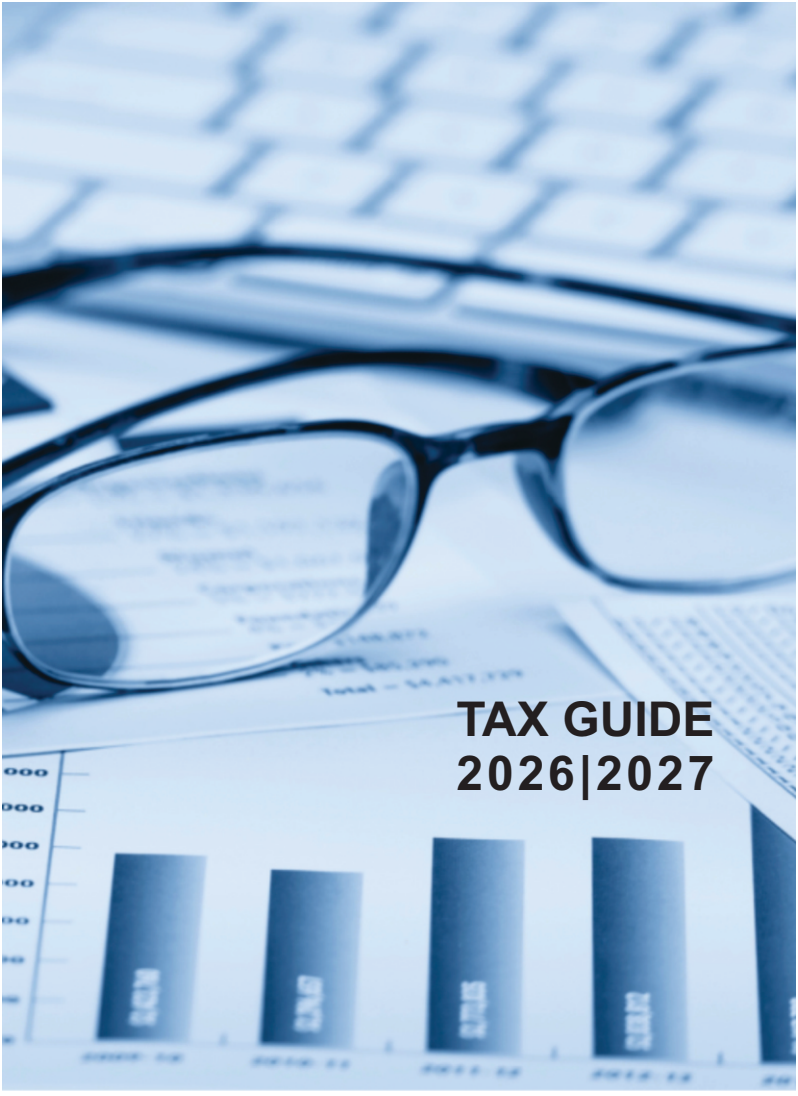

TAX GUIDE 2026|2027

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AUDIT • TAX • ADVISORY

CONTENT

INCOME TAX TABLES

Natural person or special trust: 2026/2027

Taxable income (R)			Tax Rate				
0	-	245 100			18%		
245 101	-	383 100	44 118	+	26%	above	245 100
383 101	-	530 200	79 998	+	31%	above	383 100
530 201	-	695 800	125 599	+	36%	above	530 200
695 801	-	887 000	185 215	+	39%	above	695 800
887 001	-	1 878 600	259 783	+	41%	above	887 000
1 878 601		and above	666 339	+	45%	above	1 878 600

Natural person or special trust: 2025/2026

Taxable income (R)			Tax Rate				
0	-	237 100			18%		
237 101	-	370 500	42 678	+	26%	above	237 100
370 501	-	512 800	77 362	+	31%	above	370 500
512 801	-	673 000	121 475	+	36%	above	512 800
673 001	-	857 900	179 147	+	39%	above	673 000
857 901	-	1 817 000	251 258	+	41%	above	857 900
1 817 001		and above	644 489	+	45%	above	1 817 000

TAX REBATES: INDIVIDUALS

Type of rebate	2026	2027
Primary rebate: younger than 65	17 235	17 820
Secondary rebate: 65 years and older	9 444	9 765
Tertiary rebate: 75 years and older	3 145	3 249
The rebate is proportionally reduced if the assessment period is shorter than 12 months.		

TAX THRESHOLDS: INDIVIDUALS

Type of person	2026	2027
Younger than 65 years	95 750	99 000
65 - 74 years	148 217	153 250
75 years and older	165 689	171 300

MEDICAL SCHEME FEES TAX CREDITS PER MONTH

Type of person	2026	2027
Main member	364	376
Main member and one dependant	728	752
Additional credit per additional dependant	246	254

LOCAL INTEREST EXEMPTION: INDIVIDUALS

Type of person	2026	2027
Younger than 65 years	23 800	23 800
65 years or older	34 500	34 500
This exemption is proportionally reduced, based on a 365-day calculation, if the individual's year of assessment is shorter than 12 months.		

TAX-FREE INVESTMENTS: INDIVIDUALS

Tax-free contribution limits	2026	2027
Annual limit*	36 000	46 000
Lifetime limit	500 000	500 000
Penalty on surplus contributions	40%	40%
*Limited to a maximum of R 46 000 (R 36 000) in total for any year or years of assessment within the 12-month period beginning in March and ending in February.		

ESTATE DUTY TAX

Description	2026	2027
Estate duty: First R 30 million	20%	20%
Estate duty: Above R 30 million	25%	25%
Abatement for determining dutiable amount	3 500 000	3 500 000

DONATIONS TAX

Description	2026	2027
Annual exemption: Natural persons	100 000	150 000
Annual exemption: Others (subject to apportionment)	10 000	20 000
Tax rate: First R 30 million	20%	20%
Tax rate: Above R 30 million	25%	25%
The R 30 million aggregate value is calculated based on donations made from 1 March 2018 to date. The donations tax exemption for donations between spouses will be limited to donations made to a spouse who is a resident with effect from 25 February 2026.		

FRINGE BENEFITS AND ALLOWANCES

Type of fringe benefit or allowance	2026	2027
Subsistence allowance: Deemed expenditure per day		
South Africa: Only incidental costs	176	184
South Africa: Meals and incidental costs	570	595
Outside South Africa	Per country	Per country
Exempt bursary to relative of employee		
Remuneration proxy limit	600 000	900 000
Relative of employee - no disability		
Grade R to 12 and NQF 1 – 4	20 000	30 000
NQF 5 – 10	60 000	90 000
Relative of employee - with disability		
Grade R to 12 and NQF 1 – 4	30 000	45 000
NQF 5 – 10	90 000	130 000
Employer provided low-cost housing/loans		
Remuneration proxy limit	250 000	360 000
Limit on market value of immovable property	450 000	650 000
Employees' accommodation: "B" in formula	95 750	99 000
Accommodation: non-resident employees (monthly)	25 000	25 000
Awards for bravery and long service	5 000	16 000
Staff loans: loan limit for no value interest benefit	3 000	3 000
Reimbursive travel allowance: non-taxable	4.76	4.95
Employer-owned vehicles – Monthly determined value		
Not subject to a maintenance plan	3.5%	3.5%
Subject to a maintenance plan	3.25%	3.25%
Travel allowance/vehicle fringe benefit subject to PAYE	80%	80%
Travel allowance/vehicle fringe benefit subject to PAYE where business travel is at least 80% for the year	20%	20%
Travel allowance: actual costs		
Vehicle owned: Limit on vehicle cost and debt	800 000	920 000
Vehicle held under operating lease		Fixed cost plus fuel

TRAVEL COSTS

Deemed expenditure – Tax year ending 28 February 2027

Value of the vehicle (Inc VAT) (R)			Fixed costs (R)	Fuel (c)	Maintenance (c)
0	-	115 000	38 344	132.9	49.1
115 001	-	230 000	68 487	148.4	61.4
230 001	-	345 000	98 689	161.2	67.8
345 001	-	460 000	125 393	173.4	74.0
460 001	-	575 000	152 097	185.5	86.9
575 001	-	690 000	180 078	212.8	102.0
690 001	-	805 000	208 106	216.5	114.5
805 001	-	920 000	237 679	220.1	126.9
920 001		and above	237 679	220.1	126.9

Deemed expenditure – Tax year ending 28 February 2026

Value of the vehicle (Inc VAT) (R)			Fixed costs (R)	Fuel (c)	Maintenance (c)
0	-	100 000	33 940	146.7	47.4
100 001	-	200 000	60 688	163.8	59.3
200 001	-	300 000	87 497	177.9	65.4
300 001	-	400 000	111 273	191.4	71.4
400 001	-	500 000	135 048	204.8	83.9
500 001	-	600 000	159 934	234.9	98.5
600 001	-	700 000	184 867	238.9	110.5
700 001	-	800 000	211 121	242.9	122.5
800 001		and above	211 121	242.9	122.5

RETIREMENT BENEFITS

Retirement fund lump sum or severance benefit tax table

Years of assessment ending 28 February 2026 and 28 February 2027

Taxable income (R)			Tax Rate				
0	-	550 000			0%		
550 001	-	770 000			18%	above	550 000
770 001	-	1 155 000	39 600	+	27%	above	770 000
1 155 001		and above	143 550	+	36%	above	1 155 000

Retirement fund lump sum withdrawal benefit tax table

Year of assessment ending 28 February 2026 and 28 February 2027

Taxable income (R)			Tax Rate				
0	-	27 500			0%		
27 501	-	726 000			18%	above	27 500
726 001	-	1 089 000	125 730	+	27%	above	726 000
1 089 001		and above	223 740	+	36%	above	1 089 000

CAPITAL GAINS TAX

Description	2026	2027
Annual exclusion: Individuals/para (a) special trusts	40 000	50 000
Where a person's year of assessment is less than 12 months, the total annual exclusion for all years of assessment ending within the 12-month period, beginning on 1 March and ending on the last day of February, must not exceed R 50 000 (R 40 000) per year of assessment and in aggregate.		
Exclusion on death	300 000	440 000
Exclusion: Disposal of primary residence		
Capital gain or loss	2 000 000	3 000 000
Proceeds on disposal	2 000 000	3 000 000
Exclusion: Disposal of small business assets		
Exclusion (lifetime limit)	1 800 000	2 700 000
Limit on market value of all assets	10 000 000	15 000 000
Age to qualify for exclusion	55 years	55 years
Inclusion rates		
Individuals and all special trusts	40%	40%
Companies and other trusts	80%	80%
Effective rates		
Individuals	0% - 18%	0% - 18%
All special trusts	7.2% - 18%	7.2% - 18%
Other trusts	36%	36%
Companies	21.6%	21.6%

CORPORATE TAX RATES AND TRUSTS

Type of entity	2026	2027
Private and public companies, CC's	27%	27%
Personal service provider companies	27%	27%
Qualifying companies in a SEZ (excluding a qualifying SBC)	15%	15%
South African branch (foreign companies)	27%	27%
Public Benefit Organisations*	27%	27%
Recreational clubs**	27%	27%
Long-term insurance companies:		
• Individual policyholder fund	30%	30%
• Company policyholder, corporate and risk policy fund	27%	27%
• Untaxed policyholder fund	0%	0%
Dividend withholding tax	20%	20%
Trusts (other than special trusts)	45%	45%

* Annual trading income exemption: Highest of R 200 000 or 5% of total receipts and accruals.

**Annual trading income exemption: Highest of R 120 000 or 5% of total membership fees.

SMALL BUSINESS CORPORATIONS

Years of assessment ending between 1 April 2026 and 31 March 2027

Taxable income (R)			Tax Rate				
0	-	99 000			0%		
99 001	-	365 000			7%	above	99 000
365 001	-	550 000	18 620	+	21%	above	365 000
550 001		and above	57 470	+	27%	above	550 000

Year of assessment ending between 1 April 2025 and 31 March 2026

Taxable income (R)			Tax Rate				
0	-	95 750			0%		
95 751	-	365 000			7%	above	95 750
365 001	-	550 000	18 848	+	21%	above	365 000
550 001		and above	57 698	+	27%	above	550 000

MICRO BUSINESSES

Years of assessment ending on 28 February 2027

Taxable turnover (R)			Tax Rate				
0	-	600 000			0%		
600 001	-	950 000			1%	above	600 000
950 001	-	1 400 000	3 500	+	2%	above	950 000
1 400 001	-	2 300 000	12 500	+	3%	above	1 400 000

Years of assessment ending on 28 February 2026

Taxable turnover (R)			Tax Rate				
0	-	335 000			0%		
335 001	-	500 000			1%	above	335 000
500 001	-	750 000	1 650	+	2%	above	500 000
750 001	-	1 000 000	6 650	+	3%	above	750 000

LEARNERSHIP AGREEMENTS

Annual and completion allowance	2026	2027
Learnership agreement: without disability		
NQF 1 - 6	40 000	40 000
NQF 7 – 10	20 000	20 000
Learnership agreement: with disability		
NQF 1 – 6	60 000	60 000
NQF 7 – 10	50 000	50 000

VAT (Increase effective 1 April 2026)

Description	2026	2027
Compulsory registration threshold	1 000 000	2 300 000
Commercial accommodation threshold	120 000	120 000
Voluntary registration threshold	50 000	120 000
Payment basis registration limit	2 500 000	2 500 000
Exception: payment basis: invoice exceeds	100 000	100 000
Tax invoice - Value of supply:		
No formal tax invoice required	50	50
Abridged tax invoice	5 000	5 000
Standard rate	15%	15%
Zero rate	0%	0%

WITHHOLDING TAXES: TRANSACTIONS WITH NON-RESIDENTS

Type of transaction / entity	2026	2027
Royalty payments	15%	15%
Interest	15%	15%
Dividends tax	20%	20%
Sportspersons and entertainers	15%	15%
Sale of immovable property above R 2 million		
Natural person	7.5%	7.5%
Company	10%	10%
Trust	15%	15%

These withholding taxes may be subject to a Double Tax Agreement.

TRANSFER DUTY

1 April 2025 to 28 February 2027

Value of the property (R)			Rate				
0	-	1 210 000			0%		
1 210 001	-	1 663 800			3%	above	1 210 000
1 663 801	-	2 329 300	13 614	+	6%	above	1 663 800
2 329 301	-	2 994 800	53 544	+	8%	above	2 329 300
2 994 801	-	13 310 000	106 784	+	11%	above	2 994 800
13 310 001		and above	1 241 456	+	13%	above	13 310 000

Payable by the purchaser within 6 months of the date of acquisition.

UNDERSTATEMENT PENALTIES

1. Standard case
2. If obstructive or if it is a 'repeat case'
3. Voluntary disclosure after notification of audit or criminal investigation
4. Voluntary disclosure before notification of audit or criminal investigation

Behaviour category	1	2	3	4
Substantial understatement	10%	20%	5%	0%
Return not completed with reasonable care	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%

FIXED AMOUNT PENALTY TABLE

Item	Assessed loss or taxable income for the preceding year of assessment (R)			Monthly penalty (R)
(i)			Assessed loss	250
(ii)	0	-	250 000	250
(iii)	250 001	-	500 000	500
(iv)	500 001	-	1 000 000	1 000
(v)	1 000 001	-	5 000 000	2 000
(vi)	5 000 001	-	10 000 000	4 000
(vii)	10 000 001	-	50 000 000	8 000
(viii)	50 000 001		and above	16 000

INTEREST RATES

Prime interest rates

Date	Rate (%)	Date	Rate (%)
20 09 2024	11.50	30 05 2025	10.75
22 11 2024	11.25	01 08 2025	10.50
31 01 2025	11.00	21 11 2025	10.25

Prescribed and official interest rates

Date	Payable to SARS (%)	Payable by SARS (%)	Official rate (%)
01 04 2023			8.75
01 05 2023	10.75	6.75	
01 06 2023			9.25
01 07 2023	11.25	7.25	
01 09 2023	11.75	7.75	
01 10 2024			9.00
01 12 2024			8.75
01 01 2025	11.50	7.50	
01 02 2025			8.50
01 03 2025	11.25	7.25	
01 05 2025	11.00	7.00	
01 06 2025			8.25
01 09 2025	10.75	6.75	8.00
01 11 2025	10.50	6.50	
01 12 2025			7.75
01 03 2026	10.25	6.25	

In determining the taxable income derived by a person during a year of assessment, any interest payable by SARS is deemed to accrue to the person on the date on which the amount is paid.

RING-FENCING/LIMITATION OF ASSESSED LOSSES

Individuals

Section 20A limits the ability of individuals to reduce taxable income by setting off losses from certain trades against income from other sources. The provision is aimed at preventing taxpayers from using hobby-type or loss-making ventures to minimise tax.

An assessed loss from a trade may be ring-fenced, meaning it cannot be set off against other income (e.g., salary or investment income). Instead, the loss is carried forward and may only be deducted from future income generated by the same trade.

Ring-fencing generally applies where:

- The individual's taxable income places them in the top marginal tax bracket (45%) before setting of any current or preceding year's assessed loss from any trade; and
- The trade has produced losses in at least three of the previous five years or is classified as a "suspect trade".

For years of assessment commencing on or after 1 March 2026 this rate is reduced to 39%

List of suspect trades:

- Any sport practised by the taxpayer or a relative;
- Buying or selling collectibles by the taxpayer or a relative;
- Rental of residential property unless ≥80% is rented to non-relatives for at least half the year of assessment;
- Vehicle, aircraft, or boat rentals unless ≥80% is used by non-relatives for at least half the year of assessment;
- Animal showing by the taxpayer or a relative;
- Farming or animal breeding unless carried out on a full-time basis;

- Performing or creative arts practised by the taxpayer or a relative;
- Gambling or betting by the taxpayer or a relative;
- Losses from acquiring or disposing of crypto assets.

Companies

Companies have to limit the set-off of a balance of assessed losses that have been carried forward to the current year of assessment. This limit is determined as the greater of R 1 million or 80% of the taxable income in the current year of assessment.

If a company has taken steps to liquidate, wind up, or deregister (without withdrawing any of these steps), these limitation rules do not apply.

A company that does not carry on a trade during a year of assessment forfeits the right to carry forward its assessed loss from the immediately preceding year of assessment.

FOREIGN EXCHANGE ALLOWANCES: RESIDENTS

Allowance	Rules and limits
Foreign Single Discretionary Allowance (SDA)	Permits individuals aged 18 and older who hold a valid South African ID to transfer up to R 2 million (R 1 million) per calendar year offshore. The allowance may be used for any legitimate purpose, including investments, travel expenses, and monetary gifts, but excludes the sending of gold and jewellery.
Foreign Capital Allowance (FCA)	Permits residents aged 18 and older to transfer up to R 10 million per calendar year offshore for investment or foreign-currency holdings, in addition to the R 2 million (R 1 million) SDA. Transfers must go through an authorised dealer (bank) and require a SARS tax-compliance clearance (TCS PIN). Amounts exceeding R 10 million need special approval from the Financial Surveillance Department.
Travel allowance	Individuals may use their SDA for travel purposes, while minors under 18 qualify for a R 200 000 travel allowance per calendar year. Travel funds may not be acquired more than 60 days prior to departure and can be transferred only to the traveller's or spouse's foreign bank account, with minors' allowances transferable to parents' accounts if travelling together. Unused foreign currency must be resold to an authorised dealer within 30 days of return, while business travellers may retain funds if the next trip starts within 90 days. In addition, travellers may carry up to R 100 000 (R 25 000) in South African bank notes outside the Common Monetary Area.
Study allowance	Individuals may use their SDA to study abroad, and spouses accompanying students are also eligible for the facility. Students may export household and personal effects up to R 200 000 (including jewellery but excluding motor vehicles), and authorised dealers may transfer tuition and academic fees directly to the institution against documentary proof. Students under 18 qualify for a study allowance and a R 200 000 travel allowance per calendar year. Residents must provide authorised dealers with enrolment confirmation and evidence of tuition/fees before the allowance is paid.
Residents temporarily abroad	Residents temporarily abroad may use their SDA R 2 million (R1 million) and FCA R 10 million through an authorised dealer, provided they have a valid TCS PIN verifying tax compliance and a valid ID. Annual limits may not be exceeded, and local debit or credit cards may be used abroad within the SDA limit. Residents may also receive pension and retirement annuity income, but no other foreign currency may be accessed without prior written approval from the Financial Surveillance

	Department. Household and personal effects, including motor vehicles, caravans, trailers, motorcycles, stamps, and coins (excluding South African legal tender), may be exported up to a maximum insurance value of R 1 million with the prescribed SARS Customs Declaration. Authorised dealers must ensure the TCS PIN is valid before processing any transfers.
Import payments via credit and/or debit cards	Resident individuals may use locally issued credit or debit cards to make foreign currency payments for small import transactions, such as online purchases, with a limit of R 100 000 (R 50 000) per transaction. Any single transaction exceeding this amount may not be split to circumvent the limit.

DEEMED ATTRIBUTION RULES

Type of income	Deeming rules
General deeming rule	Income is considered to have accrued to a person even if it has been reinvested, accumulated, capitalised, credited, or otherwise not actually paid to them but remains due or is dealt with in their name or on their behalf.
Attribution between spouses	Income that a person receives or has accrued may be attributed back to their spouse if it arises from a donation, settlement, transaction or scheme by that spouse with the main purpose of reducing, postponing or avoidance of tax or where the income arises from connected trades or entities involving the spouse, and the amount received exceeds what the recipient would reasonably be entitled to, based on participation in the trade or services rendered.
Attribution to parents for minor children	Any income received by or accruing to a minor child or stepchild, or expended or accumulated for their maintenance, education, or benefit as a result of a donation, settlement, or other disposition made by the parent, is deemed to have been received by the parent.
Attribution from other persons to a parent	If a minor child (including a stepchild) receives income from a donation, settlement, or other disposition made by someone else, that income will be treated as the parent's income for tax purposes if the parent or their spouse has made a donation, settlement, or provided consideration to that person or their family.
Conditional and revocable dispositions	If a resident taxpayer makes a donation, settlement, or other disposition that includes a stipulation or condition restricting the receipt or accrual of income by the beneficiaries until a future event (fixed or contingent), then the income that would have been received or accrued to the beneficiaries but for the condition is deemed to be the income of the donor. This treatment applies until the earliest of: • The date the specified event occurs, • The death of the donor, or • When the donor becomes a non-resident. (Effective from 1 March 2026).
Attribution of income due to retained ownership or rights	If a donation, settlement, or similar arrangement allows the donor or settlor to revoke or redirect the right to receive income, any income that ultimately accrues to the beneficiary under that arrangement is treated, for tax purposes, as the income of the person who retains the power, provided that person is a resident. (Effective from 1 March 2026).
Cession of dividends, interest, rent and royalties	If a person by way of a donation, settlement or other gratuitous disposition, cedes the right to passive income such as dividends, foreign dividends, interest, royalties or rental to someone else, while that person retains the underlying property such as shares deposits, intellectual property or rental asset then the income is not taxed in the beneficiaries hand but in the hands of the donor.

Attribution to residents for non-resident recipients	If a South African resident makes a donation, settlement, or other disposition, and as a result any income is received or accrued to a non-resident (other than certain foreign companies or entities similar to public benefit organizations), that income is treated as if it were received by the resident. This applies to amounts that would have been taxable had they been received by a resident.

CONNECTED PERSONS RULES: INCOME TAX

Type of person	Connected persons
Natural person	A natural person's connected persons include the spouse, any adopted children, and relatives within the third degree of kinship, as well as the spouses of those relatives. It includes children, parents, grandparents, grandchildren, siblings, uncles, aunts, nephews, nieces, and their spouses.
Trust	A trust's connected persons include all beneficiaries of the trust as well as any persons connected to those beneficiaries, and this connection extends to all other persons connected to the same trust.
Partnership	All partners in a partnership or foreign partnership, as well as any persons connected to a partner, are considered connected persons excluding persons connected to a qualifying investor (a partner whose liability is limited to their contribution and who does not participate in management or provide services).
Close Corporation	A connected person in relation to a close corporation includes the member, any relative of the member, any trust connected to the member, and any company or close corporation connected to the member, their relative, or their connected trust.
Company	A connected person in relation to a company includes any other company in the same group of companies where the group contains a controlling group company that directly holds more than 50% of the equity shares or voting rights in at least one controlled group company and directly or indirectly holds more than 50% of the equity shares or voting rights in each controlled group company. It also includes any person, excluding companies, who holds, alone or together with their connected persons, 20% or more of the equity shares or voting rights. Additionally, any company that holds 20% or more of the equity shares or voting rights is considered connected, but only if no other shareholder holds the majority of voting rights in that company. Finally, any other company managed or controlled by a connected person of this company is also deemed a connected person.

WEAR AND TEAR AND CAPITAL ALLOWANCES

Type of asset	Allowance
Farming equipment (new or second-hand)	Farming machinery and equipment brought into use for the first time qualify for an accelerated depreciation allowance of 50% in the first year, 30% in the second year, and 20% in the third year. This allowance excludes office furniture and equipment, caravans, and motor vehicles whose primary purpose is conveying passengers, but includes aircraft used solely or mainly for crop-spraying.
Temporary expanded renewable energy incentive from 1 March 2023 – 28 February 2025	A 125% deduction of the cost was allowed for new, unused machinery or equipment used to produce renewable energy. This deduction applied to assets owned or acquired for trade and first used by the taxpayer between 1 March 2023 and 28 February 2025. Eligible assets had to generate electricity in South Africa from wind, solar (photovoltaic or concentrated), hydropower, or biomass, including organic waste, landfill gas, or plant material. If a taxpayer sells the assets before 1 March 2026, then 25% of

	the cost of that asset which has been recouped must be added to the taxpayer's income, in addition to any amounts already included as a recoupment under the normal recoupment rules, but the total inclusion is limited to the overall amount previously allowed as a deduction for that asset.
Manufacturing assets	For manufacturing assets brought into use in a taxpayer's trade, second-hand assets qualify for an allowance of 20% per year over five years, while new or unused assets qualify for an accelerated allowance of 40% in the first year, followed by 20% in each of the next three years.
Manufacturing buildings	Manufacturing buildings used wholly or mainly in a manufacturing or similar process qualify for a 5% annual allowance, allowing the cost of the building, excluding land, to be written off over 20 years. The building must be brought into use in the taxpayer's trade.
Research and development	New or unused plant and machinery acquired and brought into use for the first time qualifies for an accelerated allowance of 50% in the first year, 30% in the second year, and 20% in the third year. Buildings (excluding land) used wholly or mainly for research and development qualify for a 5% annual straight-line allowance.
Small business corporations	New or used plant and machinery brought into use for the first time in a manufacturing or similar process qualifies for a 100% immediate write-off in the year of first use. Other depreciable assets may be claimed either at the normal wear-and-tear rates or using an accelerated 50%:30%:20% write-off, at the election of the taxpayer.
Special Economic Zones (ceases 1 January 2031)	A qualifying company operating in a designated Special Economic Zone (SEZ) may claim a 10% annual allowance on the cost of new and unused buildings or improvements that are wholly or mainly used to produce income within the SEZ. The allowance excludes residential accommodation.
Urban Development Zones (UDZ)	Buildings, extensions, and additions brought into use in a designated UDZ qualify for an accelerated capital allowance of 20% in the first year and 8% per year for the following 10 years, provided they are used solely for purposes of the taxpayer's trade. Qualifying structural improvements to these buildings may claim a 20% straight-line allowance. The incentive applies to assets brought into use on or before 31 March 2030.
New and unused commercial buildings	New and unused commercial buildings (excluding land) used wholly or mainly for producing income qualifies for a 5% annual wear-and-tear allowance. The allowance excludes residential accommodation.
Residential units	A taxpayer who owns at least five new and unused residential units used solely in the course of their trade may claim an annual allowance of 5% of the cost of each qualifying unit or improvement.
Production of Battery Electric and Hydrogen-Powered Vehicles	A once-off deduction of 150% of the cost of any building, improvements to a building, new and unused machinery or plant, or the improvement thereof, which is brought into use on or after 1 March 2026 and before 1 March 2036, used mainly in the production of battery electric or hydrogen-powered vehicles in the Republic.

Other capital assets may be depreciated on a straight-line basis over their expected useful lives. SARS has indicated certain periods which will be acceptable in Interpretation Note 47.

These include the following write-off periods (in years):

Air conditioners (window type)	6	Motorcycles	4
Air conditioners (room unit)	10	Office equipment (electronic)	3
Aircraft (light passenger)	4	Office equipment (mechanical)	5
Carports	5	Packaging equipment	4
Cash registers	5	Passenger cars	5
Cell phones	2	Photocopying equipment	5
Computers (personal)	3	Power tools (hand-operated)	5
Computer tablets	2	Security systems (removable)	5
Computer software (purchased)	3	Shop fittings	6
Computer software (self-developed)	5	Solar energy units	5
Delivery vehicles	4	Telephone equipment	5
Fire extinguishers (loose units)	5	Trailers	5
Furniture and fittings	6	Trucks (heavy duty)	3
Garden irrigation equipment (movable)	5	Warehouse racking	10
Generators (portable)	5	Water tanks	6
Kitchen equipment	6	Workshop equipment	5

If an asset has a cost of less than R 7 000, it may be written off in full in the year of assessment when brought into use. If an asset is used only part of the year, the deduction is pro-rata based on months in use.

RESIDENTS

Residency test

Residents of South Africa are taxed on their worldwide income. To be a tax resident, an individual must be either "ordinarily resident" (as per Interpretation Note 3) or "physically present" in South Africa during the year of assessment.

An individual who is not ordinarily resident in South Africa will be a tax resident under the physical presence test if that individual has been present in South Africa:

- For more than 91 days in total during the relevant year of assessment and during each of the preceding 5 years of assessment; and
- For more than 915 days in total during the 5 years preceding the relevant year of assessment.

Individuals who are outside of South Africa for 330 continuous full days will no longer be tax residents under the physical presence test, retrospectively from the day they left South Africa.

A person other than a natural person will be a tax resident if it is incorporated, established, or formed in South Africa, or has its place of effective management in South Africa.

The definition of a resident excludes any person who is deemed to be exclusively a resident of another country, in terms of a double tax agreement.

Ceasing to be a tax resident - Natural persons

When a natural person ceases to be a tax resident, they are treated as having disposed of all worldwide assets (unless specifically excluded) at market value immediately before the date of ceasing residency and as having reacquired them at market value on the day of ceasing residency, which can trigger capital gains tax.

Exclusions include immovable property situated in South Africa, assets effectively connected to a South African permanent establishment, qualifying section 8B equity shares granted less than 5 years before ceasing residency and section 8C unvested equity instruments, and interests in retirement funds.

The "deemed disposal" occurs the day before cessation, and the succeeding year of assessment begins on the day of cessation.

Exemptions and income taxable in South Africa

South African interest

Local interest is exempt, limited to the following amounts:

Type of person	2026	2027
Younger than 65 years	23 800	23 800
65 years or older	34 500	34 500
If an individual's year of assessment is shorter than 12 months, the exemption is proportionally reduced on a 365-day basis.		

Foreign interest

Foreign interest income received or accrued to a resident is included in taxable income with no annual exemption threshold similar to local interest. Residents may claim a foreign tax credit under Section 6quat for foreign tax paid on interest, subject to limitations.

South African dividends

Any dividends received by or accrued to any person from South African companies are exempt from normal income tax. Dividends paid are subject to a final dividends tax of 20%, withheld by the company paying the dividend and paid over to SARS on behalf of the taxpayer.

Dividends received or accrued in respect of services rendered, to be rendered, by virtue of employment or the holding of an office is not exempt, unless:

- The dividend is received in respect of a restricted equity instrument as envisioned in Section 8C; or
- The share is held by the employee.

Foreign dividends

Foreign dividends are fully exempt in certain circumstances:

- **10% Participation Exemption**: A foreign dividend is fully exempt if the resident holds at least 10% of the equity shares and voting rights in the foreign company declaring the dividend;
- **Country-to-Country Exemption:** If the shareholder is a foreign company and the dividend is paid or declared by another foreign company resident in the same country, the foreign dividend is exempt;
- **Controlled Foreign Company Related Exemption**: Dividends received or accrued from a CFC that have already been included in the resident's income under Section 9D may be exempt;
- **Listed Shares**: A dividend from a foreign share listed on a South African exchange, that does not consist of a distribution of an asset is specie;
- **Asset in Specie**: A foreign dividend received by or accrued to a resident company in respect of a foreign share listed on a South African exchange and consist of a distribution of an asset is specie.

Foreign dividends that do not qualify for the above exemptions are subject to a maximum effective tax rate of 20%. The exemption for these dividends is calculated as follows:

- Individuals, deceased or insolvent estates, trusts: 25/45 x dividend;
- Companies: 7/27 x dividend.

These exemptions do not apply to foreign dividends received by or accrued to a person in respect of services rendered, unless the person

holds the foreign share, or it constitutes a restricted equity instrument as envisioned in Section 8C that is held by that person. The exemptions also do not apply if the dividends are paid as an annuity.

A foreign tax rebate (credit) may be claimed for foreign tax paid on foreign dividends that are included in South African taxable income, subject to the limits in Section 6quat.

No deduction may be claimed for any expenditure incurred in the production of foreign dividends that are exempt or partially exempt. This includes, for example, interest paid on loans to acquire foreign shares, or other costs directly incurred to earn the foreign dividend income.

Tax-free investments
Any amount received by or accrued to a natural person or their deceased or insolvent estate from a tax-free investment is exempt from normal tax. Any capital gain or loss from such an investment is also disregarded. No dividends tax is payable on dividends paid on a tax-free investment.

Contribution limits

Tax-free contribution limits	2026	2027
Annual limit*	36 000	46 000
Lifetime limit	500 000	500 000
Penalty on surplus contributions	40%	40%
*Limited to a maximum of R 46 000 (R 36 000) in total for any year or years of assessment within the 12-month period beginning in March and ending in February.		

These limits apply to contributions made in cash, across all tax-free investment accounts held by an individual combined (not per account). Unused annual limits do not carry over to the next tax year. Transfers between providers do not count as new contributions and do not affect annual or lifetime limits. Reinvested tax-free earnings (e.g., interest reinvested in the same account) also do not count as new contributions.

Arbitration awards
Amounts received or accrued by an employee in terms of an arbitration award must be evaluated based on the nature and origin of the payment. Where the award is granted in respect of the relinquishment, termination, loss, repudiation, cancellation, or variation of an office or employment, the amount is included in gross income and will generally constitute remuneration, making it subject to PAYE.

However, if the payment meets the definition of a severance benefit it is taxed in accordance with the applicable lump-sum tax tables rather than as ordinary remuneration.

Each arbitration award must therefore be considered on its facts to determine the correct tax treatment.

Restraint of trade receipts
Restraint-of-trade receipts are generally capital in nature. However, amounts received by or accrued to a natural person in respect of a restraint of trade relating to that person's past, present, or future employment or the holding of an office are specifically included in gross income and are fully taxable. Amounts received by a labour broker without an exemption certificate or by a personal service provider are likewise included in gross income. Bona fide restraint payments received by companies or trusts that are not personal service providers are

generally capital in nature and fall outside gross income.

Foreign trading activities
Where a South African resident carries on a trade outside South Africa as a sole proprietor, the taxable income from that trade must be determined in accordance with South African tax principles and translated into South African Rand. Any assessed loss arising from the foreign trade may generally be set off against the taxpayer's other taxable income, unless the loss is ring-fenced under the assessed loss provisions. Foreign taxes paid on such income may be credited against the South African tax payable, subject to the applicable limitations.

Foreign employment income
The first R 1.25 million per year of assessment of remuneration received by or accrued to a resident employee for services actually rendered outside South Africa is exempt from normal income tax, provided the employee was outside the country for more than 183 full days in aggregate during any 12-month period, and within that period was absent for more than 60 full consecutive days. Only remuneration for services performed abroad qualifies.

In calculating the days an employee is outside South Africa all calendar days are counted, including weekends, public holidays, vacation, and sick leave. The employee must be in formal employment during the period to qualify.

Any consecutive 12-month period may be used to determine whether an employee was outside South Africa for the purposes of the 183-day and 60-day tests. A person who is in transit through South Africa between two foreign locations and does not formally enter South Africa through a designated port of entry is deemed to be outside South Africa for that period. Any day the individual formally enters South Africa, however, counts as a day inside the country.

The exemption applies only to amounts that constitute remuneration for services actually rendered outside South Africa. Payments for the relinquishment, termination, or loss of employment do not qualify for the exemption. When only part of the total remuneration relates to services performed abroad, the exemption must be apportioned to the proportion of calendar days during the year of assessment that the employee spent performing services outside South Africa, including weekends, public holidays, and leave days.

Where remuneration is received or accrues to an employee for services rendered over more than one year of assessment, the income is deemed to accrue evenly over the period of service, unless there is evidence to the contrary. This allocation is used, for example, to determine the portion of remuneration qualifying for the exemption in each year of assessment.

Any qualifying remuneration above the R 1.25 million limit will remain subject to normal tax in South Africa.

For PAYE purposes, employers may apply the foreign employment income exemption on a monthly basis, using the R 1.25 million annual limit. The exemption accumulates monthly as foreign remuneration is paid. Once the cumulative exempt portion reaches R 1.25 million, any additional remuneration is subject to normal income tax and PAYE. The

annual limit may not be averaged over the year.

If an employer withholds employees' tax on remuneration that qualifies for the foreign employment income exemption, the employee may only claim the refund when filing their annual income tax return. SARS may request supporting documentation, such as employment contracts, payroll records, copies of passports, and proof of days spent outside South Africa, to substantiate that the exemption conditions have been met.

Independent contractors and self-employed individuals, such as sole proprietors or partners in a partnership, do not qualify for the exemption.

When foreign remuneration exceeds the R 1.25 million exemption, the provisions of any applicable DTA should be considered. South African residents may be eligible to claim a foreign tax credit for taxes paid in another country on the same income, which can offset South African tax payable on that portion of remuneration.

Foreign lump sum, pensions and annuities
Any lump sum, pension, or annuity received by or accrued to a South African resident from a foreign source, and which relates to services previously rendered outside South Africa, is exempt from normal income tax. Amounts transferred to a South African retirement fund from a foreign source in respect of the member are also exempt.

Where the pension or annuity relates to services partly rendered within South Africa, the exempt portion must be apportioned to reflect only the portion attributable to foreign services.

Unemployment insurance, death and other compensation benefits
Any benefit, allowance, or compensation received by or accrued to a person from the following sources is exempt from normal income tax:
- The Unemployment Insurance Fund (UIF);
- The Compensation Fund for compensation arising from occupational injuries or diseases;
- Compensation paid by an employer in addition to Compensation Fund benefits, in respect of the death of an employee that arises out of and in the course of employment, limited to R 800 000 (R 300 000); and
- The Road Accident Fund (RAF), for amounts received as compensation for bodily injury, loss of income, or death due to a road accident.

Alimony and maintenance

Any maintenance or alimony received by a spouse or former spouse under a judicial order of divorce, separation agreement, or maintenance order is exempt from normal income tax in the hands of the recipient, and the payer may not claim a deduction.

Maintenance received for the support of a child is currently taxable, however, from 1 March 2026 onwards, child maintenance paid from after-tax income will be exempt from normal income tax for years of assessment commencing on or after that date.

NON-RESIDENTS

Non-residents are taxable in South Africa only on income sourced in, or deemed to be sourced in, South Africa. For capital gains tax (CGT) purposes, non-residents are liable only on the disposal of immovable property (or an interest in such property) situated in South Africa, and on the disposal of assets of a permanent establishment located in South Africa.

Business income

For non-residents, only profits from a business carried on within South Africa or attributable to a permanent establishment in South Africa are taxable.

Dividend income

Dividends paid by a South African company to a non-resident shareholder are subject to a final dividends tax of 20%, which is withheld by the company and remitted to SARS.

Where a double taxation agreement exists between South Africa and the country of residence of the shareholder, the dividends tax rate may be reduced.

South African interest received by non-residents

Interest earned by a non-resident from a South African source is generally exempt from normal income tax in the hands of the recipient but is subject to a final withholding tax of 15%, which is withheld by the payer and remitted to SARS.

Interest is considered South African-sourced if it arises from an investment in South Africa or funds utilised/credit extended to a South African resident.

The withholding tax rate may be reduced or eliminated under a double taxation agreement between South Africa and the country of residence of the non-resident.

Certain interest payments are exempt from withholding tax, including interest paid by:

- Any sphere of government;
- Banks, the South African Reserve Bank (SARB), the Development Bank of Southern Africa (DBSA), or the Industrial Development Corporation (IDC); *
- A South African headquarter company for financial assistance where transfer pricing rules do not apply;
- Listed debt instruments;
- Entities as contemplated in Section 21(6) of the Financial Markets Act to a foreign client as defined; and

A foreign person may also be exempt if they are a natural person physically present in South Africa for more than 183 days in the 12 months before the interest is paid (i.e., they are deemed to be resident for this purpose), or the debt is effectively connected with a permanent establishment in South Africa of the person.

* Interest is not exempt if the foreign person advanced the funds to the bank and the bank then lent the funds on to a related party under a “back-to-back” arrangement.

Rental income on fixed property
Rental income derived from immovable property situated in South Africa is considered South African-sourced income and is taxable in SA.

Rental income on moveable property
Rental income derived from movable property is taxable in South Africa only if the primary source of the income is located in South Africa.

Remuneration and fees
Remuneration or fees received by a non-resident for services rendered in South Africa are considered South African-source income and are taxable in South Africa

Where a double taxation agreement exists between South Africa and the non-resident's country of residence, relief may be available to avoid double taxation.

Royalties
Royalties paid to a non-resident are taxable in South Africa when they arise from a South African source, generally where the intellectual property is used in South Africa or the payment is made by a South African resident. These payments are subject to a final withholding tax of 15%, which must be withheld by the payer on behalf of the foreign recipient. The rate may be reduced or exempt where a DTA applies.

A non-resident may be exempt from the withholding tax if, for example, the royalty is effectively connected to a permanent establishment in South Africa.

Foreign entertainers and sportspersons
Payments made to a non-resident entertainer or sportsperson for a specified activity performed in South Africa are subject to a final withholding tax of 15% on the gross amount. The tax must be withheld by the payer and remitted to SARS by the end of the month following the month in which it was withheld. Any resident who is primarily responsible for organising the specified activity in South Africa must notify SARS within 14 days after concluding the agreement for the activity. The rate may be reduced or exempt where a DTA applies.

Disposal of fixed property by non-residents
The disposal of immovable property in South Africa by a non-resident for a purchase price exceeding R 2 million is subject to a withholding tax. This withholding is not a final tax but serves as an advance payment toward the non-resident seller's normal income tax or capital gains tax liability. Unless the seller obtains a directive from SARS authorising a reduced or zero rate, the purchaser must withhold a percentage of the purchase price based on the seller's status: 7.5% for a natural person, 10% for a company, and 15% for a trust. The amount withheld must be paid to SARS within 14 days of withholding if the purchaser is a resident, or within 28 days if the purchaser is a non-resident. Late payment may result in a 10% penalty and interest.

If the non-resident fails to submit an income tax return within 12 months after the end of the relevant year of assessment, SARS may issue an estimated assessment based on available information, including the withholding payment. This assessment becomes final unless the taxpayer submits a complete and accurate return requesting a revised assessment.

Furthermore, a non-resident who disposes of shares or other interests in an entity will be subject to South African capital gains tax, and potentially the withholding requirement, where 80% or more of the market value of that interest is directly or indirectly attributable to immovable property situated in South Africa, and the non-resident (alone or together with connected persons) holds at least 20% of that interest at the time of disposal.

Service fees paid to non-residents
Any arrangement in terms of which a non-resident, or that non-resident's employee, agent, or representative, provides consultancy, construction, engineering, installation, logistical, managerial, supervisory, technical, training, or similar services to a South African resident or to a non-resident's permanent establishment in South Africa, while being physically present in South Africa to render those services constitutes a reportable arrangement where the total expenditure incurred or reasonably expected to be incurred exceeds R 10 million. This requirement does not apply where the amounts are subject to employees' tax as remuneration in the hands of the non-resident.

Withholding taxes on interest and royalties paid to non-residents
Interest or royalties paid to non-residents are generally subject to a 15% withholding tax, unless an exemption applies or the rate is reduced under a DTA.

Interest paid to a non-resident is exempt from withholding tax where the non-resident was physically present in South Africa for more than 183 days in aggregate during the 12 months preceding the payment, or the debt claim in respect of which that interest is paid is effectively connected with a permanent establishment of that foreign person in the Republic if that foreign person is registered as a taxpayer.

Royalties paid to a non-resident are exempt from withholding tax only if the non-resident is a natural person who was physically present in South Africa for more than 183 days in aggregate during the 12 months preceding the payment or the property in respect of which that royalty is paid is effectively connected with a permanent establishment of that foreign person in the Republic if that foreign person is registered as a taxpayer.

The amounts will instead be subject to normal income tax.

Interest or royalties received by a South African resident trust are taxed in the trust under normal tax provisions, and no withholding tax applies on subsequent distributions to non-resident beneficiaries.

The interest or royalty is deemed to be paid on the earlier of the date of payment or when it becomes due and payable. The person who pays the interest or royalty is responsible for withholding the correct amount of tax and paying it over to SARS.

A payer may be relieved of its withholding tax obligation if it receives a written declaration and undertaking from the non-resident claiming either an exemption or a reduced rate under a DTA. This declaration must be submitted prior to the date of payment of the interest or royalty. Once received, the declaration is generally valid for a period of five years from the date of submission, provided that there are no material changes in circumstances affecting the non-resident's eligibility for

exemption or reduced rate. The payer must retain the declaration as part of its compliance records to substantiate the relief from withholding liability.

Any person who withholds tax on interest or royalties paid to a non-resident is required to submit a withholding tax return and remit the withheld amount to SARS by the last day of the month following the month in which the payment was made. Failure to do so may result in interest and penalties. If the payment is made in a foreign currency, the amount must be converted to South African Rand at the spot exchange rate on the date of withholding.

If withholding tax was applied because the non-resident failed to submit the required declaration or undertaking, the non-resident has three years from the date of withholding to submit a declaration directly to SARS in order to claim a refund. SARS will pay the refund directly to the non-resident. If the interest or royalties subsequently become irrecoverable, SARS is required to refund the tax to the person who withheld and remitted it.

ALLOWANCES AND REIMBURSEMENTS

An allowance is an amount paid by an employer to an employee to cover anticipated business-related expenses incurred on behalf of the employer, without requiring the employee to provide evidence or account for the actual expenditure.

A reimbursement occurs when an employee has already incurred and paid for business-related expenses on behalf of the employer and is subsequently refunded for the exact amounts. In this case, the employee must prove and account for the expenditure to the employer before the reimbursement is made.

Travelling and car allowance

A travel allowance is an allowance or advance granted to an employee to cover expenses incurred for the business use of a motor vehicle.

PAYE on a travel allowance is generally calculated on 80% of the allowance. However, the taxable portion may be reduced to 20% of the allowance if the employer is satisfied that at least 80% of the vehicle's use for the year of assessment will be for business purposes. This determination must be made on a monthly basis.

The 80/20 rule does not apply to travel allowances that are based on actual distance travelled, such as reimbursed travel allowances.

Reimbursive travel allowance

A reimbursive travel allowance based on the actual distance travelled by the employee for business purposes is not taxable if it does not exceed a rate of R 4.95 (R 4.76) per kilometre, regardless of the vehicle value. Any reimbursive travel allowance paid in excess of the prescribed rate is treated as taxable remuneration for PAYE purposes.

However, the simplified method cannot be applied if the employer provides any additional compensation in respect of the same vehicle, for example a travel allowance, excluding payments for parking or toll fees.

Subsistence allowance
If an employee is required to spend at least one night away from their usual place of residence in South Africa in the course of performing business duties, an employer may pay a subsistence allowance. Such an allowance will not be included in the employee's remuneration or taxable income, provided it does not exceed the SARS-approved deemed cost amounts. For travel within South Africa the deemed costs are:

- R 184 (R 176) per day — for incidental costs only;
- R 595 (R 570) per day — for incidental costs and meals.

For travel outside South Africa, the deemed cost amounts vary by destination country, and employers should refer to the current subsistence rate tables published on the SARS website.

The allowance for incidental costs is intended to cover minor day-to-day expenses incurred while travelling for business purposes, such as beverages, private telephone calls, tips, and small room service charges. The deemed expenditure does not include accommodation

Daytrip reimbursements
For daytrip reimbursements, where an employer pays an advance or reimburses an employee for meals and incidental costs, the amount is not taxable provided that:

- The employee is instructed or allowed by the employer to incur the expenditure while being obliged, by reason of the duties of their office or employment, to spend part of a day away from their usual workplace; and
- The amount of the advance or reimbursement does not exceed the SARS-approved deemed cost of R 184 (R 176) per day for incidental costs.

The employee must provide proof of the actual expenditure to the employer for the non-taxable treatment to apply

Uniform allowance
An employer may provide an employee with a uniform or a cash allowance to purchase a uniform, which is exempt from income tax provided that the employee is required to wear the uniform while performing official duties and the uniform is clearly distinguishable from ordinary clothing, meaning it is specifically identifiable as work attire and cannot reasonably be worn as normal everyday clothing outside of work.

FRINGE BENEFITS
A fringe benefit refers to any benefit or payment granted to an employee, in a form other than cash. Such a benefit is considered taxable if it is provided as a reward for services rendered or to be rendered.

Definition of remuneration proxy
Remuneration derived by the employee in the previous year of assessment excluding the residential accommodation benefit. The following are included:

- Amounts paid to an employee or director for services rendered whether paid by the employer or an associated institution;
- Fringe benefits;
- Taxable portion of allowances.

From 1 March 2026, the remuneration amount must be increased by the foreign employment income that was exempt from normal tax in the preceding year of assessment.

Partial prior-year employment: If the employee was employed by the employer or an associated institution for only part of the preceding year of assessment, the remuneration proxy must be grossed up to an annual equivalent. This is done by applying a ratio of 365 days to the number of days the employee was actually employed during the previous year to the remuneration earned in that period.

No prior-year employment: If the employee was not employed at all by the employer or an associated institution during the preceding year, the remuneration proxy must be annualised based on the first month of employment. The employee's remuneration for that first month is adjusted using the ratio of 365 days to the number of days employed in that month to determine the deemed annual remuneration.

Acquisition of an asset at less than the actual value
A taxable fringe benefit arises when an employee acquires an asset such as goods, commodities, financial instruments (excluding Section 8B or 8C shares), or property of any nature, other than cash, either for no consideration or for a consideration that is less than the cash equivalent.

The cash equivalent is determined as the market value of the asset at the time it is acquired by the employee, less any consideration paid by the employee.

For specific types of assets, the rules are as follows:
- **Movable property acquired by the employer specifically to dispose of it to the employee**: Cost to the employer;
- **Marketable securities**: market value;
- **An asset which the employer had the right of use prior to acquiring ownership**: market value;
- **Trading stock**: lower of cost or market value.

Long service awards
A long service award is granted to an employee who has completed an initial unbroken period of service of at least 15 years or any subsequent unbroken period of service of at least 10 years.

The no-value exemption applies only if the aggregate value of all awards received during the year of assessment, whether in the form of assets, rights to use assets, free or discounted services, or cash, does not exceed R 16 000 (R 5 000). Any excess above this amount is treated as taxable remuneration for PAYE purposes.

Low-cost housing
No taxable fringe benefit arises when an employee acquires immovable property for no consideration or for less than its market value, provided that the property is used for residential purposes, the employee's remuneration proxy does not exceed R 360 000 (R 250 000) in the year of assessment in which the property is acquired, the market value of the property on the date of acquisition does not exceed R 650 000 (R 450 000), and the employee is not a connected person in relation to the employer.

In addition, any interest not charged or charged at a reduced rate on a loan provided by the employer to the employee to acquire the immovable property will also be disregarded as a taxable fringe benefit if the same conditions are met.

Right of use of an asset
A taxable fringe benefit arises when an employee is granted private or domestic use of any asset, either free of charge or for a consideration that is less than the value of private use. The taxable value of the benefit is the value of private use less any consideration paid by the employee or amounts spent on maintenance or repairs during the relevant period.

For valuation purposes, if the asset is leased by the employer, the taxable benefit equals the rent paid by the employer; if the asset is owned by the employer, the taxable benefit is 15% per annum of the lesser of the cost or market value of the asset at the start of the period of use, apportioned if used for only part of the year; and if the employee is granted the sole right of use of the asset for a major portion of its useful life, the cost of the asset to the employer is used as the value of the benefit.

Certain benefits provided by an employer are considered no-value benefits and are exempt from income tax. These include:
- Private use of an asset that is incidental to business use;
- Facilities or amenities provided for recreational purposes at the workplace or at a recreational facility for general employee use (excluding clothing);
- Any equipment or machinery used by employees for short periods where SARS considers the private use negligible;
- Telephone or computer equipment used mainly for business purposes;
- Books, literature, recordings, or works of art provided to employees.

Use of company motor vehicle
A taxable fringe benefit arises when an employee is granted the use of an employer-provided motor vehicle, either free of charge or for a consideration that is less than the value of private use. For this purpose, private use includes travel between the employee's place of residence and place of work, as well as any other travel undertaken for personal purposes.

Private use value of vehicle (calculated per month)
- Not subject to a maintenance plan: 3.5% of determined value;
- Subject to a maintenance plan: 3.25% of determined value;
- Vehicle held under an operating lease concluded at arm's length: actual cost to the employer plus the cost of fuel.

If an employee is granted the right of use of a company vehicle for only a portion of a month, the monthly private use value must be apportioned on a pro-rata basis according to the number of days the vehicle was available for private use during that month.

No reduction is made to the private use value of a company vehicle merely because the vehicle was temporarily not used for private purposes by the employee. A reduction is only allowed if the employee formally rescinds the right of use and returns the vehicle to the employer, in which case the taxable benefit is calculated only for the period during which the vehicle was available for private use

A maintenance plan is a contract that covers all scheduled maintenance costs for a company-provided motor vehicle and terminates at the earlier of three years from the start of the contract or when the vehicle has done 60 000 km. The contract must commence when the vehicle is acquired

by the employer and may not consist of top-up, add-on, or extended service products purchased separately.

Determined value

Type of employer	New/Demo vehicle	Pre-owned vehicle
Manufacturers/ Importers Vehicle dealers/ Rental companies	Dealer Billing Price Including VAT	Cost excluding finance charges but including VAT If at no cost, then market value including repairs and VAT
Any other person	Price at acquisition including VAT, or where the vehicle was acquired at no cost, the market value including VAT.	

The determined value used to calculate the fringe benefit must be reduced on a reducing-balance method by 15% for each completed 12-month period starting from the date the employer acquired the vehicle until the date the employee is first granted the right to use it.

Where an employee is granted the right to use more than one company-provided motor vehicle, and all vehicles are used primarily for business purposes (i.e., more than 50% business use), the taxable value for fringe benefit purposes is based solely on the vehicle with the highest private use value, and no additional value is attributed to the other vehicles.

No value use of a company vehicle
No taxable value is placed on the private use of a company-provided motor vehicle if the vehicle is available to and used by all employees in general, private use is infrequent or incidental to business use, and the vehicle is not normally kept at or near the employee's residence after business hours.

Similarly, where the nature of the employee's duties requires regular use of the vehicle outside normal working hours, and the employee is not permitted to use it for private purposes other than travel between residence and workplace or infrequent/incidental private use, no taxable benefit arises.

Employees' tax
PAYE must be calculated on 80% of the cash equivalent of the private-use benefit of a company-provided vehicle. This may be reduced to 20% if the employer is satisfied, on reasonable grounds and properly documented, that at least 80% of the vehicle's use during the year of assessment will be for business purposes.

The employer must not claim any deductions for vehicle expenses on behalf of the employee, as the employee will claim any allowable deductions when submitting their income tax return.

Free or subsidised meals and refreshments
A taxable fringe benefit arises if an employee is provided with free or subsidised meals or refreshments, or a voucher for such, where the amount paid by the employee is less than the employer's cost.

No taxable value arises, however, if the meals or refreshments are provided in a canteen, cafeteria, or dining room operated by the employer and used wholly or mainly by employees, are supplied during business hours, extended working hours, or on special occasions, or are enjoyed by an employee while providing entertainment on behalf of the employer.

Residential accommodation
Where an employer provides free or subsidised accommodation to an employee, a taxable fringe benefit arises. The taxable value is either the actual cost incurred by the employer or an amount determined using the formula below. In either case, the taxable value is reduced by any amount paid or contributed by the employee toward the accommodation.

The formula
(A - B) x C/100 x D/12 where:
- A = the remuneration proxy for the year of assessment;
- B = R 99 000 (R 95 750) (subject to certain exclusions);
- C = 17, or
- If the accommodation consists of a house, flat or apartment consisting of at least 4 rooms, then C is:
  - 18 if unfurnished and power or fuel is supplied or if furnished, and no power or fuel is supplied;
  - 19 if furnished and power or fuel is supplied;
- D = number of months during the year of assessment that the employee was entitled to the accommodation.

B in the formula will be Nil where either:
- The employer is a private company controlled by the employee or their spouse, or
- Where the employee, spouse, or minor child has the option to acquire the accommodation by virtue of a controlling interest in the employer.

Where an employer or associated institution provides accommodation that it obtained in terms of an arm's-length transaction with an unconnected person, and full ownership of the property does not vest in the employer or associated institution, the taxable value of the accommodation for the employee is the lower of the amount determined using the prescribed formula or the actual expenditure incurred by the employer or associated institution in respect of the accommodation.

Expatriate employees
For employees whose usual place of residence is outside South Africa, employer-provided residential accommodation in South Africa is not subject to income tax for up to two years from the date of arrival, or if the employee was physically present in South Africa for less than 90 days during the year of assessment.

This no-value rule does not apply if the employee was physically present in South Africa for more than 90 days during the preceding year of assessment, or if the cash equivalent of the accommodation exceeds R 25 000 per month multiplied by the number of months the exemption applies.

Holiday accommodation
If the accommodation is hired by the employer from a person who is not an associated institution, the taxable benefit equals the actual rental paid by the employer, plus amounts incurred for meals, refreshments or services while the employee occupies the property. In all other cases, including where the employer owns the accommodation or it is provided via an associated institution, the taxable benefit is determined at the prevailing market rate per day at which the accommodation could normally be let to an unconnected person. In both cases, the taxable

value is reduced by any amount paid by the employee toward the accommodation.

Free or cheap services
Any service provided to an employee at the employer's expense, whether directly or through a third party, is considered a taxable fringe benefit if the employee uses the service for private or domestic purposes and either does not pay for it or pays less than the employer's actual cost. The taxable value is the difference between the actual cost to the employer and any amount paid by the employee.

Where the employer's business is to convey passengers by sea or air, and a travel facility is granted to an employee or their relative for travel to a destination outside South Africa, the cash equivalent is the lowest full fare for the journey, reduced by any amount paid by the employee or relative.

No value services
Certain services provided by an employer are treated as no-value fringe benefits. These include:
- Travel facilities provided by an employer whose business is to convey passengers for reward by land, sea, or air, to enable an employee, their spouse, or minor child to travel within South Africa, overland outside South Africa, or internationally on normal flights where the seat could not be reserved in advance;
- Transport services provided directly by the employer exclusively to employees in general between their homes and workplace, excluding general public transport;
- Communication services used mainly for the employer's trade, such as access to e-mail or the internet;
- Services rendered to employees at their place of work for the better performance of their duties; and
- Travel facilities granted to a spouse or minor child of an employee stationed more than 250 km from their usual residence in South Africa for business purposes for more than 183 days in the relevant year of assessment.

Insurance policies
Premiums paid by an employer in respect of insurance policies generally constitute a taxable fringe benefit in the employee's hands. The taxable benefit is the amount of premiums paid, directly or indirectly, for the benefit of the employee, their spouse, child, dependant, or nominee. However, premiums are excluded from taxable benefits if the insurance policy relates to an event that arises solely out of and in the course of employment directly linked to the employee's employment duties.

Low interest or interest free loans
A low-interest or interest-free loan provided to an employee, or to any other person by arrangement with the employer or an associated institution, is a taxable fringe benefit. The cash equivalent of the benefit is calculated as the interest on the outstanding balance at the official rate of interest, less any interest actually paid by the employee.

No value loans
Certain loans provided to employees are treated as no-value loans. These include loans that do not exceed R 3 000 at any time, loans provided to an employee to further their own studies, and loans to enable an employee to acquire immovable property for residential

purposes, provided that the loan does not exceed R 650 000 (R 450 000), the market value of the property does not exceed R650 000 (R 450 000), the employee's remuneration proxy does not exceed R 360 000 (R 250 000), and the employee is not a connected person in relation to the employer.

Payment or release of employees' debt
A taxable fringe benefit arises where an employer directly or indirectly settles an amount owed by an employee to a third party without requiring reimbursement or releases the employee from a debt owed to the employer. The cash equivalent of the benefit is the amount paid by the employer or the amount of the debt from which the employee is released.

No value benefits
No taxable fringe benefit arises where an employer pays an employee's subscriptions to a professional body, provided membership of that body is a condition of the employee's employment. Similarly, premiums paid by an employer to indemnify an employee solely against claims resulting from negligent acts or omissions in the course of employment is not a taxable benefit. In addition, where a new employer settles a bursary or study loan that an employee owes to a previous employer, no taxable benefit arises provided the employee is contractually obliged to work for the new employer for at least the unexpired period that was owed to the previous employer.

Bursaries and scholarships
No value shall be placed on any bona fide scholarship or bursary granted by an employer to enable or assist any person to study at a recognised educational or research institution.

Where the scholarship or bursary is granted to the employee, no monetary limit applies, provided the employee is required to reimburse the employer if the employee fails to complete the course of study for reasons other than death, ill-health, or injury.

Where a bursary or scholarship is awarded to a relative of the employee, no value shall be placed on the benefit provided that the employee's remuneration proxy does not exceed R 900 000 (R 600 000), and the amount of the bursary or scholarship does not exceed:
- R 30 000 (R 20 000) for basic education (Grade R to 12 and NQF 1 to 4);
- R 90 000 (R 60 000) for higher education (NQF 5 to 10).

Where a bursary or scholarship is granted to assist a disabled member of the employee's family, and the employee has a duty of care and support for that person, no value shall be placed on the benefit provided that the employee's remuneration proxy does not exceed R 900 000 (R 600 000), and the amount of the bursary or scholarship does not exceed:
- R 45 000 (R 30 000) for basic education (Grade R to 12 and NQF 1 to 4);
- R 130 000 (R 90 000) for higher education (NQF 5 to 10);

Relocation benefits
Relocation expenses paid or reimbursed by an employer directly to an employee are exempt from tax if they constitute actual costs incurred in relocating for the purposes of employment.

Exempt expenses include transportation of the employee, spouse, children, and household goods to the new residence; costs related to selling the previous residence, including estate agent commission and bond cancellation fees; bond registration and legal fees for the new residence; transfer duty; temporary accommodation for up to 183 days after the move; and essential settling-in costs, such as school uniforms, curtains, motor vehicle registration, and connection fees for utilities. The exemption applies only if the expenses are bona fide, directly related to the relocation, and not provided as a cash allowance.

The following expenses are taxable when paid or reimbursed by the employer in relation to relocation:

- Reimbursement for any loss on the sale of the previous residence;
- Architect or design fees incurred for the construction, alteration, or renovation of the new residence.

Medical aid contributions

The full contribution made by an employer to a registered medical scheme is a fringe benefit and is deemed to be a contribution by the employee.

No value is placed on the employer contribution if it relates to:

- A person who retired due to age, ill health, or other infirmity;
- The dependants of an employee who was employed at the date of the employee's death; or
- The dependants of a deceased retired employee where retirement was due to age, ill health, or other infirmity.

Costs relating to medical services

The cash equivalent of medical services is the amount paid by the employer during any month, directly or indirectly, for medical, dental, hospital, nursing services, or medicines for the employee, their spouse, child, other relatives, or dependants.

No value is placed on the following medical costs:

- Services provided by a medical scheme approved by the Registrar of Medical Schemes and operated by the employer for employees;
- To persons who retired due to age, ill health, or other infirmity;
- To dependants of a deceased employee;
- To dependants of a retired employee who retired due to age, ill health, or other infirmity after the employee's death;
- To persons aged 65 or older during the relevant year where qualifying medical expenses are incurred by the employer;
- To employees in general at their place of work for the better performance of their duties; or
- Where the services or medicines are rendered to comply with any law in South Africa.

Contributions to retirement funds by employer

Where an employer makes contributions or pays any amount to a pension, provident, or retirement annuity fund for the benefit of an employee, the employee is deemed to have been granted a taxable fringe benefit by the employer, and the amount of the contribution is deemed to have been contributed by the employee.

Share incentive schemes
Any gain derived by an employee or director in respect of rights obtained from a share incentive scheme is included in the employee's taxable income. The taxable gain is the excess of the market value of the underlying equity instrument on the vesting or acquisition date over the amount paid by the employee to obtain that option or share.

Vesting date
For an unrestricted equity instrument, the vesting date is the date on which the instrument is acquired by the employee.

For a restricted equity instrument, the vesting date is the earliest of when all restrictions are lifted so the employee can freely dispose of the instrument, the date of disposal of the instrument, the date of termination of employment, the employee's death, or the date of release, abandonment, or lapse of the option or instrument.

An employer must apply to SARS for a tax directive to determine the amount of PAYE payable on the gain arising from the vesting of any such equity instrument.

DEDUCTIONS FOR INDIVIDUALS

Retirement fund contributions
Contributions made by an individual to a pension, provident and retirement annuity fund may be claimed as a deduction.

Any amount contributed to any fund during any previous year of assessment, which has been disallowed solely because the amount contributed exceeded the maximum amount of the allowable deduction, is called the "balance of unclaimed contributions".

The "balance of unclaimed contributions" at the end of the 2025 year of assessment should be applied or used in the following order during the 2026 year of assessment:
- Claim as a deduction against a lump sum received during 2026;
- Claim as an exemption against any qualifying annuities received during 2026;
- Add the remaining unclaimed balance to the current contributions made during 2026.

Deductible contributions in the current year of assessment is limited to the lesser of:
- R 430 000 (R 350 000)*; or

*If a person has more than one year of assessment during a 12-month period, the aggregate of amounts allowed as a deduction during the period of 12 months, commencing on 1 March and ending at the end of February, cannot exceed R 430 000 (R 350 000).
- 27.5% of the greater of:
  - Remuneration; or
  - Taxable income, including taxable capital gains but before allowing this deduction and the section 18A donations and foreign tax deduction; or
- The taxable income excluding any taxable capital gain but before allowing this deduction and the section 18A donations and foreign tax deduction.

Please note: All of the above-mentioned amounts exclude any retirement lump sum benefits and severance benefits.

Employers can claim deductions for amounts paid or contributions made to a retirement fund on behalf of, or for the benefit of, an employee. The cash equivalent of these contributions must be included as a fringe benefit in the employee's income. These contributions are deemed to be made by the employee but only to the extent that they are included in the employee's taxable income.

Employers may take this deduction into account monthly for PAYE purposes, limited to the lesser of the monthly equivalent of R 430 000 (R 350 000) or 27.5% of monthly remuneration. The maximum amount of R 430 000 (R 350 000) must be spread over 12 months on a cumulative basis for a portion of the year of assessment that the employee received remuneration from the employer. For employees who are remunerated monthly, the deduction may not exceed R 35 833 (R 29 167) per month.

Donations

Donations to certain Public Benefit Organisations (PBO) is limited to an amount which does not exceed 10% of the taxable income of the taxpayer before the deduction for foreign taxes paid and before setting off the balance of an assessed loss. Donations in excess of the 10% limit may be carried forward and treated as a donation in the following year. If the taxpayer has no taxable income or has an assessed loss, the deduction may not be claimed for that year but must be carried forward to the next year of assessment.

The taxpayer must be in possession of a qualifying section 18A certificate that supports the deduction.

The following details must be reflected on the receipt:

- The reference number issued by SARS of the PBO;
- The date of the receipt of the donation;
- The name of the PBO;
- The name and address of the donor;
- The amount of the donation or nature of the donation (if not in cash)
- A certification that the receipt is issued for the purpose s18A and that the donation has been or will be used exclusively for the objective of the PBO

The receipt must also have a unique receipt number and the following information about the donor: nature or the person, ID type, ID country of issue, ID number, income tax number, contact number, email address and the trading name of the donor (if applicable).

Home office expenses

An individual who uses part of their private residence for purposes of carrying on a trade may deduct certain home office expenses, provided the strict requirements for deducting domestic expenditure are met.

Deductions are not permitted for domestic or private expenses unless a portion of the residence:

- Is specifically equipped for purposes of trade; and
- Is regularly and exclusively used for that purpose.

The area must be set up and used solely for work purposes and may not be used for any private or domestic activities.

Employees are subject to additional limitations on deductions in respect

of employment income. Home office expenses will only be allowed where the following requirements are satisfied:

- Where the employee's income consists solely of or mainly (more than 50%) of fixed remuneration such as salary and fringe benefits, the employee's duties must be performed mainly (i.e. more than 50%) in the part of the residence that is specifically equipped and regularly and exclusively used for trade.
- Where the employee's income consists mainly (more than 50%) of commission or other variable payments based on work performance (calculated with reference to sales or similar outputs), the employee's duties must be performed mainly (i.e. more than 50%) otherwise than in an office provided by the employer.

Where the above requirements are met, the following types of expenditure relating to the home office may be deductible, to the extent that they are incurred for purposes of trade and properly apportioned:

- Rent of the premises;
- Cost of repairs relating to the home office area;
- Expenses in connection with the premises, including rates and taxes, utilities, cleaning and insurance;
- Wear and tear and insurance on office equipment used for trade
- Interest on a mortgage bond relating to the property (deductible only where the employee earns mainly, (more than 50%), commission or other variable remuneration and meets the home office requirements);
- Telephone costs, internet costs and stationery (deductible only where the employee earns mainly, (more than 50%), commission or other variable remuneration and meets the home office requirements).

Only the portion of expenditure attributable to the area used for trade may be deducted. Expenditure relating to the premises must be apportioned on a reasonable basis. A commonly accepted method of apportionment is based on the floor area of the home office relative to the total floor area of the residence.

Expenditure relating to employment

Employees and holders of office are limited in the expenses they can deduct from their remuneration. The following types of expenditure may be deducted, subject to the applicable requirements:

- Contributions to a pension, provident, or retirement annuity fund;
- Legal expenses incurred in the course of employment;
- Wear and tear allowance on qualifying assets used to earn employment income;
- Bad debt and doubtful debt allowance relating to employment income;
- Business travel expenses to the extent they are deductible against travel allowances received;
- Donations to qualifying Public Benefit Organisations;
- Home office expenses, subject to specific requirements for eligibility;
- Amounts previously included in taxable income (including voluntary awards or restraint of trade payments) that have been refunded to the employer.

Travel expenses

To claim a deduction for business travel against a travel allowance or reimbursement, an individual must maintain an accurate travel logbook that substantiates the business use of a private motor vehicle. A claim cannot be made without such documentation.

The travel logbook must contain, at a minimum:

- The date of each business trip;
- The destination of the trip;
- The business purpose or reason for travel;
- The business kilometres travelled;
- Opening and closing odometer readings for the year.

Travel between the home and a regular workplace is regarded as private travel and cannot be included in the business travel deduction.

The deduction may be calculated in one of two ways:

Actual costs: where accurate records of expenditure such as fuel, maintenance, insurance, licence fees, and other vehicle costs are kept, apportioned according to business kilometres.

SARS deemed cost method: based on business kilometres travelled and the cost per kilometre based on the table below.

Deemed expenditure – Tax year ending 28 February 2027

Value of the vehicle (Inc VAT) (R)			Fixed costs (R)	Fuel (c)	Maintenance (c)
0	-	115 000	38 344	132.9	49.1
115 001	-	230 000	68 487	148.4	61.4
230 001	-	345 000	98 689	161.2	67.8
345 001	-	460 000	125 393	173.4	74.0
460 001	-	575 000	152 097	185.5	86.9
575 001	-	690 000	180 078	212.8	102.0
690 001	-	805 000	208 106	216.5	114.5
805 001	-	920 000	237 679	220.1	126.9
920 001		and above	237 679	220.1	126.9

Deemed expenditure – Tax year ending 28 February 2026

Value of the vehicle (Inc Vat) (R)			Fixed costs (R)	Fuel (c)	Maintenance (c)
0	-	100 000	33 940	146.7	47.4
100 001	-	200 000	60 688	163.8	59.3
200 001	-	300 000	87 497	177.9	65.4
300 001	-	400 000	111 273	191.4	71.4
400 001	-	500 000	135 048	204.8	83.9
500 001	-	600 000	159 934	234.9	98.5
600 001	-	700 000	184 867	238.9	110.5
700 001	-	800 000	211 121	242.9	122.5
800 001		and above	211 121	242.9	122.5

When calculating a business travel deduction using the deemed cost method, the fixed cost value of the vehicle is divided by the total kilometres travelled during the year of assessment. If the vehicle was used for business purposes for less than a full year, the fixed cost value must be reduced proportionately to reflect the period of use.

For the purposes of determining the fixed cost value, the value of the vehicle is the cost of the vehicle including VAT but excluding any finance charges. Fuel and maintenance costs may not be included in the deemed cost calculation unless the taxpayer has borne the full cost of those items.

If the taxpayer maintains a valid travel logbook and supporting documentation, the deduction may be based on actual expenditure instead of the deemed cost method, provided the actual expenditure

relates to business travel and is supported by records. If the deduction is based on actual expenditure:

- The cost of the vehicle for wear and tear purposes is limited to R 920 000 (R 800 000).
- Wear and tear must be calculated over a period of seven years.
- Finance charges are limited as if the original debt incurred to finance the vehicle was R 920 000 (R 800 000).

Actual expenditure relating to fuel, maintenance, licence fees, insurance and other operating costs may be claimed, apportioned according to business kilometres, subject to the overall limit of the travel allowance.

TAX CREDITS: INDIVIDUALS

Section 6A: Medical scheme fees tax credit (per month)

Type of person	2026	2027
Main member	364	376
Main member and one dependant	728	752
Additional credit per additional dependent	246	254

- The credit applies to fees paid to a registered medical scheme in South Africa or a foreign medical fund under similar laws.
- Rebates can only be claimed for the months when fees are actually paid to a medical scheme.
- If multiple people pay a dependant's medical fee, the credit is apportioned according to each person's share of the total fees.
- Fees paid by a deceased estate are treated as paid by the deceased the day before death.
- When fees are paid by an employer and taxed as a fringe benefit, they are deemed to have been paid by the employee.

Section 6B: Additional medical expenses tax credit

For taxpayers 65 years or older and for persons with a "disability" themselves or in the immediate family (spouses or children):

- 33.3% of fees paid to a medical scheme as exceeds 3 times the Section 6A credit amount to which that person is entitled; plus
- 33.3% of qualifying medical expenses paid by the person.

Thus:
33.3% x [(contributions – 3 x Section 6A credit) + qualifying expenses]

For all other natural persons:

- 25% of:
  - The amount of fees paid to a medical scheme as exceeds 4 times the Section 6A credit amount to which that person is entitled; plus
  - The amount of qualifying medical expenses paid by the person;

as exceeds 7.5% of the person's taxable income (including the taxable portion of a capital gain but excluding any retirement fund lump sum, withdrawal and severance benefits).

Thus:
25% x {[(Contributions – 4 x Section 6A credit) + qualifying expenses] – [7.5% x taxable income]}

Fringe benefit
If an employer pays medical aid contributions on behalf of an employee or covers any of the employee's medical expenses, these payments must be taxed as a fringe benefit in the employee's hands. The employee is then deemed to have paid the contributions or medical expenses.
However, if the employee is 65 years or older and the employer pays contributions to a medical aid scheme, the value of the payment is still

taxed as a fringe benefit. However, if the employer incurs qualifying medical expenses for an employee aged 65 or older, the value of those payments is not taxed as a fringe benefit in the employee's hands.

Definition of a "dependant"
A "dependant" means a person's spouse or child, the child of their spouse, any other family member for whom the person is liable for family care and support (e.g. parents), or any other person who is recognised as a dependant of that person in terms of the rules of a medical scheme, at the time the fees to the medical aid fund or the qualifying medical expenses were paid.

Definition of a "child"
A "child" means a person's child or the child of their spouse (including an adopted child), who was alive during any portion of the year of assessment, and was on the last day of the year of assessment:

- Unmarried and:
  - Not over the age of 18;
  - Not over the age of 21, wholly or partially dependent on the taxpayer for maintenance, and not yet liable for normal tax; or
  - Not over the age of 26, wholly or partially dependent on the taxpayer for maintenance, not yet liable for normal tax, and a full-time student at a public educational institution; or
- In the case of any other child, was incapacitated by a disability from maintaining themself, was wholly or partially dependent on the taxpayer for maintenance and has not yet become liable for the payment of normal tax.

Definition of a "disability"
A "disability" means a moderate to severe limitation of a person's ability to function or perform daily activities due to a physical, sensory, communication, intellectual or mental impairment if the limitation:

- Has lasted or has a prognosis of lasting longer than a year; and
- Is diagnosed by a duly registered medical practitioner who is a specialist on the relevant disability, in accordance with the criteria prescribed by SARS.

Form ITR-DD must be completed by a medical practitioner and is valid for 10 years if the disability is of a permanent nature. In the case of a temporary disability, the form is valid for only one year.

Meaning of "physical impairment"
This term is not defined in the Act, but it is regarded as a disability that is less restraining than a "disability" as defined. It means the restriction or limitation on the person's ability to function or perform daily activities, which after maximum correction (such as appropriate therapy, medication and use of devices), is less than a "moderate to severe limitation".

Physical impairments could include bad eyesight, hearing problems, paralysis of a portion of the body, brain dysfunctions such as dyslexia, hyperactivity or lack of concentration.

Meaning of "qualifying medical expenses"
Any amounts (other than amounts recoverable by the taxpayer or their spouse) paid during the year of assessment to any duly registered:

- Medical practitioner, dentist, optometrist, homeopath, naturopath, osteopath, herbalist, physiotherapist, chiropractor or orthopaedist for professional services rendered or medicines supplied to the person

or any of their dependants;
- Nursing home or hospital, a duly registered or enrolled nurse, midwife or nursing assistant (or to any nursing agency for the services of such nurse, midwife or nursing assistant) in respect of an illness or confinement of the person or any of their dependants;
- Pharmacist for medicines supplied on prescription for the person or any of their dependants;
- Expenditure incurred outside South Africa which are substantially similar to qualifying medical services and medicine supplied in South Africa; and
- Expenses prescribed by SARS and necessarily incurred and paid by the person during the year of assessment due to any physical impairment or disability suffered by the person or any of their dependants.

RETIREMENT BENEFITS

Annuities

Annuities are taxable for residents, regardless of whether they are received from a retirement fund or former employer. Non-residents are taxed only if the annuity is from a South African source, subject to double tax agreements. This includes annuities of a capital nature.

Lump sums received from an employer

Lump sums paid by an employer (not from a retirement fund) are included in gross income and taxed according to the normal progressive tax rates for individuals. However, if the payment qualifies as a severance benefit, it is taxed separately under the severance benefits tax table.

Please note: An employer who pays a lump sum to a retiring employee, regardless of whether it qualifies as a severance benefit, will be allowed a tax deduction

Severance benefit

- A lump sum received from an employer or associated institution;
- In respect of the relinquishment, termination, loss, repudiation, cancellation or variation of the person's office or employment;
- Where one of the following is applicable:
  - The person is 55 years or older; or
  - The person is permanently incapable of holding employment or office due to sickness, accident, injury or incapacity through infirmity of mind or body; or
  - The termination or loss of employment is due to the employer retrenching staff due to ceasing trade or implementing a reduction in personnel in general. (This retrenchment provision will not apply where the employee held more than 5% of the issued share capital or members' interest in the employer at any time).

Employers must apply to SARS for a tax directive to determine the correct PAYE on the benefit.

Two-pot retirement system

Savings Component

One-third of a member's monthly retirement contributions is allocated to the savings component, which can be accessed once a year for any reason. The member must be registered for tax, and the fund is required to obtain a tax directive from SARS before processing a withdrawal. A tax directive will not be issued if the member has any outstanding tax returns. The full amount may be withdrawn. The minimum withdrawal

amount is R 2 000, and all withdrawals are included in gross income and taxed at the applicable marginal rate. If the member has an outstanding tax debt, SARS may deduct the amount owed from the withdrawal payout unless a formal payment arrangement has been made.

Retirement Component
Two-thirds of the member's contributions are allocated to the retirement component, which remains inaccessible until the member retires, passes away, or has been a non-resident for an uninterrupted period of three years.

Vested Component
A member's interest in a retirement fund prior to 1 September 2024 was transferred to the vested component, which remains subject to the fund rules that applied before that date. From 1 September 2024, no further contributions can be made to the vested component.

Upon retirement, a member may commute up to one-third of the vested component as a lump sum, while the remainder must be paid out as an annuity.

If a member resigns from the fund, the vested component may be paid out in full as a withdrawal benefit.

The de minimis threshold for annuitisation in retirement funds has been increased to R 360 000 (previously R 247 500) for purposes of determining whether a member can take a lump sum without having to annuitise at least two-thirds of their retirement benefit. Similarly, the threshold for commuting a living annuity has been raised to R 150 000 (previously R 125 000). These changes apply to retirement benefits arising on or after 1 March 2026, allowing members with smaller retirement savings to access their funds in cash rather than purchasing an annuity

Lump sum benefits received from South African retirement funds
There are two types of lump sum benefits from retirement funds, namely a retirement fund lump sum benefit and a retirement fund lump sum withdrawal benefit. The net amount, being the lump sum received less allowable deductions, is included in gross income and taxed in terms of the separate tax tables applicable to retirement fund lump sum benefits.

Tax on a retirement fund lump sum 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 or retirement, or a lump sum received from an employer as a severance benefit.

The tax on these amounts is determined as follows:
- Apply the tax table below to the aggregate value of the current lump sum or severance benefit and all previous:
  - Retirement fund lump sum benefits received or accrued from 1 October 2007;
  - Retirement fund lump sum withdrawal benefits received or accrued from 1 March 2009; and
  - Severance benefits received or accrued from 1 March 2011.
- Reduce the tax determined above with the amount of tax calculated by applying the same tax table to only the aggregate value of all previous lump sums as listed above.

Retirement fund lump sum or severance benefit tax table
Years of assessment ending 28 February 2026 and 28 February 2027

Taxable income (R)			Tax Rate				
0	-	550 000			0%		
550 001	-	770 000			18%	above	550 000
770 001	-	1 155 000	39 600	+	27%	above	770 000
1 155 001		and above	143 550	+	36%	above	1 155 000

Tax on a retirement fund lump sum withdrawal benefit
Retirement fund lump sum withdrawal benefits consist of lump sums from a pension, pension preservation, provident, provident preservation or a retirement annuity fund on withdrawal (including amounts assigned to a former spouse in terms of a divorce order).

The tax on these amounts is determined as follows:
- Apply the tax table below to the aggregate value of the current lump sum and all previous:
  - Retirement fund lump sum benefits received or accrued from 1 October 2007;
  - Retirement fund lump sum withdrawal benefits received or accrued from 1 March 2009; and
  - Severance benefits received or accrued from 1 March 2011.
- Reduce the tax determined above with the amount of tax calculated by applying the same tax table to only the aggregate value of all previous lump sums as listed above.

Retirement fund lump sum withdrawal benefit tax table
Years of assessment ending 28 February 2026 and 28 February 2027

Taxable income (R)			Tax Rate				
0	-	27 500			0%		
27 501	-	726 000			18%	above	27 500
726 001	-	1 089 000	125 730	+	27%	above	726 000
1 089 001		and above	223 740	+	36%	above	1 089 000

CORPORATE TAX

Small business corporations (SBC)
A small business corporation is any close corporation, co-operative, private company, or a personal liability company where:
- The entire shareholding for the entire year of assessment is held by natural persons;
- The gross income for the year of assessment does not exceed R 20 million (apportioned if traded for less than 12 months);
- No shareholder, at any time during the year of assessment, held any shares or interest in any other company, other than in a:
  - Listed company or portfolio in a collective investment scheme;
  - Sectional title body corporate or share block company;
  - Co-operative (limited to 5%) or friendly society;
  - Venture capital company;
  - Company, close corporation or co-operative, which has not during any year of assessment carried on any trade and has never owned assets worth more than R 5 000; or
  - Company or close corporation that has taken steps to liquidate, wind up or deregister;
- Not more than 20% of the total receipts and accruals and all capital gains consists collectively of investment income* and income from rendering personal services**; and
- The entity is not a personal service provider as defined.

***Investment income**: dividends, foreign dividends, annuities, interest, rental, royalty or any income of a similar nature, and any proceeds derived from investment or trading in financial instruments (including futures, options and other derivatives), marketable securities and immovable property.

****Personal service** means any service in the field of accounting, actuarial science, architecture, auctioneering, auditing, broadcasting, consulting, draftsmanship, education, engineering, financial service broking, health, information technology, journalism, law, management, real estate broking, research, sport, surveying, translation, valuation, or veterinary science, performed personally by a shareholder or connected person of the entity, except where the entity employs three or more full-time employees who are not connected persons throughout the year of assessment, and who are engaged on a full-time basis in rendering that service.

This type of company enjoys a progressive tax rate structure.

Years of assessment ending between 1 April 2026 and 31 March 2027

Taxable income (R)			Tax Rate				
0	-	99 000			0%		
99 001	-	365 000			7%	above	99 000
365 001	-	550 000	18 620	+	21%	above	365 000
550 001		and above	57 470	+	27%	above	550 000

Year of assessment ending between 1 April 2025 and 31 March 2026

Taxable income (R)			Tax Rate				
0	-	95 750			0%		
95 751	-	365 000			7%	above	95 750
365 001	-	550 000	18 848	+	21%	above	365 000
550 001		and above	57 698	+	27%	above	550 000

Qualifying small business corporations may deduct the full cost of any asset used directly in a process of manufacture in the year in which the asset is brought into use. For all other depreciable assets, it may elect to claim depreciation using either the 50%:30%:20% write-off basis or the normal wear-and-tear rates as set out in Interpretation Note 47.

Dividends paid by a small business corporation are subject to dividends withholding tax at 20%.

Personal Service Providers (PSPs)

A Personal Service Provider (PSP) is a company, close corporation, or trust that provides services to a client where those services are rendered personally by a connected person (such as a shareholder, member, beneficiary, or relative). The entity will be classified as a PSP if any one of the following conditions applies:

- The person performing the services would be regarded as an employee of the client if the services were rendered directly to the client.
- The duties are performed mainly at the client's premises and are subject to the control or supervision of the client regarding how the services are performed.
- More than 80% of the income of the entity for the year of assessment from services rendered is received, or is likely to be received, directly or indirectly from one client or any associated institution related to that client.

A company, close corporation or trust will not be regarded as a personal service provider if, throughout the year of assessment, it employs three

or more full-time employees who are, on a full-time basis, engaged in the business of rendering such services and who are not shareholders, members, settlors or beneficiaries of the entity, nor connected persons in relation to those persons.

Remuneration paid to a personal service provider is treated as remuneration for PAYE purposes. The withholding PAYE rate is 27% where the PSP is a company or close corporation and 45% where the PSP is a trust. A personal service provider may apply to SARS for a tax directive to determine a lower rate of PAYE where appropriate, but any such directive is issued at the discretion of the Commissioner.

There is no need to deduct PAYE solely because more than 80% of a company's or trust's income is expected to be derived from a single source, provided the entity has submitted an affidavit or solemn declaration confirming that this threshold will not be met and the declaration is relied upon in good faith.

Dividends paid by a personal service company is subject to dividends withholding tax of 20%.

Personal service providers may only claim deductions for the following:
- Amounts paid to any employee for services rendered, where such amounts will be taken into account in determining the employee's taxable income;
- Legal expenses (incurred in the production of income);
- Irrecoverable debts;
- Contributions to pension, provident or benefit funds;
- Refunds of amounts previously received or accrued for services rendered (and included in taxable income) that are subsequently refunded;
- Refunds of restraint of trade payments (if previously included in taxable income);
- Expenses in respect of premises and assets such as finance charges, insurance, repairs, fuel and maintenance — but only if the premises or assets are used wholly and exclusively for the purposes of trade.

Personal service providers cannot qualify as a micro business.

Micro businesses
Turnover tax is a simplified tax regime that serves as a substitute for normal income tax, capital gains tax, dividends tax and other specified taxes for qualifying small businesses. Participation is optional as qualifying taxpayers may elect turnover tax or may instead remain subject to the standard tax system.

Natural persons, companies and close corporations may qualify as micro businesses if their qualifying turnover for a year of assessment does not exceed R 2.3 million (R 1 million), with that threshold proportionally reduced where the business does not operate for the full 12-month year of assessment.

Qualifying turnover
Qualifying turnover is the total receipts derived from carrying on business activities during the year of assessment, excluding amounts of a capital nature and amounts received from a small business funding entity or government grants that are exempt from normal tax. Only actual receipts (cash basis) are considered in determining the qualifying turnover.

Persons that do not qualify as micro businesses

Persons that do not qualify as micro businesses include:

- A natural person or company that holds shares or interests in another company, except shares in listed companies, collective investment scheme portfolios, body corporates/share blocks, venture capital companies, co-operatives (<5%) or friendly societies (<5%), or companies that have never carried on trade or owned assets of more than R 5 000, or are in the process of liquidation/deregistration.
- A natural person if more than 20% of receipts for the year is income from the rendering of professional services.
- A company if more than 20% of receipts consists of investment income and/or professional service income, if any shareholder is not a natural person, or if any shareholder held disqualifying shares/interests during the year.
- An approved public benefit organisation, recreational club, association or small business funding entity.
- A personal service provider.
- A labour broker without a valid exemption certificate.
- A taxpayer whose total receipts from the disposal of fixed property and capital assets used mainly for business purposes in the current and preceding two years exceeds R 1.5 million (subject to exclusions)
- Trusts do not qualify as a micro business.

Tax rates

Years of assessment ending on 28 February 2027

Taxable turnover (R)			Tax Rate				
0	-	600 000			0%		
600 001	-	950 000			1%	above	600 000
950 001	-	1 400 000	3 500	+	2%	above	950 000
1 400 001	-	2 300 000	12 500	+	3%	above	1 400 000

Years of assessment ending on 28 February 2026

Taxable turnover (R)			Tax Rate				
0	-	335 000			0%		
335 001	-	500 000			1%	above	335 000
500 001	-	750 000	1 650	+	2%	above	500 000
750 001	-	1 000 000	6 650	+	3%	above	750 000

Taxable turnover

Taxable turnover for turnover tax purposes generally includes:

- Amounts actually received during the year of assessment from carrying on business activities (cash basis).
- 50% of receipts of a capital nature from the disposal of immovable property and other capital assets used mainly for business purposes (excluding trading stock and financial instruments).
- In the case of a company or close corporation: 100% of investment income (excluding dividends and foreign dividends).

Excluded from taxable turnover

The following amounts are not included when calculating taxable turnover for turnover tax purposes:

- Investment income for all taxpayers such as dividends (domestic and foreign), interest not derived in the ordinary course of trading or proceeds from disposals of financial instruments.
- Exempt receipts from government grants or small business funding entities.
- Amounts received that relate to periods before registration as a micro business, where those amounts were already subject to normal tax.
- Refunds or reversals of amounts previously included in turnover, such as refunds to customers for goods or services supplied or refunds from suppliers.

Dividends tax
The first R 200 000 dividends paid by the micro business during the year of assessment is exempt from dividends tax.

Payment of tax
Turnover tax payments are made in two instalments based on estimated taxable turnover for the year of assessment. Within the first six months of the year of assessment, a micro business must estimate its taxable turnover for the year and calculate the turnover tax payable on that estimate. Half of this tax is payable by the due date. The first payment may not be less than the tax paid on the previous year's actual taxable turnover, unless SARS accepts a lower estimate. By the end of the year of assessment, a final estimate of taxable turnover must be submitted and the turnover tax recalculated, with a second payment due for the difference between the year-end estimate and the first payment. If the final estimate is less than 80% of the actual taxable turnover for the year, a penalty of 20% of the difference between the tax payable on 80% of actual turnover and the tax paid on estimates may apply. Interest is payable on any late payments at the prescribed rate.

Record keeping
The following records must be retained by a micro business during a year of assessment:
- Amounts received;
- Dividends declared;
- Each asset with a cost price of more than R 10 000; and
- Each liability that exceeds R 10 000.

Bodies corporate
Levies received by a sectional title body corporate, a share block company, or another association of persons formed solely for the purpose of managing the collective interests of its members in respect of common immovable property are exempt from income tax.

Receipts or accruals other than levies (such as interest, rental, or fees) are exempt up to a maximum of R 50 000 per annum. Any income from these sources in excess of R 50 000 is subject to normal corporate income tax at the rate of 27%.

Trusts
All trusts, except special trusts, are subject to a flat tax rate of 45% on taxable income.

Special trusts, such as those established for beneficiaries with a disability or for minor relatives are taxed on the same tax rates that applies to natural persons.

However, trusts are not entitled to the personal tax rebates or the personal interest exemption that individual taxpayers can claim.

The year of assessment for a trust ends on the last day of February.

Tax liability for income earned in respect of trusts
Donor: A donor may be taxed on trust income if the income is deemed to accrue back to the donor. This applies where an asset is donated or deemed to be donated to a trust, or where an interest-free or low-interest loan is granted in respect of assets sold to a trust. In such

cases, income arising from those assets may be attributed back to the donor and taxed in the donor's hands.

Beneficiary with a vested right: If a resident beneficiary has a vested right to income of a trust, that beneficiary is taxed on the amount of income that vests in them, unless that income has already been attributed to a donor. Income that vests in a non-resident beneficiary is taxed in the trust itself, unless it is attributed to the donor.

Trust: Where no resident beneficiary has a vested right to the income of a trust, and the income is not attributed to a donor, the trust itself is liable to tax. Additionally, where income vests in a non-resident beneficiary but is not attributed to a donor, the trust is taxed on that income.

Losses: A trust is prevented from distributing losses to a beneficiary.

Public Benefit Organisations (PBO)

An approved PBO is exempt from income tax on receipts and accruals to the extent that they are derived from:

- Income not generated from business or trading activities (e.g., donations, grants, membership fees).
- Trading activities directly related to the PBO's principal object if carried out on a cost recovery basis and provided it does not result in unfair competition with taxable entities.
- Occasional fundraising activities undertaken substantially with voluntary assistance and without compensation.
- Income from other business or trading activities is exempt up to the greater of R 200 000 or 5% of the entity's total receipts and accruals for the year of assessment. Any excess above this threshold is subject to normal corporate income tax at 27%.

An approved PBO is not liable for provisional tax.

Section 18A examination certificate rules

All Section 18A-approved Public Benefit Organisations (PBOs) that conduct mixed public benefit activities (i.e., both Part I and Part II activities) are required to obtain and retain a certificate of examination each year. The purpose of this certificate is to confirm that all donations received or accrued in that year of assessment for which Section 18A receipts were issued were used solely to carry out approved Part II activities within South Africa.

The certificate must be issued by a person independent from PBO.

The Commissioner may prescribe by public notice the minimum information that must appear on the certificate, including details of the PBO, donations received, and confirmation of appropriate use.

PBOs must retain the certificate annually for each year of assessment. While it is not normally submitted with the annual return, it must be produced to SARS upon request. Certain government departments may still be required to submit the certificate to SARS each year.

Failure to obtain and retain a valid certificate may result in SARS treating donations as taxable and disallowing donor deductions.

Recreational clubs

Receipts and accruals are exempt from income tax to the extent that they are derived from:

- Membership fees and subscriptions paid by members;
- Business undertakings or trading activities that are integral and directly related to the provision of social or recreational amenities for members, provided these are carried out on a cost-recovery basis and do not result in unfair competition with taxable entities;
- Fundraising activities of an occasional nature conducted substantially with voluntary assistance; and
- Other receipts, to the extent that they do not exceed the greater of R120 000 or 5% of the total membership fees or subscriptions for the year of assessment. The excess is taxed at 27%.

Approved recreational clubs are excluded from provisional tax and therefore are not required to submit provisional tax returns or payments.

EMPLOYMENT TAXES

Remuneration

Remuneration includes any amount paid or payable to an employee in cash or otherwise, whether or not for services rendered, unless specifically excluded. Remuneration includes, but is not limited to, the following:

- Salaries, wages, leave pay, overtime pay, bonuses, gratuities, commissions, fees, emoluments, and other payments for services rendered;
- Pensions, superannuation allowances, retiring allowances, and stipends;
- Allowances and advances, including travel allowances (subject to the applicable inclusion percentage prescribed by law);
- A subsistence allowance that does not qualify for exclusion under the deemed-expenditure provisions;
- 50% of any allowance granted to a holder of public office;
- The taxable portion of any travel allowance, generally 80%, or 20% where the employer is satisfied that at least 80% of the vehicle use for the year of assessment will be for business purposes;
- Any travel allowance or reimbursement based on distance travelled, to the extent that it exceeds R 4.95 (R4.76) per kilometre;
- The taxable value of the private use of an employer-provided motor vehicle, generally included at 80%, or 20% where the employer is satisfied that at least 80% of the use will be for business purposes;
- Amounts paid in respect of restraint-of-trade agreements;
- Amounts paid as compensation for the loss or variation of office;
- Retirement fund lump sums and savings withdrawal benefits where required to be included for employees' tax purposes;
- The cash equivalent of taxable fringe benefits;
- Any gain made from the disposal of a qualifying equity share under a broad-based employee share plan;
- Any gain arising from the vesting of equity instruments in the hands of employees or directors; and
- Dividends received in respect of certain restricted equity instruments.

Directors of private and public companies

Executive directors, whether resident or non-resident, are included in the employee definition. The definition of a company also covers close

corporations, so their members are subject to PAYE like company directors.

Resident non-executive directors' fees are not treated as remuneration by SARS, as they are considered independent contractors. PAYE is therefore not required, though directors may request voluntary withholding, in which case an IRP5/IT3(a) must be issued.

Non-resident non-executive directors are always treated as employees for PAYE purposes.

Variable remuneration
Variable remuneration is deemed to accrue on the date they are actually paid to the employee, and that is the date on which they must be considered for both taxable income and PAYE purposes.

Variable remuneration is defined as:
- Overtime pay, bonus, commission and leave pay;
- Allowance or advance in respect of transport expenses (this includes both fixed and reimbursive travel allowances);
- Night shift and standby allowances;
- Any amount paid or granted to an employee for the reimbursement of business expenditure;
- Any amount that is determined based on work performance (other than a bonus).

PAYE withholding obligation
All employers paying remuneration must withhold employees' tax. Non-resident employers with a permanent establishment in South Africa must also withhold tax for South African-taxable employees.

This tax is deducted from the employee's remuneration, and employers must submit the EMP201 return and pay it to SARS within 7 days after month-end, or by the last business day if the 7th falls on a weekend or public holiday.

Failure to Withhold or Pay Employees' Tax (PAYE)
An employer who fails to withhold employees' tax or to remit it to SARS is personally liable for the full amount of the tax.

SARS may, at its discretion, absolve the employer from this liability if it is satisfied that the failure was not due to fraud, intent to delay payment, or tax evasion, and if there is a reasonable prospect of recovering the amount from the employee.

Where an employer is not absolved by SARS, the employer has the right to recover the tax from the employee. Until the tax has been properly withheld and remitted, the employee may not receive a tax certificate (IRP5/IT3(a)) for that amount.

Any PAYE for which the employer remains personally liable and has not been recovered from the employee cannot be claimed as a deduction for income tax purposes.

Late Payment of PAYE — Administrative Penalties
If an employer fails to pay the full amount of PAYE by the due date, SARS may impose an administrative penalty of 10% of the unpaid amount. In addition, interest is charged on the unpaid balance for the period it

remains outstanding at the SARS-prescribed rate.

Employees' Tax Certificates (IRP5/IT3(a))
Employers must issue a tax certificate to each employee:
- Within 60 days after the end of the year of assessment;
- Within 14 days after an employee leaves employment; or
- On the day the employer ceases to be an employer.

Employers may not issue certificates before submitting the EMP501 reconciliation to SARS.

EMP501 Returns
Employers are required to submit an EMP501 reconciliation to SARS for each six-month period ending 28/29 February and 31 August. This reconciliation compares the total employees' tax withheld with the amounts reported on the employees' tax certificates (IRP5/IT3(a)) for the same period.

If an EMP501 reconciliation is submitted late, SARS may impose an administrative penalty of 1% of the total PAYE liability declared for the relevant reconciliation period for each month (or part of a month) that the return remains outstanding, up to a maximum of 10%.

Where the total employees' tax is unknown, SARS may estimate the amount for penalty purposes. Once the actual tax is determined, the penalty is adjusted retroactively from the date it was originally levied.

Employment Tax Incentive (ETI)
The ETI allows eligible employers to reduce their PAYE liability each month by the ETI amount attributable to qualifying employees.

Eligible employers
Eligible employers are those registered for PAYE and who employ qualifying employees. The ETI does not apply to the government as an employer, certain public entities or municipal entities.

Definition of Employee for ETI Purposes
For the purposes of the ETI, an employee is an individual who works for the employer. The individual must receive or be entitled to receive remuneration and must be employed directly or indirectly in the ordinary course of the employer's business. The employee must be properly recorded in the employer's payroll and employment records. Independent contractors do not qualify as employees for ETI purposes.

The benefit derived by the employer from this incentive is exempt from normal income tax.

Qualifying employee
A qualifying employee is an individual who is employed by the employer and not an independent contractor. The employee must be between 18 and 29 years of age at the end of the month for which the ETI is claimed, except in the case of employees employed by qualifying companies in a Special Economic Zone, who qualify regardless of age. The individual must be in possession of a valid South African identity document, refugee identity card, or asylum seeker permit. Employees who are connected to the employer, domestic workers, or individuals mainly studying (unless under a formal learnership agreement as defined in the Skills Development Act) do not qualify. Where study is involved, the ratio

of hours worked to hours spent studying is used to determine eligibility.

Remuneration requirements
To qualify for the ETI, an employee's remuneration must meet certain minimum and maximum thresholds. The employee must earn at least the higher of the amount payable under any wage-regulating measure or the national minimum wage, which is currently R 30.23 per ordinary hour from 1 March 2026. Where no wage regulation or minimum wage applies, the monthly remuneration must be at least R 2 500 for employees working 160 hours or more per month, or R 2 500 multiplied by actual hours worked divided by 160 for employees working fewer hours. The remuneration may not exceed R 7 500 per month. The incentive may be claimed for a maximum of 24 qualifying months per employee.

The value of the incentive is determined as follows from 1 April 2026

Monthly remuneration	Per month during the first 12 months	Per month during the next 12 months
R 0 – R 2 499	60% x monthly remuneration	30% x monthly remuneration
R 2 500 – R 5 499	R 1 500	R 750
R 5 500 – R 7 500	R 1 500 – (75% x (monthly remuneration – R 5 500))	R 750 – (37.5% x (monthly remuneration – R 5 500))

Roll-over of incentive
An employer may only claim ETI up to the total PAYE due in a given month. Any ETI that exceeds the PAYE cannot be claimed in prior EMP201 submissions. Excess ETI may be rolled over to the following month if the employer is compliant and the incentive available exceeds the PAYE payable, or if a previously non-compliant employer becomes compliant. Any ETI not claimed by the end of the PAYE reconciliation period (August or February) is forfeited and is deemed to be nil from the first day of the following month (1 September or 1 March).

Refunds
Employers may claim a refund of any remaining ETI after the bi-annual PAYE reconciliation periods. SARS will only pay the refund if the employer is fully tax compliant when the reconciliation is processed. A non-compliant employer may still submit a refund claim using the prescribed form but must correct any non-compliance within 6 months from the start of the next reconciliation period to receive the refund. Any ETI refund not claimed, or where compliance is not achieved within the prescribed timeframe, will be forfeited.

Displacement penalty
An employer is deemed to have displaced an employee if an employee is dismissed and is replaced by another employee for whom the ETI is claimed, and the dismissal is subsequently confirmed as automatically unfair, whether by agreement, arbitration, or court order. Employers who are deemed to have displaced employees are subject to a penalty of R 30 000 per displaced employee and may be disqualified from claiming the ETI. From 1 March 2025, if an employer claims ETI for an amount that does not qualify as monthly remuneration, they must pay a penalty equal to 100% of the incorrectly claimed ETI for each month for which the claim was made. The incentive will cease on 28 February 2029.

Skills Development Levies (SDL)

An employer becomes liable to pay Skills Development Levy (SDL) if the total salaries are expected to exceed R 500 000 over the next 12 months. Once liable, the employer must register for SDL. The levy is calculated at 1% of the total monthly remuneration paid to employees.

The following are excluded from remuneration for SDL:

- Payments to labour brokers who hold a valid exemption certificate.
- Employer contributions to pension, provident, or retirement funds, including superannuation and retiring allowances.
- Annuities and lump sum payments received from employers or retirement funds.
- Remuneration of learners under a registered learnership agreement.

Unemployment Insurance Fund (UIF)

Employers and employees are required to contribute monthly to the Unemployment Insurance Fund. A total UIF contribution of 2 % of the employee's monthly remuneration is payable, comprising 1 % deducted from the employee's remuneration and 1 % payable by the employer. The contribution must be calculated on remuneration up to the UIF earnings ceiling of R 17 712 per month or R 212 544 per annum.

Employers must pay UIF contributions to SARS or directly to the UIF Commissioner (if not registered with SARS for PAYE) within seven days after the end of the month in which the amounts were deducted or became due. Where the seventh day falls on a weekend or public holiday, payment must be made no later than the last business day before that weekend or public holiday. Employers must also submit the prescribed monthly declaration (EMP201) to SARS reflecting the UIF contributions paid and submit the monthly employee declarations to the UIF Office even when payment has been made to SARS. Failure to pay and declare within the prescribed period may result in penalties and interest.

Learnership allowance

This allowance is available to employers who employ learners under registered learnership agreements entered into before 1 April 2027.

Annual and completion allowance

Type of person	Qualification (NQF)	(R)
Person without a disability	1 - 6	40 000
	7 - 10	20 000
Person with a disability	1 - 6	60 000
	7 - 10	50 000

The annual learnership allowance is calculated for each year of assessment in which the employer is a party to a registered learnership agreement with the learner. If the registered learnership agreement is in effect for a full 12 months of the employer's year of assessment, the full annual allowance may be claimed. If the agreement is in effect for less than 12 full months in a particular year of assessment, the annual allowance must be pro-rated to reflect the number of full months during which the learner was a party to the agreement in that year. The annual allowance may be claimed in respect of each successive year of assessment that the learnership agreement remains active.

An employer may claim a completion allowance in the year of assessment in which a learner successfully completes a registered learnership agreement.

- For learnership agreements with a total duration of less than 24 full months, the completion allowance is equal to the annual allowance applicable to that learner.
- For learnership agreements with a total duration of 24 full months or more, the completion allowance is calculated as the annual allowance multiplied by the number of consecutive full 12-month periods within the duration of the learnership agreement. Only complete 12-month periods are considered.

If a learner fails to successfully complete a registered learnership agreement, the employer may not claim a completion allowance in respect of that learner for that learnership. Furthermore, if the learner subsequently registers for a new registered learnership agreement either with the same employer or with an associated institution, the employer may not claim any annual allowance or completion allowance in respect of the new learnership if the new learnership contains the same education and training component as the learnership that the learner previously failed.

NQF levels

Level	Description
NQF 1 - 6	General certificate, Elementary certificate, Intermediate certificate, National certificate (Grade 12), Higher certificate, Diploma or Advanced certificate
NQF 7 - 10	Bachelor's degree, Advanced diploma, Honours degree, Postgraduate Diploma, Master's degree, Doctoral degree

OTHER TAXES

DIVIDENDS TAX

Definition of a dividend — South African dividends tax

For the purposes of dividends tax in South Africa, a dividend means any amount that is a "dividend" or "foreign dividend". A dividend that is subject to Dividends Tax includes the following:

- Dividends paid by a South African resident company, other than a headquarter company.
- Cash dividends paid by a foreign company where the share in respect of which the foreign dividend is paid is listed on a South African exchange, and the dividend does not consist of a distribution of an asset in specie.
- Amounts that are deemed to be dividends due to secondary transfer pricing adjustments under the Income Tax Act.

Levy of dividends tax

Dividends Tax is a withholding tax levied on dividends declared and paid by a company, other than a headquarter company, to a resident or non-resident shareholder. The standard rate of Dividends Tax is 20% of the amount of the dividend.

Timing of dividend payments

A dividend is deemed to be paid on the earlier of the date on which the dividend is actually paid or the date on which it becomes due and payable by the company that declared it. This rule applies to both cash dividends and dividends in specie, which are distributions of assets other than cash. In the case of a dividend declared by a listed company that does not consist of a distribution of an asset in specie, the dividend is deemed to be paid on the date it is actually paid.

Liability for the dividend tax
The liability for the tax ultimately rests with the beneficial owner of the dividend, which is the person entitled to the benefit of the dividend, but dividends tax is normally withheld by the company declaring and paying the dividend or, where applicable, by a regulated intermediary on behalf of that beneficial owner and remitted to SARS.

In the case of a dividend in specie, the company declaring the dividend is liable for the dividends tax and must pay that tax to SARS directly.

The beneficial owner must notify the company or regulated intermediary in writing, in the prescribed declaration and written undertaking form, if the dividend is exempt from dividends tax or if a reduced rate applies under a DTA, and must submit these documents before the dividend is paid or by a date determined by the company or regulated intermediary.

This written declaration and undertaking must be in the form prescribed by SARS and must state the basis for the exemption or reduced rate and include an undertaking to inform the withholding agent if the circumstances affecting the exemption or reduced rate change or if the beneficial owner ceases to be the beneficial owner.

A declaration and written undertaking remain valid for five years from the date it is received, unless the entity receiving it is subject to the provisions of the FIC or the CRS regulations, in which case different record-keeping or renewal requirements may apply.

Payment of dividend tax
Dividends tax must be paid to SARS by the last day of the month following the month in which the dividend was paid, and this payment must be accompanied by the prescribed Dividends Tax return (DTR01 and, where applicable, the DTR02). Interest at the prescribed rate becomes payable on any unpaid dividends tax that remains outstanding from the end of the prescribed payment period until the date of payment.

Loans by companies
When a company provides a loan, advance or credit to a natural person or trust that is a South African resident and is a connected person in relation to that company, or is a connected person in relation to such a person, and that debt arises by virtue of any share held in that company, the company is deemed to have paid a dividend in specie in respect of that debt. The amount of the deemed dividend is the difference between the official interest rate and the actual interest on the loan received by the company for that year. The deemed dividend is regarded as having been paid on the last day of the company's year of assessment in which the loan or advance was outstanding and is subject to dividends tax, with the company itself liable for the tax on the deemed dividend paid in specie.

Distribution of an asset in specie
When a company distributes an asset in specie as a dividend, the amount of the dividend is deemed to be equal to the market value of the asset on the date that the dividend is deemed to be paid. In the case of a financial instrument that is listed on a recognised exchange for which a price was quoted, the dividend is deemed to be equal to the ruling price of that financial instrument on that recognised exchange at the close of business on the last business day before the date that the dividend is deemed to have been paid.

Refunds
If the required declaration and written undertaking that a dividend is exempt from dividends tax or is subject to a reduced rate was not submitted to the company by the prescribed date but is submitted within three years from the date the dividend was paid, the company that withheld dividends tax must refund the amount to the person to whom the dividend was paid. The refund must be made by the company from any dividends tax withheld by the company within one year after the submission of the declaration and written undertaking. If the amount of dividends tax refundable exceeds the amount of dividends tax withheld by the company within that one-year period, the company may recover the shortfall from SARS, provided that the claim is made within four years of the date on which the dividend was paid.

Where dividends tax was paid by a company in respect of a distribution of an asset in specie because the company was unable to obtain the declaration and written undertaking by the date the dividend was paid, and it is then submitted to the company within three years after the payment of the dividend, the company may claim a refund from SARS of the portion of dividends tax that would not have been payable had it been submitted on time, provided the claim is submitted to SARS within three years of the date of payment of the dividends tax.

Exemptions
For the purposes of dividends tax in South Africa, any dividend that does not consist of a dividend in specie is exempt from dividends tax where the beneficial owner of that dividend is one of the following: a South African resident company; any sphere of the Government of South Africa or a municipality; an approved PBO; a closure or rehabilitation trust; institutions, boards or bodies established under law and exempt from income tax in terms of section 10(1)(cA); a pension, pension preservation, provident, provident preservation, retirement annuity or benefit fund; an institution contemplated in section 10(1)(t) (such as the CSIR or SANRAL); a small business funding entity; a shareholder in a registered micro business to the extent that the aggregate dividends paid to all its shareholders during the year of assessment does not exceed R 200 000; a non-resident where the dividend is paid by a foreign company listed on a registered stock exchange in terms of the Financial Markets Act; any person to the extent that the dividend constitutes income of that person under normal tax rules; any fidelity or indemnity fund; and a natural person or their deceased or insolvent estate in respect of a dividend paid on a tax-free investment.

VALUE ADDED TAX (VAT)
The VAT system is a self-assessment system.

Compulsory registration
A person who carries on an enterprise in or partly in South Africa becomes liable for compulsory registration for VAT if the total value of their taxable supplies made in the course of that enterprise exceeds R 2 300 000 (R 1 000 000) in any consecutive 12-month period, or if they have a written contractual obligation under which the value of taxable supplies to be made will exceed R 2 300 000 (R 1 000 000) within the next 12 months.

Voluntary registration
A person may voluntarily register for VAT if they have made taxable supplies exceeding R 120 000 (R 50 000) in the preceding 12-month

period, or if they can reasonably expect their taxable supplies to exceed R 120 000 (R 50 000) within 12 months from the date of application for registration.

Registration of an enterprise supplying commercial accommodation
A person who carries on an enterprise that supplies commercial accommodation in or partly in South Africa must be registered for VAT if the total receipts from providing commercial accommodation exceed, or are reasonably expected to exceed, R 120 000 within any consecutive 12-month period. For this purpose, commercial accommodation means the supply of lodging or board and lodging, together with domestic goods and services, in any house, flat, apartment, room, hotel, motel, inn, guest house, boarding house, holiday accommodation unit, chalet, tent, caravan, camping site, boathouse or similar establishment that is regularly supplied for reward, but excludes a dwelling supplied under a lease or letting agreement.

The term domestic goods and services include items supplied in connection with the accommodation, such as cleaning and maintenance services, electricity, gas, air-conditioning or heating, telephones, television sets, radios or similar articles, furniture and other fittings, meals, laundry, nursing services, water and similar amenities. Where domestic goods and services are supplied as part of an all-inclusive charge for an unbroken period exceeding 28 days, the value of the taxable supply for VAT purposes is deemed to be 60 % of the all-inclusive value of that supply.

Registration of E-Commerce suppliers
Foreign suppliers of electronic services who make supplies that are deemed to be made in South Africa must register as VAT vendors if the total value of their taxable supplies to recipients in South Africa exceeds the prescribed registration thresholds in any consecutive 12-month period or if they can reasonably expect that the value of those supplies will exceed such threshold within the next 12 months. These foreign suppliers may be registered to account for VAT on the payment basis.

Registration as a vendor will not be compulsory for a foreign supplier of electronic services if the threshold has been exceeded solely due to abnormal circumstances of a temporary nature.

The rules for determining whether an electronic supply is made “in South Africa” for VAT purposes include tests based on the recipient and the place of use, including, but not limited to, whether at least two of the following circumstances are present:
- The recipient of the electronic services is a South African resident;
- Any payment for the electronic services originates from a bank account in South Africa, or
- The recipient has a business, residential or postal address in South Africa.

Electronic services mean any services supplied by means of an electronic agent, electronic communication or the internet for any consideration, other than:
- Services supplied to a resident company that forms part of the same group as the foreign supplier company, if the services are specifically devised, developed, created or produced for the South African group company’s consumption;
- Telecommunication services;

- Educational services provided by an entity regulated in a foreign country by an educational authority.
- Services supplied from an export country by a non-resident where the services are supplied solely to registered Vat vendors in South Africa.

Supplies provided by an intermediary

From 1 April 2025, where electronic services are supplied by an intermediary acting on behalf of a principal and the intermediary is a registered VAT vendor, that supply shall be deemed to be made by the intermediary (and not by the principal) if all of the following conditions are met:

- The principal is not a resident of South Africa;
- The recipient of the electronic services is a person in the Republic;
- The principal and the intermediary have agreed in writing that the supply will be treated as if made by the intermediary.

Under such a written agreement, both the principal and the intermediary are jointly and severally liable for paying the tax imposed by the VAT Act in respect of the taxable supplies made under that agreement.

With effect from 1 April 2026, the intermediary provisions are extended so that the rules for deeming the supply to be made by the intermediary also apply to supplies facilitated by intermediaries on behalf of local suppliers.

Deregistration due to Business-to-Business Exclusion

A non-resident foreign supplier that supplies electronic services only to South African VAT-registered vendors will no longer be treated as supplying "electronic services" for VAT purposes.

As a result, such foreign supplier must deregister because they no longer meet the criteria for VAT registration.

Non-resident vendors whose registration is cancelled, and who are not required to maintain a local bank account, must provide the Commissioner with their bank account details. This allows the Commissioner to transfer any refunds or amounts due directly to the vendor's account.

Registration requirements of non-executive directors

A non-executive director who provides services for fees in connection with that directorship is regarded as carrying on an enterprise for VAT purposes and must register as a VAT vendor if the total value of their taxable supplies exceeds R 2 300 000 (R 1 000 000) in any consecutive 12-month period, or if there is a written contractual obligation under which the value of their taxable supplies will exceed R 2 300 000 (R 1 000 000) within the next 12 months

A non-executive director whose taxable supplies do not exceed the compulsory registration threshold may elect to voluntarily register for VAT if the value of their taxable supplies exceeds R 120 000 (R 50 000) in the preceding 12 months, or if they reasonably expect their taxable supplies to exceed R 120 000 (R 50 000) within 12 months of the date of application.

Registration requirements for separate branches or divisions

Branches or divisions of a single person may be registered separately as distinct vendors for VAT purposes if the following conditions are satisfied:

- The vendor has applied in writing to SARS for separate registration;
- Each separate enterprise maintains its own independent system of accounting in respect of the activities carried on by that branch or division; and
- Each separate enterprise is separately identifiable with reference to the nature of the activities carried on or the location at which those activities are conducted.

Registration of non-residents

A person who is not a resident of South Africa and is required to register for VAT is deemed not to have applied for registration until the following conditions have been complied with:

- The person must appoint a representative vendor and provide SARS with the details of that representative vendor; and
- The person must open a bank account with a bank in South Africa and furnish SARS with the details of that bank account.

However, a non-resident is not required to open a South African bank account where it is resident in a country with which the Republic has a DTA in force and one or more of the following apply:

- Where a company qualifies as an "external company" as defined in the Companies Act and does not have a fixed or permanent place of business in South Africa in relation to the enterprise; or
- Where the person is a natural person who is physically present in the Republic for a period of less than a cumulative six months within any 12-month period

Invoice basis vs. payment basis

Vendors are required to account for VAT on the invoice basis unless a different basis of accounting has been permitted by SARS. The invoice basis means that VAT is accounted for when the time of supply occurs (generally when an invoice is issued or a payment is received, whichever comes first).

However, certain vendors may apply in writing to SARS to account for VAT on the payment basis if their taxable supplies in a consecutive 12-month period have not exceeded, and are not likely to exceed, R 2 500 000 (excluding VAT) and they are either natural persons or an unincorporated body of persons whose members are all natural persons. Under the payment basis, VAT is accounted for when payments are received from customers and when payments are made to suppliers.

A vendor who has been allowed to account for VAT on the payment basis must account for VAT on the invoice basis in respect of any supply of goods (other than fixed property) or services for which the consideration (including VAT) is R 100 000 or more in a single transaction. This requirement does not apply to public authorities or municipalities.

VAT periods

Category A	Taxable supplies of up to R 30 million: 2 monthly: January, March, May, July, September, November
Category B	Taxable supplies of up to R 30 million: 2 monthly: February, April, June, August, October, December
Category C	Taxable supplies more than R 30 million: monthly

Category D	Farming enterprise with taxable supplies of up to R 1.5 million and a micro business: 6 months (February and August)
Category E	Companies or trusts who receive only rental income or administration or management fees from connected companies, who are all registered vendors and may claim full input tax on these transactions: 12-month period ending on the last day of the year of assessment. Tax invoices are issued only once a year.

Output tax
Output tax is levied at a rate of 15% or a zero rate of 0% on the supply of goods and services in South Africa by a registered vendor.

Three categories of supplies
Standard-rated supplies are supplies of goods and services made in South Africa by a registered vendor, the importation of goods, and certain specified services that are taxable at the standard rate of 15%. A vendor who makes standard-rated supplies is entitled to claim input tax incurred on purchases and expenses that are directly attributable to making those taxable supplies.

Zero-rated supplies are supplies of goods or services that are taxable at a rate of 0%. A vendor who makes zero-rated supplies is entitled to claim input tax incurred on purchases and expenses that are directly attributable to making those supplies.

Examples of zero-rated supplies
Basic foodstuffs: brown bread (rye or low GI bread is not zero-rated), cake wheat flour, white bread wheat flour, maize meal, samp, mealie rice, dried mealies, dried beans, lentils, pilchards/ sardinella in tins, milk powder, dairy powder blend, rice, fresh vegetables and fruit, vegetable oil, milk, cultured milk, brown wheaten meal, eggs, edible legumes and pulses of leguminous plants;
Female sanitary products: sanitary pads and panty liners;
Fuel levy goods: petrol, diesel and biofuel;
Paraffin: for use as lighting and warming;
Municipal rates: property rates and taxes (excluding electricity, gas, water, drainage, disposal of sewerage and garbage);
Transportation: rendering of international transport services of passengers or goods, by any mode of transportation, from a place outside South Africa to another place outside South Africa, or a place in South Africa to a place outside South Africa, or a place outside South Africa to a place in South Africa. The supply of a domestic leg of international transport is zero-rated provided the bookings are made at the same time and the ticket reflects all the flights.
Disposal of a going concern: the disposal of a business as a going concern is deemed to be a supply of goods. The supply may be zero-rated if the following conditions are met:

- Both the seller and the purchaser are VAT vendors;
- The seller obtains a copy of the purchaser's VAT registration form;
- The sales agreement is in writing and state that:
  - The business is sold as a going concern;
  - The VAT rate is 0%;
  - The business will be an income-earning activity on the date of transfer;
  - All the assets necessary for the carrying on of the enterprise must be disposed of by the supplier;
  - The enterprise will remain active and operating until its transfer to the purchaser.

An agreement to dispose of a dormant business cannot be zero-rated as

it does not constitute an income earning activity. The sale of shares is not the sale of a going concern but is exempt from VAT instead.

Export of goods: goods consigned or delivered by the vendor to an address in the export country. The following documentary proof is required before the export can be a zero-rated supply:

- The order from the foreign customer;
- A copy of the vendor's zero-rated tax invoice;
- A copy of the transport document and proof that the vendor paid for the transport of the goods from South Africa;
- A copy of the customs documentation bearing a customs date stamp;
- Proof of payment by the customer;
- Proof that the goods were received by the customer in the export country e.g. a signed delivery note.

Services supplied to non-residents: If supplied to non-residents who are outside the country at the time the services are rendered.

From 1 April 2026, testing and reporting services supplied to non-residents are zero-rated for VAT. This includes services performed on goods such as medical devices, laboratory samples, or other items used in the testing process. Similarly, the goods used in providing these services also qualify for zero-rating.

Payments made under the Housing Subsidy Scheme

Section 8(23) of the Value-Added Tax Act, 1991, is being amended to clarify that the zero-rating of government housing subsidy payments applies only to subsidies granted under the Housing Subsidy Scheme as defined in section 3(5)(a) of the Housing Act, 1997. This amendment ensures that the zero rate does not inadvertently apply to subsidies for housing developments outside this scheme, such as housing intended for residential rental.

The amendment addresses a mismatch that previously allowed vendors to zero-rate the subsidy while the underlying rental activity constituted an exempt supply, which does not permit input tax recovery.

With effect from 1 April 2026, payments made under housing programmes not falling within the Housing Subsidy Scheme, including subsidies relating to rental housing developments, will fall outside the zero-rating provision, meaning that developers will no longer be entitled to claim input VAT on associated development costs for such projects.

Exempt supplies

Exempt supplies are not subject to VAT. Vendors who supply these services may not recover any related input tax.

Examples of exempt supplies

Financial services: exchange of currency; issue or transfer of ownership of a share or member's interest; provision of credit with interest; contributions and proceeds i.r.o membership of a retirement or medical aid fund; life insurance policies, issue, acquisition, buying, selling or transfer of ownership of cryptocurrency. A fee, commission or similar charge relating to an exempt service is taxable at the standard rate of 15%. A fee for providing advice on these services is also taxable at 15%;

Residential accommodation: supply of a dwelling by way of letting and hiring. A dwelling is defined as any building, premises or structure that is used predominantly as a place of residence by a natural person. This exemption also applies to lodging or board and lodging provided by an employer to their employee as a benefit of employment;

Transport by road or railway: transport of fare-paying passengers and their personal effects e.g. bus, taxi or train;
Membership contributions: to employer organisations e.g. trade unions;
Childcare services: creche or after school centre;
Levies: received by body corporates or associations such as home-owners associations, formed solely to manage the collective interest of residential property of its members.

VAT Treatment of Educational Institutions:

As from 1 January 2026, all goods and services supplied by schools registered under the Schools Act are exempt from VAT. Previously, only educational services and certain related supplies, such as tuition fees, board, and lodging, were exempt.

This change means that all supplies, including uniforms, facility rentals, and extra-curricular services, are exempt, and schools that are currently VAT-registered must deregister as VAT vendors.

An exit VAT liability arises on assets used for taxable supplies prior to deregistration. The exit VAT can be paid in monthly instalments rather than a lump sum, and the deemed supply is treated as occurring over the instalment period, preventing unnecessary interest or penalties while payments remain outstanding. VAT assessments for periods before 1 January 2026 are protected from being reopened, ensuring that schools are not liable for retrospective adjustments. Instalment payments only begin from 1 January 2027.

Deemed supplies

Person ceasing to be a vendor: When a person ceases to be a VAT vendor, any goods or rights forming part of the enterprise, except for those on which an input tax deduction was denied, are deemed to be supplied immediately prior to deregistration. Output tax is calculated at the standard rate by applying the fraction 15/115 to the lesser of the VAT-inclusive cost of the goods or rights or their market value. Output tax must also be accounted for on any outstanding balances owing to suppliers in respect of which input tax was previously claimed, provided those balances are not older than 12 months.
Outstanding balances owing to suppliers older than 12 months: If a vendor, registered on the invoice basis, has claimed input tax on goods or services and has not paid the full consideration within 12 months after the end of the tax period in which the input was claimed, the vendor must account for output tax. The output tax is calculated by applying the tax fraction of 15/115 to the unpaid portion.
Certain fringe benefits: When a vendor provides a fringe benefit to an employee, such as goods at less than cost, the right to use assets, or free services, output tax is payable on the cash equivalent of the benefit using the tax fraction (15/115). For motor vehicles, the monthly value of private use is a fixed percentage of the vehicle's determined value: 0.3% per month if input tax was not claimed or 0.6% per month if input tax was claimed. Output tax is then calculated on this value.
Insurance payouts received: When a vendor receives an insurance payout relating to a loss incurred in the course of carrying on the enterprise, that payment is **deemed to be consideration for a supply of services** by the vendor. Output VAT must be accounted for by applying the tax fraction (15/115) to the amount received. This deemed supply arises both when the payment is made directly to the vendor or when it is paid to a third party on the vendor's behalf. Output VAT does not arise if the insurer directly replaces or repairs damaged/stolen assets, or if it relates to non-taxable supplies or items for which input tax was denied.

Time of supply rules
General rule: Earlier of the invoice date or the date payment is received.
Connected persons: Earlier of when goods are removed or made available, or when services are rendered.
Rental agreements: Earlier of the date payment is due or the date payment is received.
Instalment credit agreements: Earlier of delivery of the goods or receipt of any payment.
Fixed property: The date of registration in the deeds registry.

Value of supply rules
General rule: Value is the amount of consideration in money, or the open market value if consideration is not in money. A deposit is not treated as consideration unless applied toward the supply.
Connected persons: If the supply is made for no consideration, for less than open market value, or if consideration cannot be determined at the time of supply, and the purchaser would not have been entitled to claim full input tax, the value is deemed to be the open market value.
Instalment credit agreements: Value is the cash price of the goods including VAT but excluding finance charges.

Input tax
Input tax is the VAT paid by a registered vendor on goods or services supplied to them by other registered vendors, which the vendor is entitled to claim back from SARS. It also includes VAT paid on imported goods and the notional input (15/115) on second-hand goods acquired from a resident non-vendor. To claim input tax, the goods or services must be acquired wholly or partly for consumption, use, or supply in the course of making taxable supplies.

Prohibited input tax
Entertainment expenses: VAT cannot be claimed on goods or services acquired for entertainment, which includes food, beverages, accommodation, amusement, recreation, or hospitality of any kind. Input tax may be claimed where entertainment is supplied to customers for a consideration covering all costs or equal to the open market value, or where it is ancillary to taxable air or sea travel at no additional charge. VAT on subsistence expenses such as food and accommodation is allowable if an employee or office holder is away from their residence and usual workplace in South Africa for at least one night on business.
Motor cars: Input tax cannot be claimed on the acquisition or import of a motor car. A motor car includes vehicles with three or more wheels constructed or converted mainly to carry passengers, such as motor cars, station wagons, minibuses, and double-cab light delivery vehicles. It excludes vehicles for only one person, vehicles carrying more than 16 passengers, caravans, ambulances, game viewing vehicles, hearses, and vehicles with an unladen mass of 3 500 kg or more. This prohibition does not apply to motor dealers, who may claim input tax on cars acquired for resale.
Fees or subscriptions: No input tax may be claimed on membership fees or subscriptions to clubs, associations, or societies of a social, sporting, or recreational nature. Input tax may be claimed on fees or subscriptions paid to professional or trade associations, provided the membership relates to the vendor's taxable enterprise.

Second-hand goods
Second-hand goods are movable or immovable goods that were

previously owned and used. Intangible assets, such as patents, trademarks, and copyrights, are not second-hand goods. Input tax may not be claimed on animals, SARB gold coins, gold of 99.5% purity or 24 carats (unless supplied without further processing), and other gold-containing goods acquired solely for resale without further processing.

The notional input tax is calculated using the tax fraction (15/115) of the lesser of the purchase price or the open market value. It can only be claimed to the extent payment is made, and if goods are purchased on a loan account, the input tax is claimed as payments are made.

The seller must be a resident non-vendor in South Africa, and the supply must occur in South Africa. The recipient must retain documentation, including:

- A signed VAT 264 declaration.
- For natural persons: name and ID number of the supplier, and a copy of their ID document.
- For legal persons: name and ID number of the natural person representing the supplier, any legal registration number, and a copy of company letterhead or official registration certificate.
- Address of the supplier, date of the transaction, description of the goods, quantity or volume, consideration, proof and date of payment, and a declaration that the supply is not taxable.

For second-hand fixed property, notional input tax is deferred until transfer is registered in a deeds registry and is limited to the amount actually paid by the vendor.

Temporary letting of residential property by property developers

The supply of new residential property by a developer is subject to VAT at 15%, whereas the leasing or renting of residential property is exempt. Developers may claim input tax on costs incurred in developing the property.

If a property cannot be sold immediately and is temporarily let for up to 12 months, Section 18D provides relief. A deemed supply arises for a consideration equal to the adjusted cost of the property, including the cost of land where input tax was claimed. The supply is deemed to occur on the earlier of the date the rental agreement starts or when the dwelling is occupied, and output VAT effectively reverses the input tax initially claimed.

If the property is sold during the temporary letting period, or a written sale agreement is concluded during that period (even if transfer occurs after 12 months), standard-rate VAT applies to the sale price, and input tax can be claimed based on the adjusted cost.

If the property is permanently applied for exempt purposes or let for more than 12 months, output VAT is calculated on the open market value at the earlier of when the 12-month period is exceeded or the property is permanently applied for exempt purposes. Input tax may be claimed on the adjusted cost, but any subsequent sale is not a taxable supply, and the purchaser is liable for transfer duty.

Low value importation of goods

Previously, low-value imported goods were exempt from VAT, including goods valued at R 500 or less (if no customs duty applied) and printed materials such as books, newspapers, journals, or

periodicals valued at R 100 or less. These thresholds have now been removed, and all imported goods are subject to VAT at the standard rate of 15%, regardless of value.

Vat payable on imported services

VAT is payable on services supplied by a foreign vendor to a South African resident. If the recipient is not registered for VAT or uses the service for exempt purposes, the recipient must account for VAT under the reverse charge mechanism.

VAT must be accounted for and paid within 60 days from the earlier of the invoice date or the date any payment is made. Registered vendors using the service for taxable supplies may claim input tax as normal.

Supply of airtime vouchers usable outside South Africa

Effective from 1 January 2026, when a VAT-registered vendor in South Africa sells an airtime voucher that can only be used to obtain telecommunications services outside South Africa:

- The sale of the voucher itself is ignored for VAT purposes; no output tax is charged on the face value.
- Any margin or commission retained by the local vendor for distributing the voucher is treated as consideration for a supply of services performed locally and is subject to VAT at the standard rate of 15%.

This ensures that VAT is only levied on the value of services performed in South Africa, not on the underlying foreign telecommunications service.

Liability for tax and limitation of refunds: Schools and National Housing Programmes

For supplies by schools before 1 January 2026 and under national housing programmes before 1 April 2026, SARS cannot issue new assessments for these historical periods. Vendors who have already been assessed for tax, penalties, or interest may request amendments in writing, but only for amounts not yet paid. No refunds are allowed for taxes, penalties, or interest that have already been settled.

Where the standard rate was applied instead of the reduced or specific rate, any overpaid amounts, penalties, or interest cannot be claimed back. These provisions provide certainty for vendors and limit the financial impact of historical VAT transactions.

Documentation requirements

No input tax may be claimed unless the vendor has a valid tax invoice. A tax invoice must be issued for every taxable supply within 21 days of the date of supply. Only one original tax invoice may be issued per supply. Any copies must be clearly marked “copy”.

If a recipient notifies the supplier that the tax invoice contains incorrect information, the supplier must issue a corrected tax invoice within 21 days of the request. Corrections do not change the original time of supply. The supplier must retain sufficient information to link the original and corrected invoices.

Tax invoice requirements

A valid tax invoice must contain:

- The words “tax invoice,” “VAT invoice,” or “invoice.”

- The name, address, and VAT registration number of the supplier.
- The trading name, address, and VAT registration number of the recipient where the consideration exceeds R 5 000 (otherwise an abridged tax invoice may be issued).
- A unique serial number and the date of issue.
- A description and the quantity or volume of the goods or services supplied.
- A statement if the goods are second-hand.
- Either the value of the supply plus VAT charged, or the total consideration including VAT and the applicable VAT rate.
- Amounts must be stated in South African currency, unless the supply is zero-rated.

For cash supplies not exceeding R 50, the supplier must issue a document acceptable to SARS.

If a supply is cancelled, altered, or incorrectly invoiced, the vendor must issue a credit note or debit note reflecting the change.

Submission of VAT returns

Electronic VAT returns (via e-filing) must be submitted and paid by the last business day of the month after the end of the tax period. Manual VAT returns and other forms of payments must be submitted and paid by the 25th day of the month following the end of the tax period. If the submission day falls on a weekend or a public holiday, the return must be submitted on the last business day before the weekend or public holiday.

Refunds

A vendor is entitled to a refund if input tax exceeds output tax or if VAT has been erroneously paid. SARS must pay the refund within 21 business days from the date all required information is submitted, or, where no audit or verification is needed, from the date of submission. Interest is payable at the prescribed rate if the refund is not paid on time.

Refunds of less than R 100 are not paid but carried forward on the vendor's account. If the vendor has any outstanding tax debts, the refund and any interest may be applied against those amounts.

A refund must be claimed within 5 years from the end of the tax period in which the overpayment arose. Claims made after this period are forfeited.

Interest on delayed refunds of VAT

SARS is required to pay interest on VAT refunds that are not paid within 21 business days of receipt of a correctly completed return. However, interest does not accrue while the return is incomplete or defective, or while the vendor has not furnished SARS in writing with the required bank account details to which the refund may be transferred. Interest also does not accrue while the vendor has not complied with any other statutory conditions under section 44(3) that are prerequisites for the refund. Interest begins to accrue from the date the refund becomes payable once all statutory requirements have been met. For non-resident vendors, interest is delayed until a South African representative is appointed and local banking details are provided.

Overpayment of VAT on imports
VAT-registered vendors may deduct any VAT paid in excess of the correct amount on imported goods or services from their output tax.

Non-VAT-registered persons who pay VAT in error are entitled to a refund of the excess, provided they submit a claim to SARS within five years from the date of payment.

Late payment of VAT
If VAT is paid late, a penalty of 10% of the unpaid amount is payable. Interest also accrues at the prescribed rate from the due date until the VAT is paid.

DONATIONS TAX

A donation is any gratuitous disposal of property, including the waiver or renunciation of a right, and takes effect on the date when all legal formalities for a valid donation are completed. Donations tax is payable by South African residents on the value of property disposed of under any donation.

Donations tax is levied at 20% on the value of property donated if the lifetime aggregate of all taxable donations since 1 March 2018 does not exceed R 30 million. If the cumulative donations exceed R 30 million, the first R 30 million is taxed at 20%, and any excess is taxed at 25%. The R 30 million threshold is lifetime, not annual.

Annual exemption
Natural persons are entitled to an annual donations tax exemption of R 150 000 (R 100 000). Other persons (such as companies or trusts) are entitled to R 20 000 (R 10 000), apportioned if the year of assessment is less than 12 months. Where multiple donations are made during a year, the exemption is applied in the order the donations were made.

Exemptions
Donations tax does not apply to the following:
- Bona fide maintenance payments;
- Donations to approved Public Benefit Organisations, recreational clubs, and qualifying traditional councils or communities;
- Donations between spouses who are not separated;
- Donations where the donee benefits only after the donor's death;
- Donations made in contemplation of death;
- Donations made by a public company;
- Donations between companies within the same group;
- Donations cancelled within six months of taking effect;
- Distributions by a trust to its beneficiaries; and
- Donations of property situated outside South Africa if acquired before the donor became a resident or inherited/donated by a person not ordinarily resident in South Africa.

With effect from 25 February 2026, the donations tax exemption for transfers between spouses does not apply where the recipient spouse is no longer a South African tax resident.

The amendment provides that the spousal exemption will apply only where the spouse receiving the donation is a South African tax resident at the time of the donation. Where a donation is made to a spouse who has already ceased South African tax residence, the

exemption will not apply, and donations tax will be levied at the applicable rate.

Donations tax is payable by the donor by the end of the month following the month in which the donation takes effect. If the donor fails to pay the tax on time, the donor and the donee become jointly and severally liable for the unpaid tax.

If donations tax is paid late, interest at the prescribed rate is levied on the outstanding amount. The Donations Tax Act does not prescribe a specific late payment penalty, although general administrative penalties under the Tax Administration Act may apply in certain circumstances.

ESTATE DUTY

When a person dies, all assets and liabilities at the date of death form part of the deceased estate. Estate duty is calculated on the dutiable value of the estate before any distributions are made to heirs.

Estate duty payable

Estate duty is charged on the dutiable amount of a deceased person's estate at 20% on the first R 30 million and 25% on any excess above R 30 million. The dutiable amount is calculated as the total value of the estate, less allowable deductions and then reduced by the primary abatement of R 3.5 million.

The estate

For estate duty purposes, the estate of a deceased person who was ordinarily resident in South Africa at the date of death comprises all property worldwide, including property deemed to be part of the estate. If the deceased was not ordinarily resident in South Africa, the estate includes only enforceable rights to property situated in South Africa.

Admissible deductions

For estate duty purposes, the dutiable estate may be reduced by allowable deductions, including funeral and deathbed expenses, debts owed to South African residents, and debts owed to non-residents to the extent they are paid from assets included in the estate.

Other deductions include costs approved by the Master, expenses incurred to comply with SARS or Master requirements, claims by the surviving spouse, property bequeathed to public benefit organisations or tax-exempt institutions, improvements to property made by beneficiaries with the deceased's consent, remaining assets accruing to a surviving spouse, and assets situated outside South Africa that were acquired by the deceased before becoming ordinarily resident.

Lump sums from retirement funds received as a consequence of the death of a member are exempt from estate duty.

Portable estate duty abatement

The unutilised portion of a deceased spouse's R 3.5 million primary abatement may be transferred to the surviving spouse's estate. This allows the surviving spouse to claim a combined maximum abatement of R 7 million. To qualify, the executor of the predeceased spouse must provide a copy of the deceased spouse's estate duty return or other documentation reasonably requested by SARS.

Executor's fees
The executor of a deceased estate may charge a fee of up to 3.5% of the value of the estate's assets and up to 6% of any income accumulated during administration, such as interest, dividends, or rent. These fees are subject to approval by the Master of the High Court.

Successive death rebate
If the same property is included in the estates of taxpayers who die within 10 years of each other, estate duty relief is provided to avoid double taxation. The relief is applied as a percentage reduction in estate duty attributable to the property, using the following scale: 100% for death within 0–2 years; 80% for years 3–4; 60% for years 5–6; 40% for years 7–8; and 20% for years 9–10.

SECURITIES TRANSFER TAX (STT)

STT is 0.25% of the higher of the consideration or market value on the transfer of shares in South African companies, foreign companies listed on the JSE, and members interests in close corporations. No STT is payable on original share issues. The purchaser is liable, except when shares are cancelled or redeemed by the issuing company, in which case the entity cancelling or redeeming the shares is liable. Exemptions apply for companies being wound up, liquidated, or deregistered. STT on listed shares is due by the 14th of the following month; on unlisted shares, by the end of the second following month. Late payment attracts a 10% penalty plus interest.

PROVISIONAL TAX

A provisional taxpayer is:
- Any person other than a company who derives income other than remuneration, or remuneration from an employer not registered for PAYE;
- Any company;
- Any labour broker, unless in possession of a valid exemption certificate issued by SARS.
- Any person notified by SARS that they are a provisional taxpayer.

An individual is not a provisional taxpayer if they do not carry on a business and:
- Their taxable income does not exceed the tax threshold, or
- Their taxable income from interest, dividends, foreign dividends, rental from fixed property, and remuneration from an unregistered employer does not exceed R 30 000.

The following are also excluded: approved PBOs, recreational clubs, bodies corporate and similar entities managing common property, small business funding entities, deceased estates, and approved associations in terms of section 30B.

Estimate of taxable income
Every provisional taxpayer must submit a provisional tax return for each period, showing an estimate of taxable income for the year of assessment.

No first provisional payment is required if the year of assessment is six months or less. No provisional tax is payable for the period ending on the date of death.

For natural persons, the estimate excludes retirement fund lump sums,

lump sum withdrawals, and severance benefits, but includes taxable capital gains, which must be accounted for in both the first and second provisional payments.

SARS may require justification of the estimate and increase it if deemed unreasonable; this adjustment is final and not subject to objection or appeal. If a taxpayer fails to submit an estimate, SARS may determine it using available information, and such a determination is binding.

Basic amount
The basic amount is the taxable income shown in the latest SARS assessment issued at least 14 days before the provisional return is submitted, excluding:

- **For individuals**: taxable capital gains, and the taxable portion of retirement fund lump sums, lump sum withdrawals, or severance benefits.
- **For companies**: the taxable income assessed for the latest preceding year, less any taxable capital gain.

If the estimate is made more than 18 months after the end of the latest assessed year, the basic amount is increased by 8% per annum to the end of the year for which the estimate is made.

First year of assessment
Where a taxpayer has not been assessed previously, a reasonable estimate of taxable income must be submitted for provisional tax purposes. The basic amount cannot be assumed to be nil unless the taxpayer provides full motivation and justification for doing so.

First provisional payment
The first provisional payment is due within 6 months of the start of the year of assessment (for individuals, 31 August). The payment is half of the tax on the estimated taxable income for the full year, less any employees' tax already paid and any allowable foreign tax credits under section 6quat. The estimated taxable income must not be less than the basic amount, unless SARS approves a lower estimate.

Second provisional payment
The second provisional payment is due on or before the last day of the year of assessment (for individuals, 28 or 29 February). It is calculated as tax on the estimated taxable income for the full year, less employees' tax paid, foreign tax credits under section 6quat, and the first provisional payment.

Minimum estimate requirements:

- **Taxable income ≤ R 1.8 million (R 1 million)**: The estimate must not be less than the lower of the basic amount or 90% of actual taxable income (including capital gains).
- **Taxable income > R 1.8 million (R 1 million)**: The estimate must not be less than 80% of actual taxable income (including capital gains).

Effective from 25 February 2026, a taxpayer will only be able to rely on a provisional tax estimate to avoid the underestimation penalty if the estimated provisional tax is actually paid on time. Previously, a taxpayer could submit an estimate within the prescribed tolerance levels yet fail to make payment and still avoid the underestimation penalty, being subject only to late payment penalties and interest. The amendment closes this loophole by linking the validity of the estimate to timely payment.

Third provisional payment
Taxpayers may make a third provisional tax payment to reduce or avoid interest on underpayment of provisional tax. The requirement to make provisional payments applies as follows:

- **Companies and close corporations:** when estimated taxable income for the year of assessment exceeds R 20 000**;**
- **Individuals and trusts:** when estimated taxable income for the year of assessment exceeds R 50 000**.**

For February year-end taxpayers, the payment may be made within 7 months after year-end (up to 30 September); for others, within 6 months after year-end.

The third payment is optional, and there is no penalty for late or underestimated payments.

Penalty for underpayment because of underestimation
The underestimation penalty is 20% of the underpaid amount:

- **Taxable income ≤ R 1.8 million (R 1 million)**: Penalty is based on the lower of normal tax on 90% of taxable income or normal tax on the basic amount, less PAYE and provisional tax already paid.
- **Taxable income > R 1.8 million (R 1 million)**: Penalty is based on normal tax on 80% of taxable income, less PAYE and provisional tax already paid.

Retirement fund lump sums, lump sum withdrawals, and severance benefits are excluded from the calculations but lump sums for variation or loss of office are included.

If a provisional taxpayer fails to submit a return within 4 months after year-end, it is deemed a nil return. SARS may remit all or part of the penalty if the failure was not intended to evade or postpone tax.

Penalty on late payment of provisional tax
If a provisional taxpayer fails to pay by the due date, a 10% late payment penalty is levied on the unpaid amount.

The 20% underestimation penalty for a shortfall in provisional tax is reduced by any 10% late payment penalty to avoid double penalising the same underpayment.

Offences
Any person who wilfully or negligently fails to submit a provisional tax estimate is guilty of an offence. Upon conviction, they may be liable to a fine or imprisonment for up to two years.

CAPITAL GAINS TAX (CGT)

Capital Gains Tax (CGT) is payable when a capital asset is disposed of or deemed to be disposed of. If the asset is sold at a profit, the capital gain is included in the taxpayer's taxable income. Conversely, if the asset is sold at a loss, the capital loss can be set off against other capital gains in the same year. If there are no other capital gains, the loss is carried forward indefinitely to be offset against future capital gains.

Calculation

Proceeds from disposal of an asset	xxx
Less: Base cost of an asset	(xxx)
Capital gain/loss on specific asset	xxx
Add: Capital gains/losses of all other assets disposed of during the year of assessment	xxx
Less: Annual exclusion (only natural persons or special trusts)	(xxx)
Aggregate capital gain/loss	xxx
Less: Assessed capital losses brought forward from previous year of assessment	(xxx)
Net capital gain/loss for the year	xxx

Annual exclusions

Type of taxpayer	2026	2027
Natural persons and special trusts	40 000	50 000
Where a person's year of assessment is less than 12 months, the total annual exclusion for all years of assessment ending within the 12-month period, beginning on 1 March and ending on the last day of February, must not exceed R 50 000 (R 40 000) per year of assessment and in aggregate.		
Natural persons in year of death	300 000	440 000
Other trusts	0	0
Companies	0	0

The annual exclusion cannot be carried forward to the following year of assessment.

Inclusion rates

Type of taxpayer	2026	2027
Natural persons, special trusts, deceased and insolvent estates	40%	40%
Other trusts	80%	80%
Companies	80%	80%

Effective rates

Taxpayer	Inclusion rate (%)	Statutory rate (%)	Effective rate (%)
Individuals, deceased and insolvent estates	40	0 - 45	0 - 18
Trusts (normal)	80	45	36
Trusts (special)	40	18 – 45	7.2 – 18
Companies	80	27	21.6

Residents

South African residents are liable for CGT on the disposal of their worldwide assets.

Non-residents

A non-resident is subject to Capital Gains Tax only on the disposal of capital assets that are connected with South Africa. This includes:

- Fixed (immovable) property or an interest in fixed property situated in South Africa; and
- Assets of a permanent establishment in South Africa.

An interest in immovable property includes:

- Equity shares in a company, an ownership interest or right in any other entity, or
- A vested interest in the assets of a trust, where the market value of the interest is directly or indirectly attributable to immovable property in South Africa.

If, on disposal of an interest, 80% or more of the market value of that interest is attributable to immovable property in South Africa, and the

non-resident, together with connected persons, directly or indirectly holds at least 20% of the interest in the company or other entity, the gain on disposal will be subject to CGT in South Africa.

Asset
For CGT purposes, an asset includes:
- Property of whatever nature, whether movable or immovable, corporeal or incorporeal; and
- Any right or interest of whatever nature in such property.

Currency is specifically excluded from the definition of an asset, except for coins made mainly from gold or platinum. Because crypto assets are not regarded as currency by SARS, they are treated as assets for tax purposes and thus may give rise to capital gains or capital losses when disposed of.

Disposal of assets
A disposal occurs when an event, act, forbearance, or operation of law results in the creation, variation, transfer, or extinction of an asset. This includes:
- Sale, donation, exchange, cession, expropriation, or any other transfer of ownership.
- **F**orfeiture, cancellation, redemption, discharge, relinquishment, release, waiver, renunciation, expiry, or abandonment.
- Scrapping, loss, or destruction of the asset.
- Vesting of a trust interest in a beneficiary, or distribution of an asset by a company to a shareholder.
- Granting, renewal, extension, or exercise of an option.
- Decrease in value of an interest in a company, trust, or partnership due to a value-shifting arrangement.

All these events can trigger a CGT liability, even if no cash is received.

Deemed disposals to determine a capital gain and loss
Certain events trigger a deemed disposal for CGT purposes, where assets are treated as disposed of at market value and immediately reacquired at the same value. This may result in a capital gain or loss, even if no actual sale occurs.

Common deemed disposal events include:
- Cessation of residence – when a person ceases to be a South African tax resident.
- Death of a person – all assets of the deceased are deemed disposed of at market value.
- Transfers from a deceased estate or trust – assets vesting in heirs or beneficiaries.
- Connected-person transactions – donations or sales below market value.
- Company distributions – assets distributed to shareholders.
- Capital assets becoming trading stock.
- Non-personal use assets becoming personal use assets.
- Removal of listed securities offshore – for residents (individuals or trusts).
- Shareholder holding ≥10% in a company – when the company ceases to be a South African tax resident.

Deemed disposals to establish a base cost at market value (no immediate CGT):
- Non-resident becomes a South African resident.

- Trading stock converted to a capital asset.
- Personal use asset converted to a non-personal use asset.

All deemed disposals use the market value of the asset at the date of the event, ensuring proper calculation of future capital gains or losses.

Proceeds

For CGT purposes, proceeds are the amounts received or accrued to the taxpayer from the disposal of an asset. This includes any reduction or discharge of a debt owed by the taxpayer to a creditor.

Proceeds do not include:

- Amounts already included in gross income or used to determine taxable income, such as recoupments of capital allowances.
- Amounts that must be repaid within the same year of assessment to the person who acquired the asset.
- Reductions in the proceeds, such as price adjustments or discounts.

Time of disposal

The time of disposal is generally the day ownership of an asset changes, which determines the year of assessment in which CGT applies. Specific rules for certain transactions are:

- Agreement without suspensive conditions: the date the agreement is concluded.
- Agreement with suspensive conditions: when all suspensive conditions are fulfilled.
- Donations: when all legal requirements for the donation are met.
- Trust distributions: when the interest in the asset vests in the beneficiary.

Base cost

The base cost of an asset is the total of costs directly incurred to acquire, create, improve, or dispose of the asset, and is used to calculate the capital gain or loss. Typical inclusions are:

- Acquisition or creation costs, including valuation, transfer, and option costs.
- Professional fees paid to surveyors, valuers, auctioneers, accountants, brokers, agents, consultants, or legal advisors.
- Certificates or compliance costs, advertising, sales commission, and moving or installation costs.
- Portion of donation tax payable by donor or donee;
- Costs to defend or maintain legal rights;
- Improvements to the asset; and
- For listed shares or participatory interests, one-third of interest incurred in financing the shares.

Exclusions: borrowing costs, bond fees, repairs and maintenance, insurance, rates and taxes, security costs, and input VAT claimed.

Reductions to base cost include:

- Expenditure already deducted for taxable income (e.g., capital allowances).
- Costs reimbursed or paid by another person.
- Tax-free government grants relating to the asset.
- Debt benefits arising under Paragraph 12A where a debt linked to the asset is reduced or cancelled.

Assets obtained before valuation date

The base cost is the valuation date value of the asset plus any qualifying expenses incurred after valuation date. The valuation date value could be one of the following values:

- Market value of the asset on 1 October 2001;
- Time apportionment base cost (the apportionment of costs by way of a formula plus post valuation date costs); or
- 20% of the proceeds received, after deducting allowable expenses incurred after 1 October 2001.

Market value of the asset on valuation date

- Listed South African shares: Published values as per Gazette;
- Foreign listed shares: Ruling price on the last business day before 1 October 2001;
- Other assets: Market value if determined within 3 years after the valuation date.

Exclusions

Certain capital gains and losses are excluded from CGT. These include:

Transfer of assets between spouses

When an asset is transferred between spouses, the transferor spouse must disregard any capital gain or loss arising from the disposal.

The receiving spouse is treated as having acquired the asset:

- On the same date the transferor originally acquired it,
- Having used it in the same way, and
- With the same expenditure incurred by the transferor, in the same currency and on the same date.

These rules do not apply when the receiving spouse is not a South African resident, except where the asset is immovable property in South Africa or an interest in immovable property in South Africa.

Primary residence

A primary residence is any structure—including a house, boat, caravan, or mobile home—used as a place of residence by a natural person or a beneficiary of a special trust. The person, the trust beneficiary, or their spouse must ordinarily reside in the residence, regard it as their main residence, and use it mainly for domestic purposes (more than 50%). Only one residence at a time can qualify as a primary residence. Holiday homes never qualify.

A residence is still treated as a primary residence for up to two years if the owner did not reside there due to any of the following:

- The residence was offered for sale due to the acquisition or intended acquisition of a new primary residence.
- The residence was newly built on land acquired for that purpose.
- The residence was accidentally rendered uninhabitable.
- The owner passed away.

The first R 3 million (R 2 million) of any capital gain or loss on disposal is disregarded. If the residence is sold for R 3 million (R 2 million) or less, the entire gain or loss is disregarded.

Where more than one individual or a special trust holds an interest in the same primary residence, the R 3 million (R 2 million) exclusion is apportioned according to ownership.

The exclusion applies to the residence and the land on which it is built, provided the land does not exceed 2 hectares, is used solely for domestic purposes, and is disposed of together with the residence to the same person. If the land exceeds 2 hectares, the gain attributable to the excess land must be apportioned.

If the residence is used partly for business purposes, the exclusion is pro-rated based on the proportion and period of domestic use.

A residence will not be regarded as having been used for trade during a period in which it is let, provided that:
- The person ordinarily resided in that residence as his or her primary residence before and after the period of absence;
- The period during which the person was absent from the residence does not exceed five years in aggregate during the period of ownership;
- During that period of absence, the person did not treat any other residence as a primary residence; and
- The person was required by his or her employer to render services at a place more than 250 kilometres from that residence or carried on business at a place more than 250 kilometres from that residence.

Personal use assets
For CGT purposes, a personal-use asset is an asset owned by a natural person or a special trust that is used mainly (i.e. more than 50%) for purposes other than the carrying on of a trade. Capital gains or losses arising on the disposal of a personal-use asset are disregarded and are therefore excluded from CGT.

Typical examples of personal-use assets include possessions such as jewellery, artwork, household furniture and effects, personal motor vehicles (even if a travel allowance was received), stamp collections, caravans, and similar assets used mainly for personal, non-trade purposes.

However, the personal-use asset exclusion does not apply to the following assets, even if they are used mainly for personal purposes:
- Coins made mainly from gold or platinum — e.g., bullion or investment coins;
- Immovable property (such as land and buildings);
- Aircraft with an empty mass exceeding 450 kg;
- Boats exceeding 10 metres in length;
- Financial instruments (including shares, participatory interests in collective investment schemes, and crypto-assets);
- Fiduciary, usufructuary or similar interests where the value declines over time;
- Any short-term policy contemplated in the Short-term Insurance Act to the extent that it relates to any asset which is not a personal-use asset;
- A right or interest in any of the above assets (for example a lease or time-share interest in immovable property).

Retirement benefits
A lump sum benefit from a pension, pension preservation, provident, provident preservation or retirement annuity funds is not subject to CGT.

Disposal of small business assets

Where a natural person makes a capital gain on the disposal of active business assets of a small business, they may disregard up to R 2.7 million (R 1.8 million) of the capital gain. This exemption is cumulative over the person's lifetime.

The qualifying asset can also be:

- An interest in a partnership, or
- A direct shareholding of at least 10% in a company, provided the interest relates to active business assets of a small business.

A small business is defined as one where the market value of all the business assets does not exceed R 15 million (R 10 million) at the date of disposal.

Active business assets consist of immovable property, and other assets that are used or held wholly or exclusively for business purposes. If immovable property is not used wholly or exclusively for business purposes, the exclusion applies only to the portion used for business.

Active business assets do not include financial instruments, or assets held mainly to earn rental, annuity, royalty, foreign exchange gains, or similar income.

The person disposing of the assets must:

- Be a natural person aged 55 years or older, or dispose of the business due to ill-health, infirmity, superannuation (retirement), or death;
- Have owned the business or interest continuously for at least five years prior to disposal;
- Have been substantially involved in the business during that period; and
- Realise all qualifying capital gains within 24 months from the date of the first qualifying disposal.

Gambling and competitions

A person must disregard any capital gain or capital loss determined in respect of a disposal relating to any form of gambling or competition. However, this exclusion applies only where the gambling or competition is authorised by and conducted in terms of the laws of South Africa (e.g. National Lottery).

Illegal gambling and competitions in South Africa are not authorised under South African law and therefore do not qualify for the CGT exclusion for natural persons.

Foreign winnings by natural persons from gambling or competitions that are not authorised by and conducted under South African law are not excluded and may be subject to CGT.

Capital gains by companies, trusts and other non-natural persons from any gambling or competition, whether local or foreign, lawful or unlawful, are not excluded and are subject to CGT.

GENERAL

Doubtful debt allowance

A doubtful debt allowance may only be claimed for debts included in taxable income and due to the taxpayer. For companies not using IFRS 9, the allowance is 40% of debts over 120 days and 25% over 60 days, after accounting for any security. SARS may approve a higher allowance up to 85% based on the debt's history, recoverability, and enforcement steps. The allowance must be added back in the following year.

Section 7C: Loans to trusts

Section 7C applies to any loan, advance or credit granted directly or indirectly by a natural person, or a company at the instance of a natural person that is connected to the company (i.e. a company in which that natural person, either individually or together with a connected person or persons, holds an interest of at least 20%), to:

- A trust that is a connected person in relation to that natural person, company or in relation to any of their connected persons;
- A company, if at least 20% of the equity shares in the company are held, directly or indirectly, or the voting rights in that company can be exercised, by a trust (that is connected to the individual or company granting the loan), whether alone or together with any beneficiary of the trust, the spouse of a beneficiary or any person related to the beneficiary or spouse within the second degree of consanguinity.

Where:

- A natural person; or
- At the instance of a natural person, a company that is a connected person in relation to that natural person;

subscribes for a preference share in a company in which 20% or more of the equity shares are held (whether directly or indirectly), or the voting rights can be exercised, by a trust that is a connected person in relation to that natural person or that company, whether alone or together with any beneficiary of that trust:

- The consideration received by that company for the issue of the preference share shall be deemed to be a loan; and
- Any dividend or foreign dividend accrued in respect of that preference share shall be deemed to be interest in respect of the loan.

Deemed Donation (Low or Interest-Free Loans)

Where a loan, advance or credit falls within the scope of section 7C and bears no interest, or bears interest at a rate lower than the official rate of interest, the difference between the interest calculated at the official rate and the interest actually charged is deemed to be a donation made by the natural person to the trust or company. This deemed donation arises annually and is treated as having been made on the last day of the year of assessment of the trust or company. The amount is subject to donations tax. Donations tax is payable at the end of March each year.

Where the deemed donation is denominated in a foreign currency, it must be translated into South African Rand at the applicable exchange rate for that year of assessment.

Donations Tax Consequences

The natural person may utilise the annual R 150 000 (R 100 000) donations tax exemption, provided that it has not already been applied to other donations during the same tax year. Any remaining amount of the deemed donation is subject to donations tax at a rate of 20% on the first R 30 million of cumulative taxable donations and 25% on cumulative taxable donations exceeding R 30 million. Donations tax is

payable by the end of the month following the month in which the donation is deemed to have been made. Where a loan is granted by a company at the instance of more than one connected natural person, the deemed donation must be apportioned between those persons in proportion to their respective equity shareholding or voting rights in the company granting the loan.

Vested Trust Amounts
An amount that is irrevocably vested in a beneficiary and retained in the trust will not constitute a loan, advance, or credit by that beneficiary if the trust deed prohibits its distribution, for example, until the beneficiary reaches a specified age, or if the trustee has sole discretion regarding the timing and extent of any distribution. However, an amount that is vested but not distributed will be treated as a loan, advance, or credit if the non-distribution results from an election exercised by the beneficiary or from a request or arrangement initiated by the beneficiary to retain the amount in the trust.

Transfer of a Loan Claim
Where a person acquires a claim in respect of a loan to a trust or company, if the person is connected to the trust or the previous lender at the time of acquisition, they are deemed to have granted a loan equal to the amount of the claim on the acquisition date. If the person was not connected at the time of acquisition but later becomes connected, they are deemed to have granted the loan on the date on which they become connected.

Denial of tax deduction or losses
No deduction, loss, allowance, or capital loss may be claimed in respect of any disposal, reduction, or waiver of a loan, or the failure, wholly or partly, to recover the loan, to the extent that the loan is subject to section 7C.

Exclusions
Section 7C does not apply in the following circumstances:
- Loans to an approved PBO or a small business funding entity.
- Loans to a trust in return for a vested right in the receipts and accruals and assets of the trust.
- Loans to a special trust created solely for the benefit of a person with a "disability" as defined in section 6B.
- Loans used to fund the acquisition or improvement of a primary residence, provided:
  - The residence is used as the primary residence by the natural person or spouse for the full year of assessment;
  - The property (including unconsolidated adjacent land) does not exceed 2 hectares; and
  - It is used mainly for domestic purposes.
- Loans under Sharia-compliant financing arrangements.
- Loans subject to section 64E(4) (deemed dividend provisions).
- To the extent that the loan constitutes an affected transaction subject to a transfer pricing adjustment under section 31(2).

Exemption for employee incentive schemes
Section 7C does not apply where:
- The trust exists solely to implement an employee share incentive scheme;
- The loan is granted to fund acquisition of shares in the employer company or group company;
- Participation is limited to full-time employees or directors; and

- Persons holding at least 20% (alone or with connected persons) may not participate.

Research and development

Scientific or technological R&D includes activities that resolve scientific or technological uncertainties and aim to discover new knowledge or create significantly improved products, processes, or services, including multisource pharmaceuticals and approved clinical trials. Excluded are routine testing, market research, social sciences, exploration, financial products, and trademarks or goodwill.

Companies may claim a 150% deduction for qualifying R&D expenditure incurred in South Africa, directly and solely for approved R&D, including up to six months before approval. No deduction will be allowed for applications received after 31 December 2033.

TAX ADMINISTRATION MATTERS

Beneficial owners

Trust

A beneficial owner of a trust is any natural person who ultimately owns or controls the trust property or arrangements, or who exercises effective control over the trust's administration. This includes all founders, trustees, and named beneficiaries, and extends to natural persons behind any legal persons, partnerships, or agents acting in those roles.

Company

A beneficial owner of a company is any natural person who ultimately owns or exercises effective control over the company, directly or indirectly. This includes control through securities, voting rights, appointment or removal of directors, holding companies, other entities, partnerships, trusts, or any means that materially influence the company's management.

Partnership

A beneficial owner of a partnership is any natural person who ultimately owns or exercises effective control over the partnership. This includes all partners, any natural person behind a legal entity, partnership, or trust acting as a partner, and anyone who exercises executive control over the partnership.

Public Officers of Companies

Every company operating or maintaining an office in South Africa must have a resident public officer, typically a senior company official or another person approved by SARS. Appointments can be made by the company, an authorised agent, or a legal practitioner.

If no appointment is made, the role defaults to the highest-ranking eligible individual in this order: managing director, financial director, company secretary, director or prescribed officer with the largest shareholding, longest-serving director/officer, or senior employee. SARS may also designate a suitable person.

The public officer ensures the company complies with tax laws and can be held liable for defaults. Actions taken by the public officer in their official capacity are considered actions of the company.

A company has no public officer if the appointee is ineligible or deemed unsuitable by SARS. In such cases, SARS must be notified of a new

appointment within 21 business days. Individuals disqualified under the Trust Property Control Act, Nonprofit Organisations Act, or Companies Act may not serve as public officers.

Tax compliance status
A taxpayer is compliant if they:
- Are registered for tax;
- Do not owe more than R100, unless under an instalment arrangement, compromise, or suspension;
- Have no outstanding returns, unless an arrangement exists for submission.

A tax compliance status must show:
- The date and status;
- The taxpayer's name and tax reference number.

A senior SARS official may revoke access if:
- Access was granted in error, or due to fraud, misrepresentation, or non-disclosure;
- The current status is questioned for fraud, misrepresentation, or non-disclosure.

SARS must give at least 10 business days for the taxpayer to respond before revocation.

Inspection of premises

A SARS official may arrive without prior notice at premises where they reasonably believe a trade or enterprise is conducted.

The official may determine only:

- The identity of the occupant,
- Whether the person is registered for tax, and
- Whether the person complies with record-keeping requirements.

Officials may not enter a dwelling-house, except the portion used for business, without the occupant's consent

Officials are now also allowed on-site visits without prior notice to verify information supplied during registrations (e.g., VAT, employment tax incentive, or Public Benefit Organisation status).

Officials may confirm that the physical address exists and that the premises are suitable for the declared activities, a measure aimed at curbing fraud at the registration stage.

Notification of an audit
The SARS official involved in or responsible for an audit must provide the taxpayer with a notice of the commencement of an audit and, thereafter, a report indicating the stage of completion of the audit.

Request for relevant material
SARS may require a taxpayer or another person to submit relevant material, orally or in writing, within a reasonable period.

Requests to non-taxpayers are limited to material they hold relating to the taxpayer.

A taxpayer must provide material at the specified place and in a

reasonably accessible format:
- Within the time stated; or
- If held by a connected person outside South Africa, within 90 days, with the request outlining consequences for non-compliance.

SARS may extend the deadline if reasonable grounds are provided.

Material held by a connected person abroad that is not submitted cannot be used in later proceedings unless a court allows it due to circumstances beyond the taxpayer's and connected person's control.

Persons who may be interviewed by SARS

A senior SARS official may issue a notice requiring a person, their employee, or an official of the entity to appear in person for an interview about the person's tax affairs. The interview aims to:
- Avoid further verification or audit;
- Expedite a current verification or audit; or
- Expedite an application for an instalment payment agreement, write-off, or compromise of a tax debt.

The interview cannot be for the purpose of a criminal investigation.

The official may require the person to provide relevant material under their control, which the notice must specify.

A person may refuse to attend if the location in the notice exceeds the distance prescribed by the Commissioner.

Assistance during field audit or criminal investigation

Persons on whose premises an audit or criminal investigation is conducted, and anyone else present, must provide reasonable assistance to SARS, including:
- Making available facilities to the extent they exist;
- Answering questions related to the audit or investigation; and
- Submitting relevant material as required.

No one may unjustifiably obstruct a SARS official or refuse access or assistance.

After the audit or investigation (or monthly if requested), the person may recover from SARS the cost of using photocopying facilities, in line with fees under the Promotion of Access to Information Act.

Legal proceedings involving SARS

Unless the High Court directs otherwise, no legal proceedings may be instituted against SARS in the High Court unless the applicant has provided SARS with at least 10 business days' written notice, in the prescribed form, of the applicant's intention to institute such proceedings.

Issuance of Assessments and Prescription

SARS may not issue an assessment, additional assessment, reduced assessment or revised assessment after the expiration of the relevant prescription period.

Generally, SARS may not issue an assessment more than three years after the date of assessment of an original assessment issued by SARS, or more than five years after the date of assessment in the case of a

self-assessment for which a return is required, or five years from the date of last payment (or effective date if no payment was made) where no return is required.

These limitation periods do not apply to the extent that the full amount of tax was not assessed due to fraud, misrepresentation or non-disclosure of material facts in the case of an assessment by SARS, or due to fraud, intentional or negligent misrepresentation or non-disclosure of material facts, the failure to submit a return, or the failure to pay the required tax in the case of a self-assessment.

SARS may therefore, in those exceptional circumstances, issue additional or reduced assessments beyond the standard three- or five-year periods. SARS may also, in limited cases and with advance notice, extend the prescription periods where specific audits or investigations are underway prior to the expiry of the relevant limitation period.

Estimated assessments
SARS may issue an original, additional, reduced, or jeopardy assessment based on an estimate if a taxpayer fails to submit a return, submits an incorrect or inadequate return, or does not respond to repeated requests for relevant material.

Estimated assessments are based on information readily available to SARS. If the taxpayer cannot submit an accurate return, they may agree with SARS on an estimated assessment, which is not subject to objection or appeal.

A taxpayer who receives an estimated assessment may request a reduced or additional assessment by submitting a true and full return or relevant material within 40 business days, or a longer period prescribed by public notice.

A senior SARS official may extend this period for reasonable grounds, not exceeding the prescription period or 40 business days, whichever is later.

If the taxpayer does not file a correct return or relevant materials within 40 business days, an estimated assessment becomes final and cannot be objected to.

Auto-assessments
SARS uses information received from employers, financial institutions, medical schemes, retirement fund administrators and other third-party data providers to automatically calculate and issue tax assessments for certain individual taxpayers whose affairs are relatively straightforward. These automatically issued assessments are referred to as auto-assessments and are generated without the taxpayer having to first submit a tax return. SARS notifies the taxpayer of the auto-assessment through electronic channels such as eFiling, the SARS MobiApp, SMS or email.

If a taxpayer is satisfied that the auto-assessment correctly reflects their income, deductions, allowances and credits, no further action is required and the assessment stands as issued. Where a refund is due, SARS typically pays the refund once the assessment becomes final and any verification requirements are met.

Where a taxpayer disagrees with an auto-assessment—for example because it excludes income not captured in third-party data or omits deductions or allowances to which the taxpayer is entitled—the taxpayer may file a complete and accurate original tax return covering the relevant year of assessment. SARS allows the taxpayer to submit such a return within 40 business days from the date the auto-assessment was issued. Filing a return within this period enables SARS to review the taxpayer's own information and, where appropriate, issue an additional or reduced assessment based on the return submitted.

A taxpayer who cannot complete and file a return within the initial 40 business days may request an extension of time. SARS may grant an extension if it receives the request, together with reasonable grounds for the extension, before the expiry of the 40 business days. SARS may also grant an extension if the request, with reasonable grounds, is submitted within 21 business days after the 40 business days have expired. In exceptional circumstances, SARS may grant a longer extension.

Reduced assessments

SARS may make a reduced assessment in the following circumstances:

- Where the taxpayer has successfully disputed the assessment under the objection and appeal provisions;
- Where it is necessary to give effect to a settlement agreed between the taxpayer and SARS;
- Where it is necessary to give effect to a judgment following an appeal and there is no right of further appeal;
- Where SARS is satisfied that there is a readily apparent undisputed error in the assessment, whether the error originated from SARS or from the taxpayer in a return;
- Where a senior SARS official is satisfied that the assessment was based on an error arising from the failure to submit a return or the submission of an incorrect return by a third party under a tax Act or by an employer, a processing error by SARS, or a return fraudulently submitted by a person not authorised by the taxpayer; or
- Where the taxpayer, in respect of whom an estimated assessment has been issued, requests SARS to issue a reduced assessment after submitting a complete and accurate return or the relevant material.

The concept of a "readily apparent undisputed error" means a factual or clerical mistake that can be identified without hesitation or difficulty from the return or assessment and is not subject to interpretation or dispute, for example, obvious data entry or numerical errors. SARS must be objectively satisfied that the error is both readily apparent and undisputed before issuing a reduced assessment on this basis.

Objection and appeal

A taxpayer who is aggrieved by an assessment or by a decision that is subject to objection under a tax Act may lodge an objection in the prescribed form and manner within the time limits.

Before lodging an objection, the taxpayer may request adequate reasons for the assessment or decision to enable the formulation of an objection. This request must generally be submitted within 30 business days of the date of assessment or decision, unless reasonable grounds exist for the delay. SARS must, within 30 business days of receiving the request, notify the taxpayer whether adequate reasons have already been provided. If not, SARS must provide the reasons within 45 business days of receipt of the request. Where a request for reasons is made within the

prescribed period, the 80-business-day objection period runs from the date the adequate reasons are provided; otherwise, it runs from the date of assessment.

An objection must be lodged within 80 business days of the relevant date. A senior SARS official may extend this period by up to 30 business days if reasonable grounds exist, or by a longer period if exceptional circumstances exist. No extension may be granted more than three years after the date of assessment (or, where no assessment is involved, three years from the date of the decision). For purposes of calculating time periods, business days exclude the period from 16 December to 15 January (both dates inclusive).

By mutual agreement, SARS and the taxpayer may attempt to resolve the dispute through ADR under procedures specified in the rules, and that proceedings on the objection are suspended while the ADR procedure is ongoing. The effective date for these amended provisions will be determined by the Minister of Finance and published in the Government Gazette in order to ensure operational and systems readiness.

Payment of tax pending objection or appeal

Taxpayers are required to pay any tax assessed, even if they intend to dispute it through an objection or appeal. However, a taxpayer may request a senior SARS official to suspend payment of all or part of the tax if they either intend to dispute the liability or have requested a reduced assessment.

A senior SARS official may grant such a suspension at their discretion, taking into account factors such as the risk of non-recovery or dissipation of assets, the taxpayer's compliance history, any indication of fraud, whether payment would cause irreparable hardship not justified by prejudice to SARS, and whether adequate security has been provided.

Deferred payment arrangements

A taxpayer is generally required to settle a tax liability in a single amount. If this is not possible due to financial hardship or distress, the taxpayer may request a deferred or instalment payment arrangement with SARS. Requests must be submitted through eFiling, and once submitted, cannot be cancelled; any changes or reconsiderations must be negotiated directly with SARS.

If payments are owed for multiple tax types, each tax type must be requested separately, as a single request cannot be used to consolidate multiple, unrelated tax types.

SARS may require supporting documentation to assess the taxpayer's financial position and ability to meet an instalment arrangement. For companies, close corporations, trusts, sole proprietors, and partnerships, this may include bank statements for the past three months, a cash flow forecast for the next 12 months, financial statements for the past three years, updated management accounts, a detailed fixed asset register including disposals over the past three years, and debtor and creditor analyses. For individuals with salaried income, supporting documents may include bank statements for the

past six months, recent payslips, and proof of outstanding accounts or fixed obligations.

Liability of third parties
A senior SARS official may issue a notice to a third party holding or owing money (including pensions, salaries, wages, or other remuneration) on behalf a taxpayer, to pay it to SARS to satisfy the taxpayer's outstanding tax debt.

SARS must first deliver a final demand to the taxpayer at least 10 business days before issuing the notice, setting out the recovery steps and available debt relief mechanisms.

A person unable to comply with a notice must inform the senior SARS official within the period specified, who may then amend or withdraw the notice. Recipients of the notice must pay the amounts specified. Failure to do so renders them personally liable.

SARS may, on request, amend the notice to extend the payment period to allow the taxpayer to cover basic living expenses. Natural persons may apply within five business days of receiving the final demand for a reduction based on living expenses, while non-natural persons may apply within the same period for a reduction based on serious financial hardship.

Refunds and Interest
SARS must pay a refund, including interest where applicable, to any person entitled to a refund, either for an amount properly refundable as shown in an assessment or for any amount erroneously paid in excess of what is due. Interest on erroneously paid amounts becomes payable only after SARS has had 30 days from the date of payment to determine that the payment was indeed erroneous. SARS may withhold a refund or interest while a verification, inspection, audit, or criminal investigation is ongoing, unless the taxpayer provides security acceptable to SARS. Any decision by SARS not to authorise a refund of an erroneously paid amount is subject to objection and appeal.

Delivery of documents
If a tax Act requires SARS to issue a notice, document, or communication to a person (not a company), it is considered served if it was:
- Handed to the person;
- Left with someone over 16 at the person's last known residence, office, or business;
- Posted to their last known address, office, business, post office box, or employer's post office box; or
- Sent to their last known electronic address, including e-mail, or e-filing page.

Deregistration of non-compliant tax practitioners
All tax practitioners must be registered with a recognised controlling body and SARS to provide tax advice or assist with tax returns.

SARS may refuse or cancel registration if, in the past 5 years, the practitioner:
- Was removed from a profession for serious misconduct;
- Was convicted of theft, fraud, forgery, perjury, corrupt activities, or any dishonest offence with a prison sentence over two years (without fine option) or a fine above the prescribed amount;

- Was convicted of a serious tax offence.

Registration may also be refused or cancelled if the practitioner was non-compliant with tax for at least 6 months in the past 12 months and failed to remedy it within the SARS-specified period.

Deregistered practitioners may re-register only after:
- 5 years for serious offences;
- 6 months after full compliance for non-compliance deregistration.

Illegal use of the SARS trademark

It is unlawful for any person to use the name, registered trademarks, logo or design elements of the SARS, including the SARS triangle or other SARS branding, on personal or business correspondence, e-mail signatures, websites, signage or other materials, without the express authorisation of SARS.

Unauthorised use of the SARS name or logo without permission may mislead the public into believing there is an official connection with SARS and exposes the user to legal consequences. A person who unlawfully uses the SARS name, trademarks or logo may be subject to civil and criminal action. On conviction, a person may be liable to a fine, imprisonment for up to 10 years, or both.

SARS has indicated that it may report ongoing unlawful use of its trademark to relevant regulatory or controlling bodies in future to help enforce these prohibitions and protect its intellectual property.

PENALTIES AND INTEREST

Administrative non-compliance penalties

If a taxpayer fails to submit returns on time, SARS must first issue a final demand, giving the taxpayer 21 business days to submit the outstanding returns. If no returns are submitted within this period, SARS may issue a penalty assessment imposing a fixed-amount administrative penalty.

The amount of the penalty is based on the taxpayer's taxable income or assessed loss for the preceding year, with certain listed or large companies and large exempt institutions falling under a specific higher-tier calculation.

The penalty increases monthly from one month after the assessment is issued, up to a maximum of either 35 or 47 months, depending on whether SARS has the taxpayer's current address. Administrative penalties do not apply where a percentage-based reportable arrangement penalty or an understatement penalty applies.

The penalty assessment must clearly state the non-compliance and its duration, the amount of the penalty, the due date, that it will automatically increase if unpaid, and a summary of the process for requesting remittance.

A decision not to remit a penalty is subject to objection and appeal.

Fixed amount table

Item	Assessed loss or taxable income for preceding year of assessment (R)			Monthly Penalty (R)
(i)			Assessed loss	250
(ii)	0	-	250 000	250
(iii)	250 001	-	500 000	500
(iv)	500 001	-	1 000 000	1 000
(v)	1 000 001	-	5 000 000	2 000
(vi)	5 000 001	-	10 000 000	4 000
(vii)	10 000 001	-	50 000 000	8 000
(viii)	50 000 001		and above	16 000

Percentage-based penalty
A percentage-based penalty may be imposed when a taxpayer fails to pay tax when required. It is calculated as a percentage of the unpaid tax, generally ranging between 10 % and 20 %, based on the facts and degree of non-compliance. SARS issues the penalty through a penalty assessment, which specifies the amount and due date. This penalty is separate from and in addition to any fixed-amount administrative or understatement penalties that may also apply.

Remittance of penalties
A taxpayer may request that a penalty be remitted, providing the grounds and supporting documents.

For fixed-amount penalties, remission may be granted up to R 2 000 for a first incidence of non-compliance (no penalty assessment in the preceding 36 months), or where the non-compliance lasted fewer than 5 business days, reasonable grounds exist, and the non-compliance has been remedied.

For percentage-based penalties, remission may be granted for a first incidence of non-compliance, or if the amount is less than R 2 000, provided reasonable grounds exist and the non-compliance has been remedied.

In exceptional circumstances, penalties may be remitted in whole or in part if the taxpayer was incapable of complying due to events such as natural or human-made disasters, civil disturbances or service disruptions, serious illness or accident, severe emotional or mental distress, SARS errors (e.g., processing delays), serious financial hardship, or other analogous circumstances.

SARS may also remit penalties if another Tax Act provides for grounds for remission. Decisions by SARS not to remit a penalty, in whole or in part, are subject to objection and appeal.

Understatement penalties
An understatement occurs when a taxpayer fails to submit a return, omits or misstates information in a return, fails to pay the correct tax when no return is required, or engages in an impermissible avoidance arrangement causing prejudice to SARS or the fiscus. No penalty applies if the understatement results from a bona fide inadvertent error, and the taxpayer bears the burden of proof.

If multiple types of non-compliance apply, the highest applicable penalty percentage from the table below is applied to the shortfall. The shortfall includes: the difference between tax properly chargeable and tax that

would have been chargeable if the understatement were accepted; the difference between properly refundable amounts and what would have been refundable; and differences in assessed losses or other benefits carried forward. The penalty is calculated using the taxpayer's maximum marginal tax rate, ignoring any carried-forward losses or benefits.

A substantial understatement is one where the prejudice to the fiscus exceeds the greater of R 1 million or 5% of the tax properly chargeable or refundable.

A repeat case occurs within five years of a previous understatement.

For failures to submit a return, the resulting tax is treated as Nil for calculating the shortfall and penalty.

Decisions by SARS not to remit an understatement penalty are subject to objection and appeal.

The penalty percentages and types are set out in the table below.

Understatement Penalty Percentage Table

1 Standard case
2 If obstructive or if it is a 'repeat case'
3 Voluntary disclosure after notification of audit or criminal investigation
4 Voluntary disclosure before notification of audit or criminal investigation

Behaviour category	1	2	3	4
Substantial understatement	10%	20%	5%	0%
Return not completed with reasonable care	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%

Remission of penalty for a "substantial understatement"

SARS must remit a penalty for a "substantial understatement" where:
- The understatement results from a bona fide inadvertent error, or
- The taxpayer fully disclosed the arrangement on time and had a qualified professional opinion indicating their tax position is more likely than not to be upheld in court.

Remittance of interest

A senior SARS official may remit interest that has accrued on a tax liability if satisfied that the interest arose due to circumstances beyond the taxpayer's control, and provided that remission is not prohibited by any tax Act. The circumstances that may justify remittance are limited to significant disruptions such as a natural or human-made disaster, a civil disturbance or disruption in services, or a serious illness or accident affecting the taxpayer.

Interest may be remitted only to the extent that it is attributable to the qualifying circumstances, and the taxpayer must provide reasons and supporting evidence acceptable to SARS.

SARS may not remit interest after the expiry of the applicable limitation period: three years from the date of assessment in the case of an assessment issued by SARS, or five years from the date of assessment in the case of a self-assessment.

A decision by SARS not to remit interest, in whole or in part, is subject to objection and appeal.

CRIMINAL OFFENCES

Wilful non-compliance

A person commits an offence if they wilfully submit false, fraudulent, incomplete or misleading documents to SARS, fail to answer questions truthfully, refuse to take an oath, obstruct SARS officials, withhold assistance during audits or investigations, misrepresent themselves as a SARS official, or dissipate/conceal assets to impede tax collection. Conviction may result in a fine, imprisonment for up to two years, or both.

Wilful or negligent non-compliance

A person is also guilty if they wilfully or negligently fail to register for tax, notify SARS of changes, appoint or notify a representative taxpayer, register as a tax practitioner, submit required returns or documents, retain books of account, provide requested information, comply with directives or notices, disclose material facts, comply with third-party obligations, or deduct and pay withholding taxes. Conviction may result in a fine or imprisonment for up to two years.

Tax evasion and fraud

Intentional tax evasion or assisting another to evade tax or obtain an improper refund is an offence. This includes making false statements or entries, giving false answers, falsifying records, using fraudulent schemes, or making false representations to obtain a refund or exemption. Conviction may result in a fine or imprisonment for up to five years. A person is presumed aware of the falsity of a statement unless reasonable ignorance can be proven.

Forgery and improper use of signatures

Submitting returns or documents using a forged signature, using another person's electronic or digital signature without consent, or submitting communications on another's behalf without consent is an offence. Conviction may result in a fine, imprisonment for up to two years, or both.

VOLUNTARY DISCLOSURE PROGRAMME (VDP)

A person who has committed a default—defined as submitting inaccurate or incomplete information to SARS, failing to submit information, or adopting a tax position that caused an understatement—may apply for VDP relief.

VDP relief is generally not available if the person is aware of a pending audit or investigation, or if an audit or investigation has already commenced. However, relief may be granted for defaults unrelated to the ongoing audit if a senior SARS official determines that the disclosure would not otherwise be detected and that it promotes good management of the tax system and effective use of SARS resources.

To qualify, the disclosure must be voluntary, complete, and involve a default that resulted in an understatement. The default must not be a repeat of a similar disclosure within the last five years, must correspond to behaviour listed in the understatement penalty table, must not result in a refund, and must be made in the prescribed form and manner. A senior SARS official may provide a non-binding private opinion on eligibility without requiring the identity of the party to be disclosed.

If accepted, SARS enters into a voluntary disclosure agreement with the

taxpayer. Any assessment or determination issued under the agreement is not subject to objection or appeal.

Relief granted under VDP includes:
- No criminal prosecution;
- No understatement penalty (per the understatement penalty table);
- Full relief from administrative non-compliance penalties.

Relief does not extend to:
- Tax debts;
- Interest; or
- Penalties for late submission of returns.

Effective 1 March 2026, taxpayers submitting a voluntary disclosure application will be allowed to **simultaneously request remission of interest** under the relevant tax act for the defaults disclosed. Previously, it was not legally possible to combine these applications. The amendment ensures that future applicants can seek both voluntary disclosure relief and interest remission in a single application.

RETENTION OF RECORDS

Document	Retention period
Companies	
Any documents, accounts, books, writing, records or other information required to be kept in terms of the Companies Act	7 years
Registration certificate	Indefinite
Memorandum of Incorporation and alterations or amendments	Indefinite
Rules	Indefinite
Securities register and uncertificated securities register	Indefinite
Register of company secretary and auditors	Indefinite
Regulated companies - Register of disclosures of person who holds beneficial interest equal to or in excess of 5% of the securities of that class issued	Indefinite
Notice and minutes of all shareholders/directors/audit committee and other committee meetings including resolutions adopted and documents made available to holders of securities	7 years
Copies of reports presented at the annual general meeting	7 years
Copies of annual financial statements	7 years
Copies of accounting records	7 years
Records of directors and past directors, after the director has retired from the company	7 years
Written communication to holders of securities	7 years
Minutes and resolutions of directors' meetings, audit committee and directors' committees	7 years
Securities register and uncertificated securities register	Indefinite
Close Corporations	
Accounting records, including supporting documents	15 years
Founding statement/amended founding statement	Indefinite
Annual financial statements, including annual accounts and the report of the accounting officer	15 years
Minute books and resolutions	Indefinite

Tax records

A person who has submitted a return for a tax period	For a period of 5 years from the date of submission of the return, unless subject to an audit, appeal, investigation, or objection.
A person who is required to submit a return for the tax period and has not submitted a return	Indefinite, until a return is submitted, then the above period applies.
A person who is not required to submit a return but has, during the tax period, received income, has a capital gain or loss or engaged in any other activity that is subject to tax, or would be subject to tax, but for the application of a threshold or exemption	For a period of 5 years from the end of the relevant tax period or until the audit is concluded, whichever occurs first.
A person who has been notified or is aware that the records are subject to an audit or investigation, or a person who has lodged an objection or appeal against an assessment or decision	Until the audit is concluded, or the assessment or decision becomes final, or the applicable period above, whichever is the latest.

IRP5 CODES

Normal Income Tax Codes

(Codes in brackets refer to foreign income)

Code	Description	Type of Tax
3601 (3651)	Income for services rendered	Subject to PAYE
3602 (3652)	Non-taxable income	Non-taxable
3603 (3653)	Pension	Subject to PAYE
3605 (3655)	Annual payment	Subject to PAYE
3606 (3656)	Commission	Subject to PAYE
3607 (3657)	Overtime	Subject to PAYE
3608 (3658)	Arbitration award	Subject to PAYE
3610 (3660)	Annuity from Retirement Annuity Fund	Subject to PAYE
3611 (3661)	Purchased annuity	Subject to PAYE
3613 (3663)	Restraint of trade	Subject to PAYE
3614 (3664)	Other retirement lump sums	Subject to PAYE
3616 (3666)	Independent contractor - remuneration	Subject to PAYE
3617 (3667)	Labour brokers without exemption certificate	Subject to PAYE
3618 (3668)	Annuity from provident/provident preservation fund	Subject to PAYE
3619 (3669)	Labour brokers with exemption certificate	IT
3620 (3670)	Resident non-executive directors' fees	IT
3621	Non-resident non-executive director's fees	Subject to PAYE
3622 (3672)	Qualifying long service cash award	Subject to PAYE
3623(3673)	Antedated salary/pension extending over previous years	Subject to PAYE

Allowance Codes

Code	Description	Type of tax
3701 (3751)	Travel allowance	Subject to PAYE
3702 (3752)	Reimbursive travel allowance	IT
3703 (3753)	Reimbursive travel allowance	Non-taxable
3704 (3754)	Subsistence allowance – local travel	IT
3707 (3757)	Share options exercised	Subject to PAYE
3708 (3758)	Public office allowance	Subject to PAYE
3713 (3763)	Other allowances (entertainment, tools, computer, cellphone)	Subject to PAYE
3714 (3764)	Uniform, relocation, subsistence allowance local and foreign	Non-taxable
3715 (3765)	Subsistence allowance – foreign travel	IT
3717 (3767)	Broad-based employee share plan	Subject to PAYE
3718 (3768)	Vesting of equity instruments or return of capital i.r.o. restricted equity instruments	Subject to PAYE
3719 (3769)	Dividends not exempt para (dd) of the proviso to s10(1)(k)(i)	Subject to PAYE
3720 (3770)	Dividends not exempt para (ii) of the proviso to s10(1)(k)(i)	Subject to PAYE
3721 (3771)	Dividends not exempt para (jj) of the proviso to s10(1)(k)(i)	Subject to PAYE
3722 (3772)	Reimbursive travel allowance above prescribed rates	Subject to PAYE
3723 (3773)	Dividends not exempt para (kk) of the proviso to s10(1)(k)(i)	Subject to PAYE

Fringe Benefit Codes

Code	Description	Type of tax
3801 (3851)	General fringe benefits	Subject to PAYE
3802 (3852)	Use of motor vehicle (not operating lease)	Subject to PAYE
3805 (3855)	Free or cheap accommodation or holiday accommodation	Subject to PAYE
3806 (3856)	Free or cheap services excluding a long service award	Subject to PAYE
3808 (3858)	Payment of employee's debt	Subject to PAYE
3809 (3859)	Taxable bursaries or scholarships: basic education – not disabled	Subject to PAYE
3810 (3860)	Medical aid contributions paid on behalf of employee	Subject to PAYE
3813 (3863)	Medical services costs paid by the employer	Subject to PAYE
3815 (3865)	Non-taxable bursaries and scholarships – basic education – not disabled	Non-taxable
3816 (3866)	Use of motor vehicle acquired by employer via operating lease	Subject to PAYE
3817 (3867)	Employers pension fund contribution	Subject to PAYE
3820 (3870)	Taxable bursaries or scholarships - further education – not disabled	Subject to PAYE
3821 (3871)	Non-taxable bursaries or scholarships - further education – not disabled	Non-taxable
3822 (3872)	Non-taxable fringe benefit on acquisition of fixed property	Non-taxable
3825 (3875)	Employer provident fund contributions	Subject to PAYE
3828 (3878)	Employees debt: employer paid retirement annuity fund contributions	Subject to PAYE
3829 (3879)	Taxable bursaries to a disabled person – basic education	Subject to PAYE
3830 (3880)	Non-taxable bursaries to a disabled person – basic education	Non-taxable
3831 (3881)	Taxable bursaries to a disabled person – further education	Subject to PAYE
3832 (3882)	Non-taxable bursaries to a disabled person – further education	Non-taxable
3833 (3883)	Bargaining council employer contributions	Subject to PAYE
3834 (3884)	Loan to purchase immovable residential property	Non-taxable
3835 (3885)	Qualifying long service award	Subject to PAYE

Lump sum codes

Code	Description	Type of tax
3901 (3951)	Gratuities/Severance benefits	Subject to PAYE
3906 (3956)	Special Remuneration paid to proto-team members	Subject to PAYE
3907 (3957)	Other lump sums	Subject to PAYE
3908	Surplus apportionments and exempt policy proceeds	Non- taxable
3915	Retirement/termination of employment lump sum benefits/commutation of annuities	Subject to PAYE
3920	Lump sum withdrawal benefits	Subject to PAYE
3921	Living annuity and section 15C of the Pension Funds Act and surplus apportionments	Subject to PAYE
3922	Compensation i.r.o. death during employment	Non- taxable
3924	Transfer on retirement	Subject to PAYE
3926	Savings withdrawal benefit	Subject to PAYE

Deduction Codes

Code	Description
4001	Pension fund contributions paid or deemed paid by employee
4003	Provident fund contributions paid or deemed paid by employee
4005	Medical scheme fees (contributions) paid or deemed paid by employee
4006	Retirement annuity fund contributions paid or deemed paid by employee
4024	Medical services costs deemed to be paid by the employee in respect of themself, spouse or child
4030	Donations deducted from the employee's remuneration and paid by the employer.
4042	Amounts deducted from PAYE i.t.o s11(NA)
4472	Employer's pension fund contributions paid for the benefit of the employee
4473	Employer's provident fund contributions paid for the benefit of the employee
4474	Employer's medical scheme fees (contributions) paid for the benefit of employees (employee 65 years and older and who has not retired from that employer, should also be reflected under this code)
4475	Employer's retirement annuity fund contributions paid for the benefit of the employee
4493	Employer's medical scheme fees (contributions) paid for the benefit of retired employees who qualifies for the "no value" provisions
4582	Value of "remuneration" included in allowances and benefits (travel related)
4583	Remuneration for foreign services inclusion used for section 11F
4584	Employers bargaining council contributions
4585	Employers pension fund contributions paid for the benefit of the employee or former

	employee and qualifies for the “no value” provisions
4586	Employers provident fund contributions paid for the benefit of the employee or former employee and qualifies for the “no value” provisions
4587	Foreign services remuneration exemption
4588	Amounts refunded i.t.o s11(NA)
4589	Amounts refunded i.t.o. s11(NB)

Employees' Tax Deduction and Reason Codes

Code	Description
4102	PAYE
4115	Tax on retirement lump sum and severance benefits
4116	Medical schemes fees tax credit
4118	Sum of ETI amounts
4120	Additional medical expenses tax credit (65 years and older)
4141	UIF employee and employer contribution
4142	SDL contribution

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