outcomes are in Line With Value Creation / Intangibles
- Action 9: Assure that Transfer Pricing Outcomes are in Line With Value Creation / Risks and Capital
- Action 10: Assure that Transfer Pricing Outcomes are in Line With Value Creation / Other High-Risk Transactions
- Action 11: Establish Methodologies to Collect and Analyse Data on BEPS and the Actions to Address It
- Action 12: Require Taxpayers to Disclose Their Aggressive Tax Planning Arrangements
- Action 13: Re-examine Transfer Pricing Documentation
- Action 14: Make Dispute Resolution Mechanisms More Effective
- Action 15: Develop a Multilateral Instrument

4.4 Global Minimum Tax (Pillar 2)

The Pillar Two Model Rules (also referred to as the "Global Anti-Base Erosion" or "GloBE" Rules), were released on 20 December 2021, and are part of the Two-Pillar Solution to address the tax challenges of the digitalisation of the economy that was agreed by 137 member jurisdictions of the OECD/G20 Inclusive Framework on BEPS and endorsed by the G20 Finance Ministers and Leaders in October 2021. They were developed by delegates from all Inclusive Framework member jurisdictions and agreed and approved by consensus.

The GloBE Model Rules are designed to ensure large multinational enterprises (MNEs) pay a minimum level of tax on the income arising in each jurisdiction where they operate and establish a global minimum tax framework for these MNEs, ensuring that such groups pay a minimum tax of 15% on their income in every jurisdiction where they operate.

The Global Minimum Tax framework applies to large multinational enterprise (MNE) groups that meet specific criteria. Entities are in scope if they belong to a group with global consolidated turnover exceeding €750 million in at least two of the tax years immediately preceding the reporting fiscal year. This includes both publicly traded and privately held companies (as well as any subsidiaries, branches, or permanent establishments that form part of the consolidated group), a domestic joint venture and a domestic joint venture subsidiary of a domestic joint venture group. The rules are designed to capture MNEs with substantial international operations, regardless of the industry sector or the countries in which they are headquartered or operate.

Entities that fall below the €750 million turnover threshold, or those that do not form part of a consolidated group, are generally excluded from the scope of the Global Minimum Tax. In addition, the following entities are not in scope:

- Governmental Entities.
- International Organisations.
- Non-profit Organisations.
- Pension Funds.
- Investment Funds that are an Ultimate Parent Entity.
- Real Estate Investment Vehicles.

SARS will launch the Global Minimum Tax (GMT) on the SARS eFiling system with effect from 16 March 2026, as part of South Africa's implementation of the Global Anti-Base Erosion (GloBE) framework.

From the launch date, affected taxpayers will be able to subscribe to and administer Global Minimum Tax obligations via SARS eFiling, in accordance with existing governance and access controls applicable to legal entities on the system.

For more information, please refer to the Global Minimum Tax page on the SARS website.[98]

4.5 Transfer pricing

4.5.1 Introduction

From a tax perspective, the term "transfer pricing" refers to the pricing of transactions between related parties or connected persons. The OECD and UN have published detailed Transfer Pricing guidelines with suggestions on how to govern transactions between related parties from a tax perspective and recommended documentation standards. Even though the Transfer Pricing policy of a corporate group may not have an overall impact on that group's consolidated profits, the pricing can lead to the underpayment of tax in one or more jurisdiction as the price can be manipulated to shift profits from a county with a high corporate tax to a low tax jurisdiction.

To prevent such price distortions, SARS may assess the prices of transactions between related parties or connected persons to verify if the transactions have been priced at an arm's length price. If not, a transfer pricing adjustment may be made. Such adjustments can result in double taxation for MNEs operating in multiple jurisdictions. These entities may approach SARS to request Mutual Agreement Procedure ("MAP"), if provided for in the relevant Double Tax Agreement. The objective of the MAP process is to negotiate an arm's length position that is acceptable to both competent authorities and seek to avoid double taxation.

4.5.2 Methods

The following methods are commonly used to determine the arm's length price of a transaction.

- Traditional transactional methods
  - Comparable uncontrolled price method (CUP)
  - Resale price method (RP)
  - Cost plus method (CP)
- Profit based methods
  - Transaction net margin method (TNMM)
  - Profit split method

4.6 Thin capitalisation

In some instances, group companies may grant excessive loans in order to generate interest which could potentially be deducted in a high tax jurisdiction and treated as income in a low tax jurisdiction. This structure may also be achieved with back-to-back loan structures. As an anti-avoidance rule, the interest deduction may be limited.

There are two requirements before section 31 of the Income Tax can be applied, i.e.

- The terms and conditions of the transaction must differ from what they would have been had the parties been independent persons acting at arm's length.

[98] Global Minimum Tax | South African Revenue Service

- The transaction must result (currently or in the future) in a tax benefit being derived by a person that is a party to the transaction.

If a tax benefit arises, SARS will base the adjustment in what the transaction would have been had the parties been acting at arm's length. No interest deduction is allowed in respect of the "excess interest".

4.7 Foreign tax credits

Taxpayers are allowed to deduct foreign tax paid on income or capital gains that are taxable in South Africa if the taxpayer is a South African resident. It also applies to the net income of a controlled foreign company that is attributed to a South African resident shareholder and to certain foreign income and capital amounts attributed to a South African tax resident person.[99]

The rebate is limited to the South African tax on the foreign income, but in calculating this limit, all the foreign source income and foreign tax can be pooled. Only foreign tax on income which is fully exempt from tax in South Africa, or no part of which is included in taxable income must be ignored. Section 6quat is the only provision for claiming relief for foreign tax paid on foreign source income, unless a DTA or section 6quat(1C) of the Income Tax applies.

Section 6quat(1C) of the Income Tax Act provides that any foreign tax on income may be deducted from a resident's trading income which is subject to the tax, e.g. if the income on which the foreign tax is paid. This deduction is at the election of the resident and cannot exceed that portion of the person's taxable income which arises from the foreign income (section 6quat(1D)). The rebate is calculated on a pooled basis i.e. all foreign income is pooled, and all foreign taxes are pooled. It is not necessary to link each amount of foreign tax to each amount of foreign income.

Where the sum of any taxes payable to the government of another country exceeds the rebate, the excess may be carried forward to the next year and be deemed to be tax paid to a foreign government in that year. The excess may be claimed as a rebate after foreign taxes paid in that year have been claimed. If the rebate so calculated is less than the South African tax on the foreign income the excess foreign tax, brought forward from the previous year, may be claimed.

For more information, please refer to Interpretation Note 18.

4.8 Participation exemption

4.8.1 Foreign return of capital from a CFC

Paragraph 64B of the Eighth Schedule to the Act contains a participation exemption relating to the sale of shares in a foreign company. This participation exemption is subject to certain qualifying requirements. One of those requirements is that the South Africa resident selling the shares in a foreign company should have held those shares for a period of at least 18 months prior to the sale. With effect from 1 January 2024, a similar 18-month holding requirement that currently applies to the participation exemption relating to the sale of shares in a foreign company was introduced for the participation exemption in respect of the foreign return of capital in a foreign company. The amendment applies to any foreign return of capital received or accrued in or after a January 2024.

4.8.2 Sale of foreign shares

Participation exemption was introduced in 2003 to exemptions is to encourage the repatriation to South Africa o foreign dividends and the proceeds on the sale of shares in foreign companies to non-connected non-residents. The participation exemption relating to foreign dividends from foreign

[99] Section 6*quat* of the Income Tax Act.

companies in section 10B of the Act as well as participation exemption relating to the sale of shares in foreign companies in paragraph 64B of the Eighth Schedule to the Act.

With effect from 1 November 2023, the participation exemption will be extended to include any interest disposed of to a non-resident company that formed part of the same group of companies as the company disposing of the shares at any time during a period of 18 months before that disposal; or Interest disposed of to a non-resident company, the shareholders of which, immediately after the disposal, are substantially the same as the shareholders of any company in the group of companies disposing of the shares.[100]

4.9 Foreign dividends from shares listed in South Africa

Foreign dividends received or accrued from shares listed on a South African stock exchange are currently exempt from normal tax. The rationale for this exemption is that these foreign dividends are subject to dividends tax and the collection of dividends tax on the basis of withholding taxes is more effective than taxing shareholders receiving those foreign dividends under the income tax system.[101]

As an anti-avoidance measure, the exemption is denied for the participation exemption in section 10B(2)(a) of the Income Tax Act in respect of a foreign dividend determined with reference to a deductible amount paid or payable by any person. The country-to-country exemption in section 10B(2)(b) of the Income Tax Act is also denied for foreign dividends that are directly or indirectly sourced from tax deductible payments.

With effect from 1 January 2024, the round-tripping anti-avoidance provision for foreign dividends be extended to foreign dividends received or accrued from shares listed on a South African stock exchange if the foreign dividends are directly or indirectly funded by amounts that were deductible in South Africa. In order to limit the impact of the round tripping anti-avoidance measures on legitimate transactions, the round tripping anti-avoidance rule in section 10B(4) of the Income Tax Act only applies in respect of foreign dividends that are declared from profits provided that at least 20 per cent of the profits were generated from transactions with persons that deducted the amounts paid or payable from income.

4.10 Non-resident beneficiaries of trusts

The gradual relaxation of exchange control regulations has led to an increase in applications to SARS for confirmation of tax compliance status of a person for purposes of transferring funds offshore via authorised dealers.

Section 25B of the Income Tax Act provides that the income of a trust is taxed either in the trust or in the hands of beneficiaries. However, section 25B is subject to section 7 of the Income Tax Act which may result in some other person instead of the trust or beneficiaries may be taxed. With effect from 1 March 2024, Section 25B of the Income Tax Act is amended to align with paragraph 8- of the Eighth Schedule to limit the flow-through principle to resident beneficiaries.

[100] Paragraph 64B of the Eighth Schedule.
[101] Section 10B of the Income Tax Act.

5. Customs duty

Customs duty is levied on imported goods. This duty, if expressed as a percentage (ad valorem), is always calculated as a percentage of the value of the goods. However, with certain agricultural products the duty is expressed as a specific rate, for example, cents per kilogram and cents per litre based on the volume of the goods. The relevant customs duty is determined based on the valuation of the imported goods, country of origin and applicable tariff.

5.1 Tariff classification

The tariff clarification is based on the international Harmonized Commodity Description and Coding System (HS)'s classification of goods. The HS is subdivided into sections, chapters, sub-chapters, headings, subheadings and notes.

5.2 Customs valuation

The process whereby Customs authorities assign a monetary value to imported goods for duty purposes is known as customs valuation. Customs valuations are governed by South African Customs legislation and principles per the World Trade Organisation (WTO) and World Customs Organisation (WCO). The hierarchy of Customs valuation methods are as follows:

1. Transaction value method
2. Identical goods method
3. Similar goods method
4. Deductive method
5. Computed method
6. Fall-back method

The customs value of any commodity is established under the General Agreement on Tariffs and Trade (GATT) valuation code, through the use of the above valuation methods. Most goods are valued by using method 1, which is the actual price paid or payable by the buyer of the goods. The Free on Board (FOB) price forms the basis for the calculation of duties, levies and taxes, allowing for certain deductions (for example, interest charged on extended payment terms) and additions (for example, certain royalties) to be affected.

In determining the customs value, SARS pays particular attention to the relationship between the buyer and seller, payments outside of the normal transactions, for example, royalties and licence fees and restrictions which have been placed on the buyer. These aspects can result in the price paid for the goods being increased for the purpose of determining a customs value and thus directly affecting the customs duty payable.

5.3 Clearance declarations

Declarations made at the time of importation and exportation must be accurate and correct. Customs may confiscate goods and impose penalties of up to three times the value of the goods if errors are detected or false declarations are made.

Declarations and related documents must normally be retained for five years.

5.4 Duty-free allowances

Certain consumable goods may be imported as accompanied passenger's baggage without the payment of customs duties and VAT by a person (whether the passenger is a resident or not), but not exceeding the following limits:

Description	Duty-free allowance
Wine	2 litres per person
Spirits and other alcoholic beverages	1 litre per person
Cigarettes	200 per person
Cigars	20 per person
Cigarette or pipe tobacco	250g per person
Perfume	50ml per person
Eau de toilette	250 ml per person

In addition to the abovementioned goods, new or used goods up to the value of R5 000 per person (included in accompanied passengers' baggage), may be imported without the payment of duty and VAT.

The duty-free allowance for such goods (new or used) imported for personal use remains applicable for any such goods up to a value of R20 000, notwithstanding the fact that the total of such goods may exceed that amount. The traveller will be entitled to these allowances once per person during a period of 30 days after an absence of 48 hours from South Africa.

Visitors may be required to pay a cash deposit to cover the duty and the VAT on expensive articles, for example, digital cameras temporarily imported into South Africa. The deposit on the goods is refunded on departure from South Africa. Allowances may not be pooled or transferred to other persons.

Minors

Children under 18 years may also claim duty-free allowances on goods imported by them with the exception of alcohol and tobacco products, regardless of whether they are accompanied by their parents or guardians or not, provided the goods are for their personal use. Parents or guardians may make customs declarations on behalf of minors.

Household goods – returning residents and immigrants

Bona fide household effects may be imported free of duty, provided that the importer's residence is changed to South Africa on a permanent or temporary basis. Importers such as contract workers and students may also import their bona fide household effects under rebate of duty.

The requirement would, however, be that household effects are re-exported or sold locally once the work contract or studies are concluded. This is subject to the household effects not been sold, lent, hired or disposed of in any manner within six months since importation. Importers taking up temporary residence in South Africa on a regular or continuous basis, for example, people with holiday homes, do not qualify for this rebate.

Motor vehicles

Natural persons changing their residence on a permanent basis to South Africa may import one motor vehicle into South Africa duty-free. This person would be required to qualify as a permanent resident sanctioned by the Department of Home Affairs. South Africans working or studying abroad do not qualify for this rebate item.

Motor vehicles used in South Africa by tourists may be imported under rebate of duty for three months which may be extended to six months. After six months the motor vehicles must be re-exported.

5.5 Import duty

Import duty is generally applied when goods first enter South Africa. No import duty is applied on human remains, personal effects (subject to some limitations), goods in transit and goods of minimal value.

Payment of import duty can be deferred in certain instances, for example if the goods are stored in a Customs-controlled warehouse.

5.6 Additional duties

5.6.1 Anti-dumping duties

Dumping is a process where a company exports a product at a price lower than the price it normally charges in its own home market. The purpose of the anti-dumping duty is to protect domestic industries from cheap foreign goods. The duty is imposed on the foreign exported but is paid by the importer.

5.6.2 Countervailing duties

Countervailing duties are also known as anti-subsidy duties as it is a trade import duty imposed to negate the effect of subsidies provided in the export country. These duties are imposed to protect the relevant South African industries from subsidized exports.

Countervailing duties are not based on price difference alone, but the following is also considered before such duty is imposed:

- Whether there are subsidies for the specific industry or geographical area in the export country
- Whether the industry in South Africa is suffering injury as a result of the subsidy
- There must be a causal link between the injury suffered by the local industry and the linked subsidised product.

5.6.3 Safeguard duties

Safeguard duties are additional import duties imposed when the quantity of goods imported into a country is above the acceptable level and causes or threatens to cause considerable damage to domestic manufacturing or prevents the formation of domestic industries/ manufacturing. Safeguard measures include the imposition of an additional duty, a quota or a combination of the two.

Safeguards are emergency measures to protect domestic industries from disruptive competition. The duration of safeguard measures may not exceed four years, unless extended. Safeguard duties are applied irrespective of origin of goods and may only be applied to the extent necessary to address serious injury to a specific South African industry.

6. Dividend tax

6.1.1 Scope

Dividends tax[102] is a final tax at a rate of 20%, in respect of dividends paid by resident companies, and non-resident companies on shares listed on the JSE or other South African licensed exchanges.[103]

6.1.2 Exemptions

Dividends are tax exempt if the beneficial owner of the dividend is a South African company, retirement fund, or other exempt person.[104] Non-resident beneficial owners of dividends may benefit from reduced tax rates in limited circumstances.

6.1.3 Deemed dividends

There is a deemed dividend implication where a low interest or interest-free loan or advance is made by a company to a resident natural person or trust connected to the company or to a connected person (other than a company). The deemed dividend is the difference between the interest rate charged and the official interest rate applied to the loan amount and is treated as a cash dividend.

6.1.4 Responsibility to pay the tax

The tax is to be withheld by companies paying the taxable dividends, or by regulated intermediaries in the case of dividends on listed shares.[105] The tax on dividends in kind (other than in cash) is payable and is borne by the company that declares and pays the dividend.[106]

[102] Part VIII of the Income Tax Act.
[103] Section 64E of the Income Tax Act.
[104] Section 64F of the Income Tax Act.
[105] Section 64EA of the Income Tax Act.
[106] Section 64FA of the Income Tax Act.

7. Donations tax

7.1.1 Scope

Donations tax[107] is levied at a flat rate of 20% on the cumulative value of property donated, not exceeding R30 million, and at a rate of 25% on the cumulative value of property donated since 1 March 2018 exceeding R30 million.[108] The term "property" is widely defined to refer to any right in or to property movable or immovable, corporeal or incorporeal, wheresoever situated. Donation means any gratuitous disposal of property including any gratuitous waiver or renunciation of a right.

7.1.2 Exemptions

The first R100 000 of property donated in each year by a natural person is exempt from donations tax.[109] In the case of a taxpayer who is not a natural person, the exempt donations are limited to casual gifts not exceeding R20 000 per annum in total.[110]

Dispositions between spouses, South African group companies, and donations to certain public benefit organisations, are exempt from donations tax.

7.1.3 Deemed donations

Where any property has been disposed of for a consideration which, in the opinion of the Commissioner, is not an adequate consideration for that property, it will be deemed to have been disposed of under a donation.[111] The value of the donation will be the difference between the actual consideration and "reasonable" consideration determined for the property.

7.1.4 Responsibility to pay the tax

The donor is responsible for paying the donations tax. If the donor fails to pay the tax, the donor and done are jointly and severally responsible for the tax.[112]

7.1.5 Summary

Description	2025/26	2026/27
Annual exemption: Natural persons	R100 000	R100 000
Annual exemption: Other – casual gifts	R10 000	R20 000
Donation tax: First R30 million	20%	20%
Donation tax: Donations exceeding R30 million	25%	25%

[107] Part V of the Income Tax Act.
[108] Section 64 of the Income Tax Act.
[109] Section 56(2)(b) of the Income Tax Act.
[110] Section 56(2)(a) of the Income Tax Act. The amount was increased from R10 00 to R20 000 with effect from 1 March 2026 and applies in respect of years of assessment starting on or after this date.
[111] Section 58 of the Income Tax Act.
[112] Section 59 of the Income Tax Act.

8. Employee tax

8.1 Pay as you earn

The purpose of PAYE is to ensure that an employee's income tax liability calculated on remuneration is settled at the same time that the remuneration is earned. The advantage of this system is that the liability for the year of assessment is settled over the course of that whole year.

Employers are required to withhold PAYE from the remuneration of their employees, which is calculated on the balance of remuneration (remuneration less deductions). The calculation of employees' tax is based on the standard tax rates for that year of assessment. However, temporary employees (also known as "non-standard employees") will not be taxed based on the standard tax rates for employees' tax deduction purposes.

A standard employee is an employee who works for 22 hours or more a week or works fewer than 22 hours a week and has made a written declaration that he/she has no other employment. Where an employee works fewer than 22 hours a week and has another job, that employee is "non-standard". Employers must deduct employees' tax at a rate of 25% from the taxable remuneration paid to the non-standard employee. However, no tax is deducted if the non-standard employee worked at least five hours on a specific day, and the daily rate of pay is less than the equivalent of the annual tax threshold.

The PAYE deducted must be paid over to SARS within seven days after the end of the month during which such deduction was made. The deduction is determined according to tax deduction tables.

8.1.1 Remuneration paid/payable to employees

Remuneration paid or payable by employers is subject to the deduction of PAYE to the extent it exceeds the relevant income tax threshold. Employees' tax certificates (IRP5s) must be issued to employees from whose remuneration PAYE has been deducted. These certificates reflect a breakdown of remuneration received, deductions made from the remuneration and PAYE deducted.

An employer must provide an employee with an IT3(a) certificate in respect of taxable benefits and remuneration from which PAYE was not deducted.

8.1.2 Remuneration paid/payable to directors

The remuneration of directors of companies (including individuals in close corporations performing similar functions) is subject to the deduction of PAYE. However, if the director is a non-executive director, amounts received in that capacity for services rendered as a board member are not "remuneration" and are not subject to the deduction of PAYE.

8.1.3 Payments to personal service providers

Payments made to a personal service provider are subject to the deduction of PAYE.

8.1.4 Payments to labour brokers

A labour broker is any natural person who conducts or carries on any business and who for reward, provides a client of the business with other persons to render a service or perform work for such client or procures such other persons for the client, but does not personally provide the service or perform the work, for which service or work these other persons are remunerated by the client.

Employers are required to deduct PAYE from all payments made to a labour broker, unless the labour broker is in possession of a valid exemption certificate issued by SARS. Remuneration paid to persons who render services to or on behalf of a labour broker is subject to the deduction of PAYE by the labour broker.

8.1.5 Independent contractors

An amount paid or payable for services rendered or to be rendered by a person in the course of a trade carried on by this person independently of the party by whom the amount is paid or payable and to whom the services are rendered or are to be rendered is excluded from remuneration for PAYE purposes.

8.1.6 Income from more than one source

Taxpayers who receive income from more than one source of employment need to note that employees' tax (PAYE) deducted by the respective employers may not be enough to cover their final tax liability on assessment as a progressive tax rate table is used to determine the final tax liability of the taxpayer on assessment. A progressive tax rate system means that the more income is earned, the higher is the marginal tax rate and more tax is paid on assessment.

By deducting PAYE every month, the employer is assisting a taxpayer to pay his or her tax liability in advance. Where more than one employer is involved, even though each of them deducts the correct amount of PAYE on the salary they each pay, when all the sources of income are added together, and the correct tax rate is applied this may result in an additional amount of tax to be paid on assessment.

To assist taxpayers who are in this situation, the Income Tax Act allows a taxpayer to make additional voluntary tax payments. Taxpayers receiving a salary may make a written request to one or more employers to deduct additional monthly PAYE. A provisional taxpayer may instead pay a higher amount of provisional tax. In this way a taxpayer is able to reduce the additional amount of tax payable when the annual income tax return is assessed.

8.1.7 Retired, resigned and deceased employees

An employer, who ceased to be an employer in relation to an employee, for example when an employee dies, is required to deliver an employees' tax certificate within 14 days of the date on which employment ceased to the former employee (or to such deceased employee's representative).[113]

Deceased employees

The employer must, therefore, deliver an employees' tax certificate within 14 days after the employee passed away. The employer is required to provide the employees' tax certificate to the executor acting as the representative taxpayer of the deceased employee.

The provisions of paragraph 14(5) of the Fourth Schedule that states the employees' tax certificate shall not be delivered until the EMP501 reconciliation was submitted to SARS, is not applicable to the circumstances envisaged under paragraph 13(2)(b). An employer must, therefore, in the case of an employee's death, provide the employees' tax certificate even if the reconciliation is not yet submitted.

The executor, as the representative taxpayer, is responsible to finalise the financial and tax affairs of the deceased employee efficiently and without any unnecessary delays. The executor should,

[113] Paragraph 13(2)(b) of the Fourth Schedule.

therefore, ensure that the necessary documentation, e.g. the employees' tax certificate is obtained from the deceased's employer.

Retired/resigned employees

The provisions of paragraph 13(2)(b) also apply in the case of an employee who retired or resigned. The employer must ensure that the employees' tax certificate is provided to the employee within 14 days after resignation or retirement. If the employer fails to provide the employees' tax certificates, the employee must request it from the employer.

8.2 Employment Tax Incentive

The Employment Tax Incentive (ETI) is an incentive that may be claimed by eligible employers as encouragement to

employ –

- young employees between the ages of 18 and 29 years.
- employees of any age employed by an employer that is a qualifying company and renders services to that employer mainly within the special economic zone in which the qualifying company that is the employer carries on trade; or
- employees of any age in any industry identified by the Minister of Finance by notice in the Government Gazette.

Payment of the incentive is affected by eligible employers reducing the PAYE due by the amount of the ETI that may be claimed, provided that the requirements of the ETI Act are met. PAYE is deducted and withheld from the remuneration of employees and accounted for to SARS (usually monthly) via the PAYE system.

The ETI commenced on 1 January 2014 and will end on 28 February 2029. During this period, the employer may claim the ETI for a maximum of 24 individual months per qualifying employee. The ETI is subject to continuous review of its effectiveness and impact to determine the extent to which its core objective of reducing youth unemployment is achieved.

The employer is required to perform a monthly calculation to determine the amount of the ETI which may be claimed per qualifying employee. The calculation considers –

- the monthly remuneration paid to the qualifying employee.
- the period for which the qualifying employee is employed; and
- the amount or percentage which may be claimed.

The table below illustrates how the ETI is calculated in relation to the remuneration received by a qualifying employee:

Monthly remuneration	ETI per month during the first 12 months in which the employee qualified	ETI per month during the next 12 months in which the employee qualified
R0 – R2 499	60% of monthly remuneration	30% of monthly remuneration
R2 500 – R5 499	R1 500	R750
R5 500 – R7 499	R1 500 – (75% of monthly remuneration – R5 500)	R750 – (37.5% of monthly remuneration – R5 500)

The employer must add any amounts rolled over from previous months to the amount of the ETI for the current month.

Employers will be able to claim the incentive at a rate of 60 per cent of the wages below R2 500 per month, where such wage minimums are allowed due to existing exemptions. The maximum value of R1 500 per month will apply to employees earning between R2 500 and R5 500 monthly, up from R2 000 and R4 500 previously. The incentive value will decline as wages increase, tapering to zero at a monthly income of R7 500 (previously R6 500).

Where employer employs a qualifying employee for less than 160 hours in a month, the amount of tax incentive to be received by the employer for that month in respect of that qualifying employee must be an amount that bears to the total amount calculated the same ratio as the number of hours that the qualifying employee was employed and is paid remuneration in respect of those hours by that employer in that month bears to the number 160.

An employer cannot reduce its employees' tax liability if on the last day of that month, if the employer is non- tax compliant, meaning has:

- Failed to submit any return.
- Any tax debt outstanding, excluding where:
  - An agreement has been concluded for a deferral payment.
  - An agreement has been concluded for compromise of a tax debt.
  - Tax debt has been suspended pending an objection or appeal; or
  - Tax debt is less than R100 for total debt across all taxes.

For both tax compliant and non-tax compliant employers, any unclaimed monthly ETI must be claimed by the last month of each PAYE reconciliation period (namely August or February). Any unclaimed amounts at the said time will be forfeited, on the first day of the month following the end of the PAYE reconciliation period (either 1 September or 1 March).[114] As a result, the excess ETI on either 1 September or 1 March will be deemed to be nil.

[114] Section 9(4) of the Employment Tax Incentive Act.

9. Estate duty

The estate of a deceased person who was ordinarily resident in South Africa, will, for estate duty purposes, consist of all property wherever situated, including deemed property (for example, life insurance policies). However, property physically situated outside South Africa will be excluded from the deceased's estate if the deceased was not ordinarily resident in South Africa at the time of death.

A deduction against the net value of an estate is allowed on the value of the property situated outside South Africa which was acquired before the deceased person became ordinarily resident in South Africa for the first time, or after this person became ordinarily resident in South Africa for the first time and had acquired the property by way of donation or inheritance from a person who was not ordinarily resident in South Africa at the date of such donation or inheritance. The deduction also applies to property situated outside South Africa which was acquired by the deceased out of profits and proceeds of any such property.

The Estate Duty Act only refers to persons who are ordinarily resident of South Africa. Consequently, a person who is not ordinarily resident of South Africa but becomes resident for income tax purposes based on his/her physical presence is not regarded as a South African resident for Estate Duty purposes. This distinction is quite important as the estate of a person who was not a resident of South Africa is only subject to estate duty to the extent that it consists of certain property of the deceased in South Africa.

The duty is calculated on the dutiable amount of the estate. Certain admissible deductions are made from the total value of the estate, including:

- The value of property in the estate that accrues to the surviving spouse.
- All debts due by the deceased if the relevant requirements are met.
- The net value of the estate is reduced by a R3,5 million general deduction to arrive at the dutiable amount of the estate.

Estate duty is charged at a rate of 20% on the first R30 million of the dutiable amount of the estate and 25% on any dutiable amount of the estate exceeding R30 million.

Estate duty is due within one year from the date of death or 30 days from the date of assessment if the assessment is issued within one year from the date of death.

The South African government has entered into agreements with Botswana, Lesotho, Eswatini, Zimbabwe, the United Kingdom and the United States of America to eliminate double taxation relating to death duties. These agreements are available on the SARS website.

10. Excise tax and environmental levies

Excise duties and levies are imposed mostly on high-volume daily consumable products (such as specific excise duties on alcoholic beverages, tobacco products and petroleum products) as well as ad valorem excise duties on certain non-essential or luxury items (such as electronic equipment and cosmetics).

These specific and ad valorem excise duties, environmental levies, fuel levies and health promotion levies are imposed with the aim of raising revenue and to promote desirable socio-economic outcomes. For example, ad valorem excise duties enhance the progressivity of the indirect (consumption) taxes, while specific excise duties and the various levies discourage both the production and consumption of products that cause harm to health or the environment.

These excise duties and levies are generally rebated or refunded when such goods are applied in further manufacture or exported. For example, the fuel levy on diesel is partly refunded to primary producers in farming, forestry and mining subject to strict conditions.

Excise duties are payable by manufacturers and importers of the following products for local consumption and are levied throughout SACU:

- Alcohol and tobacco products
  - Malt beer
  - Traditional African beer
  - Spirituous products
  - Wine, vermouth and other fermented beverages
- Tobacco products
- Petroleum products
- Ad Valorem products

South Africa imposes levies on the following products:

- Fuel levy and Road Accident Fund (RAF) levy on fuel and petroleum products
- Environmental levy products (plastic bags, non-renewable electricity generation, incandescent light bulbs, motor vehicle CO2 emissions, and tyres)
- Health promotion levy products (sugary beverages and preparations and concentrates for the making of sugary beverages)
- Domestic greenhouse gas emissions subject to carbon taxation

Manufacturers of these products in South Africa must register and licence with SARS for Excise purposes before they commence manufacture. These duties and levies are self-assessed by the client per periodic excise return and, depending on the product, paid to SARS on either a monthly, quarterly or annual basis.

10.1 Environmental levies

An environmental levy is collected on specific products to encourage more environmentally sustainable business and consumer practices. Guides on environmental levies (such as on vehicle emissions tax and plastic bags) are available on the SARS website.

10.1.1 Carbon tax

The carbon tax plays an integral role in South Africa's climate change mitigation efforts. It increased from R236 to R308 per tonne of carbon dioxide equivalent (tCO_2e) from 1 January 2026. From 1 April 2026, the

carbon fuel levy will increase by 5c/litre to 19c/litre for petrol and 23c/litre for diesel, as required under the Carbon Tax Act (2019). The carbon tax cost recovery quantum for the liquid fuels sector increased from 0.99c/litre to 1.29c/litre from 1 January 2026 to align with the increase of the headline carbon tax rate.

10.1.2 Carbon emissions

Carbon taxpayers who conduct taxable activities that result in greenhouse gas emissions must licence the combination of those emissions facilities over which they have operational control as their manufacturing warehouses for environmental levy purposes.

Licensees must submit their annual carbon tax accounts and payments in July of the year following the annual tax periods. The current rate with effect from 1 January 2026 is R308 per tonne of carbon dioxide equivalent. [115]

Section 4(2)(b) of the Carbon Tax Act provides the formulas to be used by companies to calculate the carbon dioxide equivalent (CO2e) emission factors for fugitive emission activities. The formulas apply to oil, natural gas and coal mining and handling. In the 2023 and 2024 Budgets, new fugitive emission categories for solid fuel transformation and coal to liquid fuels were added to the schedule 1 fugitive emissions factor table. To provide clarity to taxpayers on the formula to be used to calculate the CO2e factors for these activities, it is proposed to apply the formula for oil and natural gas to solid fuel transformation (IPCC code 1B1C) activities, including coke and charcoal production. A new formula will be considered for calculating the emission factors for the coal to liquid fuel and charcoal production activities where calorific values may be required to convert emissions to tonnes.

10.1.3 Electric filament lamps

A levy is charged on electric filament lamps to promote energy efficiency and to reduce the demand on electricity. The current levy is R20 per light bulb.

10.1.4 Non-renewable electricity generation

Non-renewable electricity generated at an electricity generation plant is liable to a levy calculated on the quantity generated at the time such generation of electricity takes place and any losses incurred subsequent to the electricity generation process or electricity exported shall not be deducted or set off from the total quantity of electricity accounted for on a monthly environmental levy account.

The current levy is 3,5 cents per kWh.

10.1.5 Plastic bags

A levy is charged on certain plastic carrier bags and flat bags (including single use grocery bags and shopping bags). Local manufacturers of such bags must license their premises as manufacturing warehouses with their local Customs and Excise Office and submit quarterly excise accounts to such Controller.

The current levy is 32 cents per bag. Plastic bags used for immediate wrapping or packaging, zip-lock bags and household bags, including refuse bags and refuse bin liners, are excluded from paying this levy.

[115] Section 5 of the Carbon Tax Act.

10.1.6 Tyres

An environmental levy on new tyres is applicable since 1 February 2017 on certain pneumatic tyres at a rate of R2.30 per kilogram of the nett mass of the tyre.

The tyre levy rules define "nett mass" as the design mass in respect of any tyre that has been verified and specified in writing by the tyre manufacturer to its customer. "Design mass" is defined as the weight in respect of a certain size, type or class of tyre that forms part of the design specifications for that particular category of tyre.

The tyre levy rules also provide a proxy formula to calculate the net mass for tyre levy purposes when the actual nett mass is unknown. In such instances, proof of the design mass of a similar size, type and class of tyre must be obtained in writing and then increased by 10% to account for typical variances in tyre weights.

Domestic manufacturers of tyres must licence manufacturing warehouses and submit quarterly tyre levy accounts and payments. Vehicle manufacturers may utilise their special manufacturing warehouse licences for tyre levy accounting purposes.

10.2 Health promotion levy

The sugary beverages levy applies to specific sugary drinks, as well as preparations and concentrates used in the manufacture of sugary drinks. The levy rate as of 1 April 2019 is 2.21 cents per gram of the sugar content of the finally mixed beverage that exceeds 4 grams per 100 millilitres and applies to locally manufactured and imported products that are consumed locally. Treasury indicated that it will soon publish a discussion paper on the levy for consultation on proposals to extend the levy to pure fruit juices and to lower the 4-gram threshold.

Local manufacturers of sugary beverages levy goods must license their premises as manufacturing warehouses with their local Customs and Excise Office and submit monthly Excise accounts.

10.3 Foodstuff Manufacturers Scheme

In the 2023 budget speech, the Minister of Finance announced a tax relief measure to address the load shedding problem the country is facing. A diesel refund, limited to 80% of the Road Accident Fuel (RAF) levy, was to be extended to the manufacturers of foodstuffs for the use of diesel in generating electricity. The minister stated that the aim of the implementation of this relief was to limit the impact of power cuts on food prices. This refund would be in effect from 1 April 2023 to 31 March 2025.

This Diesel Refunds for Foodstuff Manufacturers Scheme (DRFMS) is different and separate from the Diesel Refund System which is reflected in rebate item 670.04 of Schedule 6 Part 3 of the Customs and Act No. 91 of 1964 (C&E Act) for the primary producers on land (mining, forestry, farming), offshore activities, harbour vessels, rail freight and certain electricity generating plants.

The pre-requisite for application for the Diesel Refunds for Foodstuff Manufacturers requires registration for VAT, although it is not administered on the VAT system. The application to register as a refund user is done via the DA 185 form accompanied by Annexure DA185.4A3 form and the supporting documents, which are to be submitted via SARS Online Query System (SOQS). The opening date for registration applications is 29 September 2023 and refund claims will be backdated to 1 April 2023 as the date of registration. The following documents are required for the registration process:

- Details of the generators and equipment used in the food manufacturing process.

- If the entity owns multiple manufacturing facilities, information in respect of each manufacturing premises must be furnished separately for each premises on an Addendum which must be attached to form DA185.4A3.
- Department of Trade and Industry permit.

The refund is limited to 80% of the RAF levy on the diesel purchased and used to generate electricity for the manufacturing of foodstuffs.

For purposes of this scheme, the term “manufacture” means the execution of operations at a manufacturing facility that results in the production of foodstuff for profit, including the following activities:

• Slaughtering of animals in an abattoir.

• Mixing, forming or producing foodstuffs.

• Processing, converting or extracting foodstuffs.

• Handling, storing or preserving foodstuffs.

• Conveying or transferring foodstuffs.

• Packing or measuring off foodstuffs.

• Lighting or air-conditioning for such manufacture.

• Waste management as the result of manufacture; or

• Electricity generation for such manufacture.

The term manufacturing premises refers to the business premises where foodstuffs are manufactures, excluding any business premises at which the floor surface of the publicly accessible portion of the trading area for wholesale or retail sales outlet activities comprises more than 10 per cent of the total floor surface of the business premises, and premises where only the wholesale or retail distribution or sale of goods takes place.

SARS will only consider refunding the RAF levies if the person and the manufacturing premises are registered, the DA66 refund form is submitted with the required supporting documentation, and the diesel was purchased and used in South Africa. The supporting documentation must show the full audit trail of the diesel refund claim and may include, for example, storage logbooks, usage logbooks, delivery notes and purchase invoices.

If the same facility is used to power multiple machinery/equipment used to manufacture both foodstuffs and non-foodstuffs, the user must apportion the volume of diesel based on the ratio used for manufacturing foodstuffs relative to overall diesel usage. If the diesel volume cannot be gauged with reasonable certainty, the average diesel consumption can be used.

11. Securities transfer tax

Securities transfer tax (STT) is a tax levied under the Securities Transfer Tax Act 25 of 2007 and is payable on the transfer of any security issued by a close corporation or company incorporated in South Africa as well as foreign companies listed on the South African stock exchange. For purposes of this tax, the term “security” means any share or depository receipt in a company or any member’s interest in a close corporation.

The tax is imposed at a rate of 0.25 % on the transfer of listed or unlisted securities.

Securities transfer tax is payable by the transferee (purchaser), if securities are transferred; or the company or close corporation cancelling or redeeming the share, if the securities are cancelled or redeemed. STT must be paid electronically through the SARS e-STT system.

The person who is liable to pay the STT may, however, recover the tax from the person to whom the securities are transferred. Securities transfer tax on the transfer of securities must be paid as follows:

- Listed securities – by the 14th day of the month following the month during which transfer of the securities occurred.
- Unlisted securities – within two months from the end of the month during which the transfer of the securities occurred.

The transfer of securities to certain entities and certain types of transactions are exempt from STT, for example –

- transfers to any sphere of the government of South Africa or to any sphere of the government of any other country.
- transfers to certain public benefit organisations (PBOs).
- heirs or legatees that acquire securities through an inheritance; or
- certain share transactions which are subject to transfer duty such as the acquisition of shares in a share block company.

For more information see the External Reference Guide: Securities Transfer Tax.

12. Skills development levy

SARS administers the collection of skills development levies under the Skills Development Levies Act 9 of 1999. Skills development levy is levied on payrolls to finance the development of skills and thus enhance productivity.

An employer must pay SDL if it anticipates, on reasonable grounds, that its total payroll (salaries, wages and other remuneration) over the next 12 months will exceed R500 000. Employers with an anticipated payroll of R500 000 or less (whether registered for PAYE purposes with SARS or not) during the following 12-month period are exempt from the payment of this levy.

Skills development levy is payable by employers at a rate of 1% of the payroll. Employers providing training to employees will generally receive grants from the Sector Education and Training Authorities (SETAs) under this initiative, to be used for, amongst other things, developing the skills of the South African workforce.

The application form to register for SDL is the same form that is used to register for PAYE (EMP101). The monthly return for SDL is combined with the monthly return for PAYE (EMP201) which means that the same provisions apply for submission and payment.

For more information see the External Guide: Guide for Employers in respect of Skills Development Levy.

13. Transfer duty

Transfer duty applies on the transfer of ownership or rights in immovable property. If the transfer duty is not paid by the purchaser, the duty may be recovered from the seller. Transfer duty is levied on the greater of the purchase price or market value.

Transfer duty must be paid within six months of the date of acquisition of the property. The date of acquisition will depend on the type of transaction. Transfer duty is levied on a progressive sliding scale. This means that the higher the value of the property, the higher the rate of tax that will apply. The rates are also based on the date of acquisition which applies to the transaction concerned. The following tax rates apply on property transactions which are not subject to VAT:

Value of property (R)	Rate
1 - 1 210 000	0%
1 210 001 – 1 663 800	3% if the value above R 1 210 000
1 663 801 – 2 329 300	R13 614 + 6% of the value above R1 663 800
2 329 301 – 2 994 800	R53 544 + 8% of the value above R2 329 300
2 994 801 – 13 310 000	R106 784 + 11% of the value above R2 994 800
13 310 001 and above	R1 241 456 + 13% of the value exceeding R13 310 000

If a company, close corporation, or trust that owns residential property which constitutes more than 50% of its assets, and there is an acquisition of a contingent right in the trust, the shares in a company, or the member's interest in a close corporation, such will be deemed to be a sale of immovable property and transfer duty will apply.

No transfer duty will apply if the transaction (transfer, sale, or disposal) is subject to VAT. Transfers between spouses on divorce, or to heirs from a deceased estate (including trust, company, or close corporation), are exempt from transfer duty.

For more information see the Transfer Duty Guide, Guide for Transfer Duty via eFiling and the VAT 409: Guide for Fixed Property and Construction.

14. Unemployment Insurance Fund contributions

The Unemployment Insurance Fund (UIF) gives short-term relief to workers when they become unemployed or are unable to work because of maternity, adoption leave or illness. It also provides relief to the dependants of a deceased contributor. UIF is regulated by the Unemployment Insurance Contributions Act 4 of 2002 and Unemployment Insurance Act 63 of 2001.

UIF contributions are equal to 2% of the remuneration (subject to specified exclusions) paid or payable by an employer to its employees and are collected from employers on a monthly basis.

The total amount of contributions so collected consists of –

- the sum of the contributions made by each employee equal to 1% of an employee's remuneration (before considering any allowable deductions which the employer may deduct for purposes of calculating the PAYE) paid or payable by the employer to the employee during any month; and
- a contribution made by the employer equal to 1% of the remuneration (before taking into account any allowable deductions which the employer may deduct for purposes of calculating PAYE) paid or payable by the employer to its employees during any month.

UIF contributions are calculated based on the remuneration paid or payable by the employer to an employee, where the remuneration is limited to –

- R17 712 per month (R212 544 a year); or
- R4 087,38 per week.

Employers must pay the total UIF contribution of 2% over to SARS within seven days after the end of the month following the month during which the amount was deducted from the remuneration of its employee.

For more information see the Guide for Employers in respect of the Unemployment Insurance Fund and refer to www.uif.gov.za.

15. Value-added tax

VAT is an indirect tax based on consumption in South Africa and is levied under the VAT Act. VAT must be included in the price charged for every taxable supply of goods or services made by a vendor in the course or furtherance of that vendor's "enterprise". A "vendor" is a person who is registered or required to register for VAT. VAT is a destination-based tax meaning that exports are generally zero rated. VAT is payable on most goods or services supplied in South Africa as well as on the importation of goods into the country.

The mechanics of the VAT system are based on a subtractive or credit-input method which allows the vendor to deduct the tax incurred on enterprise inputs (input tax) and other permissible deductions from the tax collected on the supplies made by the vendor (output tax).

Vendors charge their customers VAT (output tax) on supplies made during a tax period and then pay over the net VAT (or claim a refund) on a VAT 201 return after deducting any input tax and certain other deductions that may be allowed. Most vendors account for VAT on a monthly or bi-monthly basis although other tax periods for the payment of VAT may apply.

A special Domestic Reverse Charge mechanism was introduced with effect from 1 July 2022 in respect of supplies of valuable metal between certain VAT-registered vendors in the Republic. Under this mechanism, the responsibility to account for the output tax on the supply of valuable metal is shifted from the supplier to the recipient.

15.1 Registration

15.1.1 Compulsory registration

Any person who carries on an enterprise must register for VAT if the total value of taxable supplies (taxable turnover) has exceeded the VAT registration threshold of R2,3 million in any consecutive 12-month period.[116] In addition, a person must register when entering into a written contractual commitment to make taxable supplies which will exceed the R2,3 million threshold within the next 12-month period.

An application to register in the case of a compulsory registration must be submitted within 21 business days calculated from the first day of the month after the threshold was exceeded, or the contract was entered into (as the case may be). A person is still regarded as a vendor and must account for any VAT from the liability date even if the application for registration is made late.

Non-resident suppliers of electronic services

Non-resident suppliers of certain "electronic services" are required to register and account for VAT in South Africa if the total value of such taxable supplies exceeds R2,3 million and at least two out of the following three circumstances are present:

- Electronic services are supplied to recipients who are South African residents.
- Payment for the electronic services originates from a South African bank account.
- The recipient of the electronic services has a business address, residential address or postal address in South Africa to which the invoice for such services will be sent.

[116] Section 23(1) and (1A) of the VAT Act. The mandatory registration threshold was increased from R1 million to R2,3 million from 1 April 2026.

For more information on “electronic services”, refer to the Frequently Asked Questions: Supplies of Electronic Services on the SARS website.

15.1.2 Voluntary registration

A person making taxable supplies with a value of less than R2,3 million may choose to apply to the Commissioner to register for VAT if certain conditions are met. SARS may allow a voluntary registration if the value of taxable supplies made by the applicant has already exceeded the minimum voluntary threshold of R120 000 within the preceding 12 months, or if there is a written contractual commitment to make taxable supplies exceeding R120 000 within the next 12-month period.[117]

A person may also qualify to register voluntarily if the R120 000 threshold has not yet been reached, or if that person carries on certain types of activity which will lead to taxable supplies being made only after a period of 12 months owing to the nature of the activity (for instance, the construction of residential or commercial buildings for the taxable supplies thereof).

15.2 Standard rated supplies

Most supplies of goods or services by vendors are subject to VAT at the standard rate of 15%. The standard rate also applies to most imports of goods into South Africa and any services which fall into the definition of “imported services.” The standard rate applies as a default if the supply is not subject to an exemption or zero-rating provision, or if there is no exemption which applies to the import.

15.3 Zero-rated supplies

Zer-rated supplies are taxable supplies although a VAT rate of 0% is applied. This means that the vendor may recover the VAT incurred to make these supplies, provided valid supporting documents (including tax invoices) are retained. As zero-rating is an exception to the general standard rating, the relevant requirement set out in the legislation must be met before the zero-rating may apply.

The following are some examples of zero-rated goods and services:

- Goods exported from South Africa
- International transport and related services
- Certain goods supplied to customs-controlled enterprises, special economic zone (SEZ) enterprises and SEZ operators situated in any customs-controlled area
- Petrol, diesel and illuminating paraffin
- Sanitary towels (pads)
- Certain basic foods, including brown bread, lentils, fresh fruit and vegetables and milk.
- Services physically rendered outside South Africa.

The VAT system currently zero rates 21 essential food items in an effort to make them more affordable for lower-income households as well as certain sanitary pads and pantyliners.[118]

15.4 Exempt supplies

Exempt supplies are not subject to VAT and vendors are not entitled to recover VAT incurred to make such supplies. The following supplies are exempt from VAT:

[117] Section 23(3) of the VAT Act. The voluntary registration threshold was increased from R50 000 to R120 000 from 1 April 2026.

[118] Part B and C of the Second Schedule to the VAT Act.

- Financial services (such as the provision of credit, the supply of cryptocurrency, life insurance, the services of benefit funds such as medical schemes, provident, pension and retirement annuity funds), provided that the consideration payable in respect of such financial services is not a fee, commission or similar charge.
- Services provided to members in the course of managing body corporates, share block companies, housing development schemes for retired persons, and home-owners associations that are paid for out of levy contributions by the members.
- Public transport of fare-paying passengers and their personal effects by road and rail.
- The supply of residential accommodation (that is, a dwelling) under a lease agreement.
- Certain educational services provided by recognised educational institutions such as primary and secondary schools, public and private colleges and universities.
- Certain supplies of goods or services made by an employee organisation, bargaining council or political party to any of its members, subject to certain conditions.
- Childcare services provided at crèches and after-school care centres.

A vendor that makes both taxable and exempt supplies (or carries on other non-taxable activities) may only deduct input tax to the extent that taxable supplies are made. As mentioned earlier, the input tax in that case must be apportioned using an approved method. The only pre-approved method which may be used to apportion VAT incurred for mixed purposes without specific prior written approval from the Commissioner is the turnover-based method. For more information, please see VAT 404 – Guide for Vendors.

15.5 Deemed supplies

The following are regarded as deemed supplies in respect of which the vendor is required to account for VAT:

- *Fringe benefits*
  Excluding fringe benefits that are tax-free, zero-rated, exempt or the supply of food, entertainment and accommodation. The VAT on fringe benefits is calculated monthly where the employees' tax is accounted for monthly. Otherwise, the time of supply is as at the end of February each year.
- *Ceasing to be a vendor*
  In such instance any goods (other than those on which an input deduction was denied under s 17(2)) which form part of his enterprise, are deemed to be supplies made immediately prior to him ceasing to be a vendor. This means that when a person ceases to be a vendor, he will have to pay an output tax on all assets in his enterprise. The output tax is paid at the rate of 15/115 on the lesser of the cost of the goods (including VAT) or their market value (when he ceases to be a vendor).
- *Insurance indemnity payments*
  Where a vendor receives an indemnity payment in terms of a short-term insurance contract, the payment is deemed to be made for services rendered by such person (the insured) to the insurer. The insurer may claim a notional VAT input on the claim paid.
- *Supplies to branch or head office outside South Africa*
  If a vendor sends goods to a branch or head office outside South Africa or provides services to the non-South African branch or head office, this is a deemed supply of the goods in the course of the enterprise. The branch or head office must be separately identifiable, and it must maintain an independent system of accounting.
- *Excess amounts*

A vendor that receives an amount with respect to a taxable supply of goods or services at the rate of 15% and such amount exceeds the consideration charged by the vendor for that supply, and the vendor does not refund the excess within four months of receipt thereof, that excess is deemed to be consideration received for a supply of services performed by the vendor. The vendor is deemed to have performed services on the last day of the tax period during which that 4-month period ends. If the vendor had previously accounted for output VAT on the excess and he subsequently refunds that excess, then he can claim input VAT calculated as the tax fraction of that amount refunded.

15.6 VAT on imports

For VAT purposes the value to be placed on the importation of goods into South Africa is the value of the goods for customs duty purposes, plus any duty levied under the Customs and Excise Act on the importation of those goods, plus a further 10% of the said customs value.

The value of any goods which have their origin in Botswana, Lesotho, Namibia and Eswatini and which are imported into South Africa from any of those countries is not increased by the factor of 10% as is the case for imports from other countries.

15.7 Input tax recovery

A vendor is generally entitled to recover input tax incurred on goods and services acquired to make taxable supplies, provided the required documentary proof is obtained and retained. There are, however, certain types of expenses in respect of which the recovery of input tax is specifically blocked.

Deduction of input tax related to the following expenses are specifically prohibited:[119]

- *Entertainment*
  The term includes the provision of any food, beverages, accommodation, entertainment, amusement, recreation or hospitality of any kind by a vendor whether directly or indirectly to anyone in connection with an enterprise carried on by him. There are certain exceptions to this, included entertainment supplied by an entertainment business, food provided in the course of a seminar if the cost is covered by the fee charged for the event, and entertainment to be given as a prize.
- *Cars*
  No VAT input may be claimed in respect of any motor car supplied to or imported by the vendor, whether the supply is by way of purchase or lease. Note that the subsequent sale of such car in respect of which input tax recovery was denied, would not be subject to VAT. The term motor car is defined as motor car, station wagon, minibus, double-cab light delivery vehicle, and any other motor vehicle of a kind normally used on public roads, which has three or more wheels, and is constructed or converted wholly or mainly for carrying passenger.
  The definition specifically excludes vehicles capable of accommodating only one person or suitable for carrying more than 16 persons, caravans, ambulances, hearses, special game viewing vehicles and vehicles of unladen mass of 3 500 kilograms or more, and vehicles constructed for a special purpose other than the carriage of persons and having no accommodation for carrying persons other than such as is incidental to its purpose. Input tax may be recovered on motor vehicles acquired to be given as a prize.

[119] Section 17(2) of the VAT Act.

- *Fees and subscriptions*
  Input tax may not be claimed in respect of any fees or subscriptions paid by the vendor in respect of a membership of any club, association or society of a sporting, social or recreational nature. This prohibition does not apply, for example, if the subscriptions are in respect of membership of a professional association.

15.8 Adjustments

Vendors are required to make adjustments where the use of goods or services changed or partially changed from taxable to exempt use or *vice versa.*

15.9 Domestic reverse charge on valuable metal

Effective from 1 July 2022, government introduced regulations to address schemes and malpractices to claim undue VAT refunds from SARS by vendors operating in the value chain relating to high-risk goods containing gold.

The domestic recharge mechanism (DRM) applies to all registered vendors involved in the entire production and distribution chain that make supplies of defined valuable metal, namely, any goods containing gold in the form of jewellery, bars, blank coins, ingots, buttons, wire, plate, granules, in a solution, residue or similar forms, including any ancillary goods or services.

DRM applies to "valuable metal" i.e., any goods containing gold in the form of jewellery, bars, blank coins, ingots, buttons, wire, plate, granules, in a solution, residue or similar forms, including any ancillary goods or services. If a supply consists of a gold-bearing item together with ancillary goods or services, the full consideration in respect of both supplies will be subject to VAT at the standard rate and subject to DRM.[120]

15.10 Tourist refunds

Goods consumed and services rendered in South Africa, do not qualify for a refund under the tourist refund scheme. However, any qualifying purchaser (including a foreign tourist) may obtain a refund from the VAT Refund Administrator (VRA) in respect of any VAT paid on goods purchased whilst in South Africa if those goods are subsequently removed from the country.

The qualifying purchaser must remove (export) the goods when departing from South Africa and must have the goods available for inspection by Customs at the point of departure as well as by the VRA (if the VRA is present at the point of exit). The qualifying purchaser must be in possession of a valid tax invoice issued by a registered VAT vendor relating to the goods removed as well as the proof of payment (amongst others). An administration fee is levied by the VRA for processing the refund. This fee may change from time-to-time.

The VRA will process the refund if the qualifying purchaser exits South Africa via any of the international airports situated in Johannesburg (OR Tambo), Durban (King Shaka International) and Cape Town (Cape Town International). However, if the qualifying purchaser exits the country via any

[120] Explanatory Memorandum to Regulations on the Domestic Reverse Charge relating to Valuable Metal, issued in terms of Section 74(2) of the Value-Added Tax Act. LAPD-LPrep-EM-2022-01-Explanatory-Memorandum-Regulations-on-Domestic-Reverse-Charge-Relating-to-Valuable-Metal-13-June-2022.pdf (sars.gov.za).

other designated commercial port, the refund application must be posted to the VRA after leaving the country.

A VAT refund will only be considered only when all of the following requirements are met:

- The purchaser must be a qualifying purchaser.
- The goods must be exported within 90 days from the date of the tax invoice.
- The VAT-inclusive total of all purchases exported at one time must exceed the minimum of R250.
- The request for a refund, together with the relevant documentation, must be received by the VRA within three months of the date of export.
- The goods must be exported through one of the 43 designated commercial ports by the qualifying purchaser or the qualifying purchaser's cartage contractor.

For more information on the documentary requirements, the export timeframes and the procedures involved in obtaining a refund, see the Export Regulations[121] and the Tax Refund Information pamphlet which is issued by the VRA which is available from all of South Africa's International Airports or the VRA's website www.taxrefunds.co.za.

15.11 Diesel refund system – Primary production

Qualifying entities that carry on eligible activities may apply for registration for the diesel refund scheme by submitting a VAT101D form to SARS.

15.11.1 Eligible persons

The scheme allows refunds for the following:

- On land – Farming, mining and forestry.
- Offshore – commercial fishing vessels, coasting vessels, offshore mining, NSRI vessels, marine industry research vessels, coastal patrol vessels and fibre-optic telecommunication service vessels.
- Harbour – vessels operated by Portnet, and vessels used by in-port bunker barge operators.
- Rail- locomotives used for rail freight.
- Electricity generation plants – plants with a generation capacity exceeding 200 Megawatt per plant.

15.11.2 Claiming a diesel refund

The diesel refunds under the Diesel Refund Scheme are processed using the VAT system. The claim for a diesel refund should be submitted in the VAT 201 return. A diesel refund claim will be offset against any VAT liability that is payable for the tax period concerned, or alternatively, the diesel refund claim will increase any VAT refund that is due to the vendor.

Claimants must populate Part C of the VAT return by stating the total diesel purchases and non-eligible purchases. Non-eligible purchases are deducted from the total litres purchased to calculate the diesel used for eligible purposes. For the "Land" category, only 80% of the eligible litres are considered for the refund. The eligible litres (adjusted litres in the case of the Land category) are multiplied by the applicable rate per usage type to determine the Rand value of the refund.

[121] Regulation 316 in Government Gazette 37580 of 2 May 2014.

Example

A client registered to claim diesel refunds for On Land purchases, recorded total litres purchased and used of 5 800 litres and non-eligible litres purchased and used of 1 750 litres. If the current rate per usage-type for On Land purchases and usage is, for example, R5 per litre, the calculation would look as follows:

Description	Litres	Calculation
Total purchases	5 800	
Non-eligible purchases	1 750	
Eligible purchases	4 050	(5 800 – 1 750)
Adjusted eligible litres	3 240	(4 050 x 80%)

The Rand value of the refund is R16 200 (3 240 x R5).

15.11.3 Rate changes

If the rate changes during the period, the calculation must consider the usage and purchases before and after the rate change by applying a factor.

Example

On Land purchases, e.g. in the case of a farmer, the factor must be used to adjust the litres purchased and used before the rate changed. The client's records indicate total litres purchased and used of 1 385 before and 4 250 after the rate changed. They also recorded non-eligible litres purchased and used of 400 before and 1 500 after the rate changed. If the previous rate for On Land purchases were, for example, R7 per litre and the current rate R8.50 per litre, the calculations would be as follows:

- Step 1: Calculate the factor
  The factor is calculated by dividing the previous rate by the new rate, i.e. 7/8.5 = 0.82353.
- Step 2: Calculate the adjusted litres purchased and used.

	Litres before rate change	*Adjusted litres*	*Calculation*
Total litres	1 385	1 141	(1 385 x 0.82353)
Non-eligible litres	400	329	(400 x 0.82353)

- Step 3: Calculate the combined total and non-eligible litres purchased and used.

	Litres before rate change	*Litres after rate change*	*Total litres*
Total litres	1 141	4 250	5 391
Non-eligible litres	329	1 500	1 829

- Step 4: Complete Part C of the VAT210.

Description	Litres	Calculation
Total purchases	5 391	
Non-eligible purchases	1 829	

Eligible purchases	3 562	(5 391 – 1 829)
Adjusted eligible litres	2 850	(3 562 x 80%)

The Rand value of the refund is R24 221.60 (2 850 x R8.50).

15.11.4 Claim period

Any diesel refund claim of fuel levy and RAF levy must be submitted within two years from the date of purchase of the diesel. All relevant documentation relating to diesel purchases as well as the various logbook entries or other records which indicate the actual amounts of diesel purchased and used for eligible and non-eligible use during the tax period, must be retained for a period of 5 years from the date of use or disposal of the distillate fuel or the refund return, whichever occurs last.

15.11.5 Incorrect claims

Any diesel refund amount which is found to have been incorrectly refunded will have to be paid back to SARS, together with any penalties and interest that are applicable.

16. Tax administration

16.1 Advance tax rulings

Persons may apply for advance tax rulings (ATR) to obtain an understanding of SARS' interpretation of the relevant tax legislation and how it applies to specific facts. Binding class rulings and binding private rulings are not designed to provide answers to taxpayers' general tax queries regarding their current tax affairs or general questions about tax laws, for example, administrative or procedural matters.

The ATR process involves several steps, beginning with the submission (filing) of an ATR application on the system and ending with a ruling letter issued by the ATR unit will be published by SARS in a sanitised format.

All applications for advance rulings must be filed online on www.sarsefiling.co.za which can also be accessed via the SARS website.

The following application fees are payable:

- Small, medium and micro enterprises – R2 500
- Any other taxpayer – R 14 000

In addition to the above, the following cost recovery fees are payable:

Category	Estimated time to complete	Estimated fee	Deposit	Hourly rate
Standard	20 days	R10 000 – R35 000	R7 000	R650
Involved	45 days	R35 000 – R70 000	R14 000	R650
Complex	60 days	R70 000 – R105 000	R21 000	R650
Extraordinary	Case-by-case	Case-by-case	Case-by-case	R650
Urgent	Case-by-case	Case-by-case	Case-by-case	R1 000
In addition to the above, any direct costs incurred in connection with an application will be recovered. These will, however, be subject to prior written approval being obtained from the applicant.				

16.2 VAT rulings

Applications for VAT rulings must be submitted to SARS by email to VATRulings@sars.gov.za.

The application should be marked with either "Application for a VAT Class Ruling" or "Application for a VAT Ruling".

SARS may reject VAT ruling requests for various reasons, including:

- The liability for tax of a supplier of goods or services that is not a party to the application.
- The entitlement to deduct input tax in respect of goods or services acquired by a person who is not a party to the application.
- Determining whether a person is acting as an agent or principal in respect of a supply of goods or services.
- The application of section 8(15) and whether a supply of goods or services constitutes a single supply.
- Whether a tax invoice, debit or credit note complies with the requirements imposed by any law relating to electronic communications, or that any technical requirements are met in respect of electronic invoicing.
- Whether the supply of accommodation or any right to occupy a building or part thereof, constitutes "commercial accommodation".

- Whether a supply by a "welfare organisation" to a public authority or a municipality qualifies for the zero rate in terms of section 11(2)(n).[122]

Once a VAT ruling application passes the pre-acceptance and compliance requirements, the allocation process will commence. Note that no fees are payable in respect of VAT rulings. The VAT ruling application will be classified as basic, involved or complex. These categories indicate the complexity level of the VAT ruling application as well as the estimated number of business days it may take to issue the VAT ruling, and are as follows:

Category	Estimated time to complete
Basic	23 business days
Involved	52 business days
Complex	69 business days

Provided full and accurate disclosure of facts in connection with any proposed transaction has been made and that the transaction is actually carried out as described in the application, the VAT ruling will be binding on SARS.

16.3 Request for correction

A taxpayer who made an error in a return and wishes to correct this mistake, must submit a request for correction which is available through eFiling or at a SARS branch. This allows the taxpayer to correct a previously submitted return or declaration for income tax and, in certain circumstances, for VAT. If the request for correction function is not available to the taxpayer through eFiling an objection must be lodged.

16.4 Auto assessment

SARS may make an assessment based on an estimate where a taxpayer does not submit a return. The taxpayer may, within 40 days from the date of the assessment, request SARS to make a reduced or additional assessment by submitting a true and full return.

16.5 Non-compliance

The Tax Administration Act provides for the imposition of

- Interest on late payments.
- Non-compliance administrative penalties, consisting of fixed amount penalties and percentage-based penalties.
- Understatement penalties in the case of prejudice to SARS as a result of the failure to submit a tax returns, an omission from a return, an incorrect statement in a return, or if no return is required, the failure to pay the correct amount of tax, or an" impermissible avoidance arrangement".

A person may also be liable, upon conviction of criminal offences relating to non-compliance with tax Acts, to a fine or to imprisonment for a period not exceeding two years, due to matters such as non-payment of taxes, failure to submit tax returns, failure to disclose income, false statements, assisting any person to evade tax or claiming a refund to which the person is not entitled to.

[122] Public Notice 748 in Government Gazette 40088 dated 24 June 2016, including any further Notices or update.es issued.

16.5.1 Interest

Interest payable under a tax Act is calculated on the daily balance owing and compounded monthly. The interest is imposed for the period from the effective date of the tax to the date the tax is paid. The applicable interest rate is the prescribed rate. From 1 March 2026, the rate was decreased from 10,5% to 10,25%.[123]

In the case of interest payable with respect to refunds on assessment of provisional tax and employees' tax for purposes of final assessment of income tax or of mineral and petroleum resources royalty paid for the relevant year of assessment, the rate payable by SARS is four percentage points below the prescribed rate.

16.5.2 Non-compliance penalty – fixed

The fixed non-compliance penalties are as follows:[124]

Assessed loss or taxable income for preceding year	Penalty
Assessed loss	R250
R1 – R250 000	R250
R250 001 – R500 000	R500
R500 001 – R1 000 000	R1 000
R1 000 001 – R5 000 000	R2 000
R5 000 001 – R10 000 000	R4 000
R10 000 001 – R50 000 000	R8 000
Above R500 000 000	R16 000

The amount of the penalty will increase automatically by the same amount for each month, or part thereof, that the person fails to remedy the non-compliance.

Administrative non-compliance penalties relate to failures to comply with the administrative requirements of any tax act, including:

- Failure to register as a taxpayer
- Failure to inform the Commissioner of a change in address or required other details
- Failure to submit a return or other related documentation or information
- Failure to furnish, produce or make available information, documents or things as and when required
- Failure to reply to or answer a question put to a person as and when required
- Failure to attend and give evidence as and when required
- Failure by a person to register as an employer
- Failure by an employer to notify SARS of a change of address or of having ceased to be an employer
- Failure by an employer to provide details of an employee or deliver to an employee or former employee any employee's tax certificate as and when required
- Failure by a provisional taxpayer to submit an estimate of taxable income
- Any other non-compliance with a procedural or administrative action

[123] SARS Interest Rates – Table 1. TABLE OF INTEREST RATES IN RESPECT OF THE VARIOUS ACTS ADMINISTERED BY SARS Accessed 14 March 2026.
[124] Section 211(1) of the Tax Administration Act No. 28 of 2011 and its amendments.

16.5.3 Non-compliance penalty – percentage-based

If SARS is satisfied that an amount of tax was not paid as and when required under a tax Act, SARS will, in addition to any other penalty or interest for which a person may be liable, impose a penalty equal to the percentage of the amount of unpaid tax.

16.5.4 Remittance of penalties

a) First instance or nominal non-compliance

A taxpayer may request the remittance of penalties where it was a first offence. A "first incidence" means that a penalty has not been imposed for the past 36 months for the same default or any other type of default. A nominal incidence of non-compliance refers to:

- Triggering a fixed amount penalty: where the duration of the noncompliance, for example failure to submit a return by the due date for filing, is fewer than five business days.
- Triggering a percentage-based penalty: where the amount of the non-compliance, for example failure to pay an amount of tax on time, involves less than R2 000.

b) Exceptional circumstances

An administrative non-compliance penalty may be remitted if exceptional circumstances exist. The exceptional circumstances are limited to the following:

- External factors: if there was a natural or human-made disaster or a civil disturbance or a disruption in services.
- Factors personal to the taxpayer: if the non-compliance was due to a serious illness or accident or to serious emotional or mental distress.
- Serious financial hardship: for an individual, if the reason for non-compliance was connected to depriving the person of basic living requirements, and for a business, if there was an immediate danger that the continuity of the business operations and the continued employment of its employees were jeopardised.
- SARS' fault: if the reason for non-compliance is SARS's fault or error, involving one of the following:
    - SARS made a capturing error.
    - There was a processing delay.
    - Incorrect information was contained in an official publication or media release issued by the office of the Commissioner.
    - SARS delayed providing information.
    - SARS did not provide sufficient time for an adequate response to a request for information.

16.5.5 Understatement penalty

In the event of an understatement by a taxpayer, the taxpayer must pay, in addition to the tax payable for the relevant tax period, an understatement penalty unless the understatement results from a *bona fide* inadvertent error. The understatement penalty is the amount resulting from applying the highest applicable understatement penalty percentage in accordance with the table below to each understatement.

The shortfall is the sum of –

- the difference between the amount of tax properly chargeable for the tax period and the amount of tax that would have been chargeable for the tax period if the understatement were accepted,
- the difference between the amount properly refundable for the tax period and the amount that would have been refundable if the 'understatement' were accepted,
- the difference between the amount of an assessed loss or any other benefit to the taxpayer properly carried forward from the tax period to a succeeding tax period and the amount that would have been carried forward if the understatement were accepted, multiplied by the relevant tax rate.

Where the understatement is the failure to submit a return, the tax that resulted from the understatement, had the understatement been accepted will be regarded as nil.

The understatement penalty percentage table is as follows:[125]

Behaviour	Standard	Obstructive or repeat case	Voluntary disclosure after notification of audit or criminal investigation	Voluntary disclosure before notification of audit or criminal investigation
Substantial understatement	10%	20%	5%	0%
Reasonable care not taken in completing return	25%	50%	15%	0%
No reasonable grounds for tax position taken	50%	75%	25%	0%
Impermissible avoidance arrangement	75%	100%	35%	0%
Gross negligence	100%	125%	50%	5%
Intentional tax evasion	150%	200%	75%	10%

SARS must remit a 'penalty' imposed for a 'substantial understatement' if SARS is satisfied that the taxpayer was in possession of an opinion by an independent registered tax practitioner that was issued before the relevant return was due, based on full disclosure of the specific facts and circumstances in the case of any opinion regarding the applicability of the substance over form doctrine or the anti-avoidance provisions of a tax Act, this requirement cannot be met unless the taxpayer is able to demonstrate that all of the steps in or parts of the arrangement were fully disclosed to the tax practitioner, whether or not the taxpayer was a direct party to the steps or parts in question, and the tax practitioner confirmed that the taxpayer's position is more likely than not to be upheld in court.[126]

16.6 Voluntary disclosure

Taxpayers can voluntarily disclose their outstanding tax affairs. Tax defaults, range from outstanding returns, submitting inaccurate or incomplete information or the failure to submit information to SARS requested in relation to any tax type that SARS administers, excluding duties and levies charged under the Customs and Excise Act, 91 of 1964.

[125] Section 223(1) of the Tax Administration Act No. 28 of 2011 and its amendments.
[126] Section 223(3)(b) of the Tax Administration Act No. 28 of 2011 and its amendments

A defaulting taxpayer will be granted relief under the programme if the application meets the following requirements:

- The disclosure must be voluntary.
- The disclosure is full and complete in all material respects.
- The disclosure involves a default which has not occurred within five years of the disclosure of a similar default.
- The disclosure involves a behaviour referred to in the understatement penalty.
- The disclosure would not result in a refund due by SARS.
- The disclosure is made in the prescribed form and manner.

The relief applies to penalties (excluding penalties for late submission), understatement penalties (previously additional tax) and criminal prosecution but does not include foreign exchange contraventions and interest on late payments.

For more information, please see the Guide for the Voluntary Disclosure Programme and the Guide for Treatment of PAYE for VDP Purposes.

16.7 Tax clearance

A taxpayer's tax clearance can be confirmed by obtaining a tax compliance status PIN, provided that the taxpayer is registered for tax and does not have any tax debt outstanding (except if the debt has been suspended pending an objection or appeal or is less than R100) or returns outstanding (except if arrangements are in place to submit those returns).

SARS may revoke a taxpayer's compliance status if the tax clearance was issued in error or obtained on the basis of fraud or misrepresentation. SARS must give a taxpayer at least ten business days' notice before revoking the compliance status.

The compliance status changes as soon as the taxpayer becomes non-compliant.

16.8 SARS trademark

It is unlawful to use the SARS trademark and logo on personal correspondence, including e-mail signatures. The unlawful use thereof may lead to a fine and/or imprisonment up to 10 years.

16.9 Tax practitioners

Persons or registered tax practitioners that are non-compliant as a result of outstanding returns or tax debts are not registered or are deregistered as tax practitioners, respectively. SARS may refuse to register or deregister a tax practitioner if any of the following apply during the preceding five years:

- The practitioner has been removed from the profession by a controlling body (e.g., IAC) for serious misconduct.
- The practitioner has been convicted of theft, fraud or any offence involving dishonesty for which he/she was sentenced for at least two years or a fine exceeding the amount prescribed in the Adjustment of Fines Act has been imposed.
- The practitioner has been convicted of a serious tax offence.
- The practitioner was not compliant during the preceding 12 months for an aggregate of at least 6 months and has failed to remedy the non-compliance within the period specified by SARS in a notice.

17. Dispute Resolution

17.1 Objection against an assessment or decision

A taxpayer, who is not able to submit a request for correction; or is not satisfied with an assessment, decision or determination received from SARS, may lodge an objection in writing stating fully, and in detail the grounds on which the objection is lodged.

The objection must be submitted within 30 business days from –

- the date of the assessment; or
- the date that written reasons (decision or determination) for the assessment were provided by SARS.

If the taxpayer's objection is disallowed (in part or in full), the taxpayer has the right to note an appeal. For more information see Interpretation Note 15 - Exercise of Discretion in Case of Late Objection or Appeal and the Rules Promulgated under section 103 of the TA Act in Government Notice 550 in Government Gazette 37819 of 11 July 2014.

17.2 Alternative dispute resolution

Taxpayers have the option to follow the alternative dispute resolution (ADR) route instead of the formal dispute resolution process (the appeal process). A dispute under ADR may be resolved by agreement if the taxpayer or SARS accepts, either in whole or in part, the other party's interpretation of the facts or the law applicable to those facts or both.

Annexure 1 – Tax tables

A. Rates of tax for individuals

2026/27		2025/26	
Taxable income	**Tax rate**	**Taxable income**	**Tax rate**
R0 – R245 100 100	18% of each R1	R0 - R237 100	18% of each R1
R245 101 - R383 100	R44 118 + 26% of the amount above R245 100	R237 101 - R370 500	R42 678 + 26% of the amount above R237 100
R383 101 – R530 200	R79 998 + 31% of the amount above R383 100	R370 501 - R512 800	R77 362 + 31% of the amount above R370 500
R530 201 - R695 800	R125 599 + 36% of the amount above R530 200	R512 801 - R673 000	R121 475 + 36% of the amount above R512 800
R695 801 - R887 000	R185 215 + 39% of the amount above R695 800	R673 001 - R857 900	R179 147 + 39% of the amount above R673 000
R887 101 - R1 878 600	R259 783 + 41% of the amount above R887 000	R857 901 - R1 817 000	R251 258 + 41% of the amount above R857 900
R1 878 601 and above	R666 339 + 45% of the amount above R1 878500	R1 817 001 and above	R644 489 + 45% of the amount above R1 817 000

B. Medical tax credit rates

Per month (R)	2026/27	2025/26
For the taxpayer; or for a dependant who is a member of a medical scheme or fund, where the taxpayer him- or herself is not a member of a medical scheme or fund.	R376	R364
For the taxpayer and one dependant; or in respect of two dependants where the taxpayer him- or herself is not a member of a medical scheme or fund	R752	R728
For each additional dependant	R254	R246

C. Interest exemptions

	2026/27	2025/26
Persons younger than 65 years	R23 800	R23 800
Persons 65 and older	R34 500	R34 500

D. Retirement lump sum benefits

Withdrawal benefit			
2026/27		2025/26	
Taxable income	**Tax rate**	**Taxable income**	**Tax rate**
R0 – R27 500	0%	R0 – R27 500	0%
R27 501 – R726 000	18% of taxable income above R27 500	R27 501 – R726 000	18% of taxable income above R27 500
R726 001 – R1 089 000	R125 730 + 27% of taxable income above R726 000	R726 001 – R 1 089 000	R125 739 + 27% of taxable income above R726 000
R1 089 001 and above	R223 740 + 36% of taxable income above R1 089 000	R1 089 001 and above	R223 740 + 36% of taxable income above R1 089 000

Retirement fund lump sum benefits or severance benefits (no change)			
2026/27		2025/26	
Taxable income	**Tax rate**	**Taxable income**	**Tax rate**
R1 – R550 000	0% of taxable income	R1 – R550 000	0% of taxable income
R550 001 – R770 000	18% of taxable income above R550 000	R550 001 – R770 000	18% of taxable income above R550 000
R770 001 – R1 155 000	R39 600 + 27% of taxable income above R770 000	R770 001 – R1 155 000	R39 600 + 27% of taxable income above R770 000
R1 155 001 and above	R143 550 + 36% of taxable income above R1 155 000	R1 155 001 and above	R143 550 + 36% of taxable income above R1 155 000

E. Rates of tax for companies

Years of assessment ending on any date	2026/27	2025/26
Tax rate	27	27%

F. Rates of tax for small business corporations

Years of assessment ending any date between 1 April 2026 and 31 March 2027		Years of assessment ending any date between 1 April 2025 and 31 March 2026	
Taxable income	**Tax rate**	**Taxable income**	**Tax rate**
R1 – R99 000	0% of taxable income	R1 – R95 750	0% of taxable income
R99 001 - R365 000	7% of taxable income above R99 000	R95 751 - R365 000	7% of taxable income above R95 750
R365 001 – R550 000	R18 620 + 21% of taxable income above R365 000	R365 001 – R550 000	R18 848 + 21% of taxable income above R365 000
R550 001 and above	R57 470 + 27% of the taxable income above R550 000	R550 001 and above	R57 698 + 27% of the taxable income above R550 000

G. Rates of tax for trusts other than special trusts

Year of assessment	Rate of tax
1 March 2026– 28 February 2027	45%
1 March 2025– 28 February 2026	45%
1 March 2024– 28 February 2025	45%
1 March 2023 – 29 February 2024	45%
1 March 2022 – 28 February 2023	45%
1 March 2021 – 28 February 2022	45%

H. Capital gains tax

Maximum effective rate of tax

Type of person	2026/27
Individuals and special trusts	18%
Companies	21.6%
Other trusts	36%

I. Corporate tax rates

Type of entity	Years of assessment ending from 1 April 2026
Private and public companies, close corporations	27%
Personal service companies	27%
South African branch of foreign company	27%
Public benefit organisations	27%
Recreational clubs	27%
Trusts (other than special trusts)	45%
Dividend tax	20%

J. Donations tax

Description	2026/27	2025/26
Annual exemption: Natural persons	R100 000	R100 000
Annual exemption: Casual gifts	R20 000	R10 000
Donation tax: First R30 million	20%	20%
Donation tax above R30 million	25%	25%

K. Estate duty

Description	2026/27	2025/6
Estate duty: First 30 million	20%	20%
Estate duty: Above R30 million	25%	25%
Estate duty abatement	R3 500 000	R3 500 000

L. Turnover tax rates

Years of assessment ending any date between 1 March 2026 and 28 February 2027		Years of assessment ending any date between 1 March 2025 and 28 February 2026	
Taxable turnover	**Tax rate**	**Taxable turnover**	**Tax rate**
R1 – R600 000	0% of taxable turnover	R1 – R335 000	0% of taxable turnover
R600 001 – R950 000	1% of taxable turnover above R600 000	R335 001 – R500 000	1% of taxable turnover above R335 000
R950 001 – R1 400 000	R3 500 + 2% of taxable turnover above R950 000	R500 001 – R750 000	R1 650 + 2% of taxable turnover above R500 000
R1 400 001 and above	R12 500 + 3% of taxable turnover above R1 400 000	R750 001 and above	R6 650 + 3% of taxable turnover above R750 000

M. Transfer duty

Transaction between 1 March 2026 and 31 March 2027		Transaction from 1 April 2025	
Value of the property	**Tax rate**	**Value of the property**	**Tax rate**
R1 – R1 210 000	0%	R1 – R1 210 000	0%
R1 210 001 – R1 663 800	3% of the value above R1 210 000	R1 210 001 – R1 663 800	3% of the value above R1 210 000
R1 663 801 – R2 329 300	R13 614 + 6% of the value above R1 663 800	R1 663 801 – R2 329 300	R13 614 + 6% of the value above R1 663 800
R2 329 301 – R2 994 800	R53 544 + 8% of the value above R2 329 300	R2 329 301 – R2 994 800	R53 544 + 8% of the value above R2 329 300
R2 994 801 – R13 310 000	R106 784 + 11% of the value above R2 994 800	R2 994 801 – R13 310 000	R106 784 + 11% of the value above R2 994 800
R13 310 001 and above	R1 241 456 + 13% of the value exceeding R13 310 000	R13 310 001 and above	R1 241 456 + 13% of the value exceeding R13 310 000

N. VAT

Description	From 1 April 2026	2025/26
Compulsory registration threshold	R2 300 00	R1 000 000
Voluntary registration threshold	R120 000	R50 000
Payment basis registration threshold	R2 500 000	R2 500 000
Foreign suppliers: Electronic services	R2 300 000	R1 000 000
Tax invoice – None required	R50	R50
Tax invoice – Abridged	R5 000	R5 000
Standard rate	15%	15%

Annexure 2 – SARS interest rates

Rates of interest from 1 December 2025	**Rate**
Fringe benefits - interest-free or low-interest loan in Rand (official rate)	7.75% p.a.
Rates of interest from 1 March 2026	**Rate**
Late or underpayment of tax	10.25% p.a.
Refund of overpayment of provisional tax	6.25% p.a.
Refund of tax on successful appeal or where the appeal was conceded by SARS	10.25% p.a.
Refund of VAT after prescribed period	10.25% p.a.
Late payment of VAT	10.25% p.a.
Customs and Excise	10.25% p.a.