Taxation in South Africa

2025

General

Taxation in South Africa

Preface

This is a general guide providing a high-level overview of the most significant tax legislation administered in South Africa by the Commissioner for the South African Revenue Service (SARS), namely, the –

- Carbon Tax Act;
- Customs and Excise Act;
- Employment Tax Incentive Act;
- Estate Duty Act;
- Income Tax Act;
- Securities Transfer Tax Act;
- Securities Transfer Tax Administration Act;
- Skills Development Levies Act;
- Tax Administration Act;
- Transfer Duty Act;
- Unemployment Insurance Contributions Act; and
- Value-Added Tax Act.

This guide is not an "official publication" as defined in section 1 of the Tax Administration Act 28 of 2011 and accordingly does not create a practice generally prevailing under section 5 of that Act. It should, therefore, not be used as a legal reference.

It is also not a binding general ruling (BGR) under section 89 of Chapter 7 of the Tax Administration Act. Should an advance tax ruling[1] or a value-added tax (VAT) ruling[2] be required, visit the SARS website at **www.sars.gov.za**[3] for details of the application process.

The information in this guide concerning income tax relates to –

- **natural persons, deceased estates, insolvent estates or special trusts** for the 2025 year of assessment commencing on 1 March 2024 or ending on 28 February 2025;
- **trusts** for the 2025 year of assessment commencing on 1 March 2024 or ending on 28 February 2025; and
- **companies** for the 2025 year of assessment with financial years ending during the 12-month period ending on 31 March 2025.

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1 For further commentary, see the *Comprehensive Guide to Advance Tax Rulings*.

2 For further commentary, see the *VAT Rulings Process Reference Guide*.

3 Navigate to Legal Counsel ⇨ Legal Counsel Publications ⇨ Find a Guide, and select the category Tax Administration (for the guide relating to advanced tax rulings) **or** Value-Added Tax (VAT) (for the guide relating to VAT rulings).

For income tax purposes, this guide has been updated to include the Tax Administration Laws Amendment Act 43 of 2024, the Taxation Laws Amendment Act 42 of 2024, and the Rates and Monetary Amounts Amendment Act 45 of 2024 45 of 2024 read with the updated Rates and Monetary Amounts and Amendment of Revenue Laws Bill [B14—2025].

For indirect tax purposes, all information has been updated to include amendments up to the date of publication of this guide.

For more information, assistance and guidance you may –

- visit the **SARS website** at **www.sars.gov.za**;
- contact the SARS National Service Centre (between 8am and 4.30pm South African time weekdays except on Wednesdays when the service centre can be called between 9am and 4.00pm) –
  - ➢ if calling locally, on 0800 00 7277 or
  - ➢ if calling from abroad, on +27 11 602 2093; or
- have a virtual consultation with a SARS consultant by making an appointment via the **SARS website**;
- visit your nearest SARS service centre; after making an appointment via the **SARS website**;
- contact your own tax advisor or tax practitioner.

Comments on this guide may be e-mailed to **policycomments@sars.gov.za**.

Leveraged Legal Products
SOUTH AFRICAN REVENUE SERVICE
26 August 2025

Disclaimer

While every precaution has been taken to ensure that the information and the rates published in this guide are correct at the date of publication, it is advisable that users verify the rates with the relevant legislation pertaining to the rates, applicable to the tax, customs or excise concerned.

Operational information contained in this guide is up to date as at date of publication. However, always refer to the **SARS website** for any guidelines specifically issued on such operational matters.

Hyperlinks, and cross-references display as **bold** text to assist our visually impaired readers. For example, **SARS website**, and see **2.4.6**.

Contents

Glossary

In this guide unless the context indicates otherwise –

- **“ADR”** means alternative dispute resolution;
- **“BGR”** means a binding general ruling issued under section 89 of the TA Act;
- **“CFC”** means controlled foreign company;
- **“CGT”** means capital gains tax, being the normal tax attributable to the inclusion of a taxable capital gain in taxable income under section 26A;
- **“Customs and Excise Act”** means the Customs and Excise Act 91 of 1964;
- **“Eswatini”** means the Kingdom of Eswatini, previously known as Swaziland;
- **“ETI”** means employment tax incentive;
- **“ETI Act”** means the Employment Tax Incentive Act 26 of 2013;
- **“MTC”** means medical scheme fees tax credit contemplated in section 6A;
- **“non-resident”** means a person that is not a resident of South Africa;
- **“OECD”** means Organisation for Economic Co-Operation and Development;
- **“PAYE”** means Pay-As-You-Earn;
- **“resident”** means a person that is a “resident” as defined in section 1(1) and, therefore, a resident of South Africa;
- **“SACU”** means the Southern African Customs Union;
- **“SADC”** means the Southern African Development Community;
- **“SARS Act”** means the South African Revenue Service Act 34 of 1997;
- **“SBC”** means small business corporation;
- **“Schedule”** means a Schedule to the Act;
- **“SDL”** means skills development levy;
- **“section”** means a section of the Act;
- **“South Africa”** means the Republic of South Africa;
- **“standard rate”** means the current rate of VAT which is payable on a taxable supply or taxable importation of goods or services under section 7(1) of the VAT Act;
- **“STT”** means securities transfer tax;
- **“TA Act”** means the Tax Administration Act 28 of 2011;
- **“tax treaty”** means an agreement for the avoidance of double taxation entered into between South Africa and another country;
- **“the Act”** means the Income Tax Act 58 of 1962;
- **“Transfer Duty Act”** means the Transfer Duty Act 40 of 1949;
- **“UIF”** means unemployment insurance fund;
- **“VAT”** means value-added tax;
- **“VAT Act”** means the Value-Added Tax Act 89 of 1991; and

- any other word or expression bears the meaning ascribed to it in the relevant Act.

All amendment acts, brochures, explanatory memoranda, forms, guides, *Government Gazettes*, interpretation notes, and rulings referred to in this guide are available on the SARS website at **www.sars.gov.za**. Unless indicated otherwise, the latest issue of these documents should be consulted.

1. Introduction

1.1 South African Revenue Service

The South African Revenue Service (SARS) is South Africa's tax collecting authority. Established under the SARS Act as an autonomous agency, SARS is responsible for administering the South African tax system and customs service.

The South African Revenue Service's responsibilities are to –

- collect and administer all national taxes, duties and levies;
- collect revenue that may be imposed under any other legislation as agreed to between SARS and a state entity entitled to the revenue;
- provide a customs service which facilitates legitimate trade, maximises revenue collection and protects South Africa's borders from illegal importation and exportation of goods; and
- advise the Minister of Finance on all revenue matters.

The SARS Act makes provision for –

- the efficient and effective administration of the revenue collecting system of South Africa;
- reorganising the SARS;
- establishing an Advisory Board; and
- providing for incidental matters.

1.2 Secrecy and confidentiality

In Chapter 6 of the TA Act provision is made for the confidentiality of information by current or former SARS officials because of the performance of their duties, except under specified circumstances. For example, information that a serious offence has been or may be committed or information of an imminent and serious public safety or environmental risk may be shared with certain organs of state. Such disclosure may, however, only be made under an order issued by a judge in chambers.

The purpose of the secrecy provisions is to encourage taxpayers to make full disclosures of their financial affairs, thereby maximising tax compliance while having the peace of mind that their information will remain confidential. A taxpayer may agree to dispense with the secrecy provisions if so desired.

1.3 Overview of taxes

Taxes that are levied by the national government of South Africa under the Act are the following:

- Normal tax, also known as income tax (see **2**)

  The following taxes form part of normal tax:

  - PAYE (see **2.4.5**)
  - Provisional tax (see **2.4.6**)
  - Withholding of amounts from payments to non-resident sellers of immovable property (see **2.14**)
  - CGT (see **2.12**)
- Taxation of foreign entertainers and sportspersons (see **3**)
- Withholding tax on royalties (see **4**)
- Withholding tax on interest (see **5**)
- Donations tax (see **6**)
- Dividends tax (see **7**)
- Turnover tax on micro businesses (see **8**)

Value-added tax (VAT) (see **11**) is levied by the national government under the VAT Act. VAT is a consumption tax, so it is generally based on domestic consumption and is levied at the standard rate (currently 15%) on the –

- supply of all goods or services made by any vendor in the course or furtherance of any enterprise carried on by that person;
- importation of any goods into South Africa by any person; and
- supply of certain "imported services" as defined in the VAT Act.

The levying of VAT is, however, subject to certain exemptions, exceptions, deductions and adjustments provided for in the VAT Act. For example, as an exception, certain goods and services are subject to VAT at the zero rate.

Duties and levies (see **12**) that are leviable by the national government under the Customs and Excise Act 91 of 1964 are –

- ordinary customs duty;
- environmental levy;
- anti-dumping, countervailing and safeguard duties on imported goods;
- specific excise duty;
- specific customs duty;
- *ad valorem* excise duties;
- *ad valorem* customs duty;
- general fuel levy and road accident fund levy; and

- ordinary levy, this is the equivalent of ordinary customs duty paid by governmental bodies in Botswana, Lesotho, Namibia and Eswatini, for specified purposes.

National government also levies the following taxes under the relevant Acts as mentioned in the paragraphs indicated:

- Transfer duty (see **15**)
- Estate duty (see **16**)
- STT (see **17**)
- SDL (see **18**)
- Unemployment insurance fund (UIF) contributions (see **19**)
- Air passenger departure tax (see **20**)
- Mineral and petroleum resources royalties (see **21**)
- Diamond export levy (see **14**)
- International oil pollution compensation fund contributions levy

Provincial and local governments do not levy any of the taxes mentioned above. Local governments levy rates on the value of fixed property to finance the cost of municipal or local services.

2. Income tax

2.1 Introduction

South Africa has a residence-based income tax system which effectively means that –

- a resident's worldwide taxable income is subject to income tax in South Africa; and
- a non-resident's taxable income from sources within South Africa is subject to tax in South Africa.

The South African government has entered into tax treaties with various countries to prevent the same income from being taxed in both countries. Should the same income be taxed in both countries, a credit will generally be allowed in the country of residence for the tax paid in the other country.

2.1.1 Main source of government's income

Income tax is the government's main source of income and is levied under the Act on the taxable income received by or accrued to or in favour of any person during a year of assessment such as companies, trusts and natural persons. A "person" is defined in section 1(1) and includes an insolvent estate, estate of a deceased person, any trust and any portfolio of a collective investment scheme, but excludes a foreign partnership.

2.1.2 Registration as a taxpayer

A person liable for income tax or liable to submit a return must register as a taxpayer with SARS within 21 business days of becoming so liable.

2.1.3 Change of address

The TA Act requires that a taxpayer must notify SARS within 21 business days of a change of, amongst other things, postal and physical address and electronic address used for communication with SARS.

2.1.4 Year of assessment

A year of assessment for natural persons and trusts covers 12 months which commences on the first day of March of a specific year and ends on the last day of February of the following year. Natural persons and trusts who cannot conveniently return income from a business or profession to the last day of February may apply at a SARS service centre for permission from the Commissioner to draw up accounts to a closing date other than the last day of February. Any request of this nature is subject to conditions that the Commissioner may impose. Generally, the closing date so approved will determine in which year of assessment the results for the accounting period must be included and the dates on which provisional tax payments must be made.

An insolvent person must submit two returns for a year of assessment –

- one for the period commencing on 1 March and ending on the date preceding the date of sequestration, and
- one commencing on the date of sequestration and ending on the last day of February.

From an income tax perspective, the effect of insolvency is to terminate the tax status of the taxpayer and to substitute, in that taxpayer's place from the date of sequestration, the insolvent estate. Additionally, the natural person will receive a new taxpayer identity from the date of sequestration since that person can build a new estate from that date with, for example, the remuneration or reward for work done or for professional services rendered. The insolvent estate must submit a return from the date of sequestration. An insolvent estate is not a natural person. Accordingly, an insolvent estate does not, for example, qualify for the primary rebate as contemplated in section 6.[4]

The year of assessment of a deceased person commences on 1 March and ends on the date of death. When a person dies a new entity comes into existence, namely, the deceased estate. The deceased estate must be treated as if it were a natural person.[5] The first year of assessment for the deceased estate commences on the day after the date of death and ends on the last day of February or, if earlier, on the date on which the liquidation and distribution account becomes final. For subsequent years of assessment, the executor of a deceased estate must continue to submit returns of income for each year of assessment until the liquidation and distribution account becomes final.

A natural person who ceases to be a resident should submit a return for the period commencing on 1 March and ending on the day preceding the date that the person ceases to be a resident.

4 See Interpretation Note 8 "Insolvent Estates of Natural Persons".

5 Other than for the purposes of sections 6, 6A and 6B.

Companies are permitted to have a year of assessment ending on a date which coincides with its financial year-end. The year of assessment for a company with a financial year-end of 30 June will run from 1 July of a specific year to 30 June of the following year.[6] Companies are occasionally required to close their financial accounts earlier or later than the last day of their financial year for various reasons. Companies are allowed to align reporting for tax purposes with the period ending on the day their financial accounts are closed. A company intending to close its financial accounts either within 10 days before or after the end of a year of assessment must submit an application to a SARS service centre for permission to draw up financial accounts to a closing date other than the end of its financial year. Approval by the Commissioner does not result in a change in the company's financial year-end and therefore does not change its year of assessment.

2.1.5 Filing of tax returns

Income tax returns must be submitted in the required form by a specific date each year. This date is published for information of the general public and is promoted by way of a filing campaign to encourage compliance.[7] Filing can be done online (see **2.1.6**) and for those taxpayers unable to do so, may file at a SARS service centre by appointment only.

For those taxpayers whose tax affairs are less complicated, an auto-assessment may be issued by SARS. In these instances, SARS uses the information it receives from, for example, employers and medical schemes, to generate and calculate a taxpayer's assessment. If the taxpayer is in agreement with the auto-assessment, no further action is required from the taxpayer and the assessment is automatically accepted. Should the taxpayer disagree with the assessment, a tax return can be filed in the normal way within 40 business days from the date of the assessment.

2.1.6 eFiling and the South African Revenue Service MobiApp

SARS eFiling is an online process for the submission of tax returns and related functions. This service allows individual taxpayers, tax practitioners and businesses to register, submit tax returns, make payments and perform a number of other interactions with SARS in a secure online environment.

Taxpayers registered for eFiling can engage with SARS online for the submission of returns and payments of the following:

- Dividends tax
- Estate duty
- Income tax
- PAYE
- Provisional tax
- SDL
- Transfer duty

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6 For more information see Interpretation Note 19 "Year of Assessment of Natural Persons and Trusts: Accounts Accepted to a Date other than the Last Day of February" and Interpretation Note 90 "Year of Assessment of a Company: Accounts Accepted to a Date other than the Last Day of a Company's Financial Year".

7 See Government Notice 6217 in *Government Gazette* 52721 of 23 May 2025 for submission of returns for the 2025 year of assessment.

- UIF contributions
- VAT
- Withholding tax on interest

While the payment of withholding tax on royalties can be made via the eFiling platform, the Return for Withholding Tax on Royalties (WTR01) must be submitted manually. For taxpayers that deal with the Large Business and International (LBI), this return must be submitted via e-mail to **lbqueries@sars.gov.za** along with the proof of payment. For non-LBI taxpayers, returns must be submitted via e-mail to **contactus@sars.gov.za** for taxpayers or **PCC@sars.gov.za** for tax practitioners, along with the proof of payment and any supporting documents.

The SARS MobiApp is a mobile channel from which taxpayers can register, complete, save and submit their income tax returns for the current and previous years. Taxpayers can also use this platform to, amongst others, reset a username and password, make a payment to SARS or set up a "call back" from the SARS Contact Centre.

The following should be noted:

- A taxpayer must retain all supporting documents relating to a return for five years from the date of submission of the return or five years from the end of the relevant tax period.
- SARS will under certain circumstances, on request, still require the submission of original documents for purposes of verification.
- SARS will do extensive checks on the data submitted to ensure its accuracy, including validations against the electronic employees' tax certificates (IRP5s) submitted by employers to SARS.
- SARS will generally issue assessments electronically.

For more information see the *External Guide: South African Revenue Service – Payment Rules (GEN-PAYM-01-G01)*.

2.1.7 Payments at banks

Over-the-counter tax payments can be made countrywide at the banks listed in the *External Guide: South African Revenue Service – Payment Rules (GEN-PAYM-01-G01)*. Cash deposits to a SARS Customs and Excise bank account at any bank branch is no longer available as a payment option to SARS clients.

2.1.8 Electronic funds transfer

Payments may be made via the internet banking facilities by using the standard drop-down listing of pre-loaded beneficiary IDs provided by the bank. All SARS beneficiary IDs are prefixed with the naming convention "SARS- <Tax Type>". All internet payments must be correctly referenced to ensure that SARS is able to identify taxpayers' payments.

See the *External Guide: South African Revenue Service – Payment Rules (GEN-PAYM-01-G01)* for the banks that support EFT payments and refer to the SARS website.

2.1.9 Assessment

An "assessment" as defined in section 1 of the TA Act means the determination of the amount of a tax liability or refund by way of self-assessment by the taxpayer or assessment by SARS.

2.1.10 Calculation of taxable income

The Act provides for a series of steps to be followed to determine a taxpayer's "taxable income" (as defined in the Act) for any year of assessment or period of assessment.

❖ **The first step**

Determine a taxpayer's "gross income" as defined in section 1(1) for any year or period of assessment, namely –

- any person who is a resident, the total amount of worldwide income, in cash or otherwise, received by or accrued to or in favour of that person; or
- any person who is a non-resident, the total amount of income, in cash or otherwise, received by or accrued to or in favour of that person from a source within South Africa,
- during that year or period of assessment, excluding receipts or accruals of a capital nature, but including those amounts referred to in paragraphs (*a*) to (*n*) of this definition whether of a capital nature or not. The Eighth Schedule deals with capital gains and capital losses (see the third step below).

❖ **The second step**

Determine "income", as defined in section 1(1), by deducting from gross income all amounts which are exempt from normal tax.

❖ **The third step**

Determine "taxable income" as defined in section 1(1) by –

- deducting all amounts allowed to be deducted or set off under the Act from income; and
- adding all specified amounts to be included in income or taxable income under the Act, for example, taxable capital gains.

Section 20, subject to section 20A, provides that for the purpose of determining the taxable income derived by any person from carrying on any trade, there shall be set off against the income so derived by such person –

- that is a company, other than a company carrying on mining operations, any balance of assessed loss incurred by that person in any previous year which has been carried forward from the preceding year of assessment, to the extent that the amount of such set-off does not exceed the higher of R1 million and 80% of the amount of taxable income determined before taking into account the application of this section;
- that is a company carrying on mining operations, any balance of assessed loss incurred by that person in any previous year which has been carried forward from the preceding year of assessment, to the extent that the amount of such set-off does not exceed the higher of R1 million and 80% of the amount of taxable income determined before taking into account the application of this section and the provisions of section 36(7C); or
- that is not a company, any balance of assessed loss incurred by that person in any previous year which has been carried forward from the preceding year of assessment, provided that no person whose estate has been voluntarily or compulsorily sequestrated shall be entitled to carry forward any assessed loss incurred prior to the date of sequestration, unless the order of sequestration has been set aside, in which case the amount to be carried forward shall be reduced by an amount which was

allowed to be set off against the income of the insolvent estate of such person from the carrying on of any trade;

any assessed loss incurred during the same year of assessment in carrying on any other trade either alone or in partnership with others, otherwise than as a member of a company the capital whereof is divided into shares.

There shall not be set off against any amount –

- derived by any person from a source within South Africa, assessed losses incurred by such person during such year or any balance of assessed loss incurred in any previous year of assessment, in carrying on any trade outside South Africa, or
- that is a retirement fund lump sum benefit, retirement fund lump sum withdrawal benefit or severance benefit included in taxable income, any balance of assessed loss or assessed loss incurred in such year before taking into account that retirement fund lump sum benefit or retirement fund lump sum withdrawal benefit.

In the case of any person other than a company –

- the provisions as above shall similarly apply for the purpose of determining the taxable income derived by such person otherwise than from carrying on any trade, the reference to "taxable income derived by any person from carrying on any trade" and the reference to "the income so derived" being respectively construed as including a reference to taxable income derived by that person otherwise than from carrying on any trade and a reference to income so derived; and
- the said person shall, subject to the provisos above, not be prevented from carrying forward a balance of assessed loss merely by reason of the fact that he has not derived any income during any year of assessment.

With regard to the 80% limitation in section 20(1)(*a*)(i), reference is made to the company's taxable income without limiting it to so-called trading income. The term "taxable income" in that section refers to taxable income as defined in section 1(1). This term therefore includes taxable capital gains. As a result, in determining the total taxable income against which the 80% limitation is applied, the application of the set-off under section 20(1)(*a*)(i) must include any taxable capital gain in the taxable income before the limitation of 80% is determined.

2.1.11 Calculation of normal tax liability

The Act provides for a series of steps to be followed in arriving at a taxpayer's normal tax liability.

❖ The first step

Determine the normal tax payable by applying the applicable rate of tax to the taxpayer's taxable income. See the Rates and Monetary Amounts and Amendment of Revenue Laws Act 45 of 2024 read with the updated notice B14 - 2025 for the rates of normal tax to be levied on various taxpayers and different types of taxable income.

❖ The second step

For a natural person, deduct from normal tax payable, other than normal tax in respect of any retirement fund lump sum benefit, retirement lump sum withdrawal benefit or severance benefit –

- an amount equal to the sum of the normal tax rebate(s) allowable (see **2.18**);

- the amount of the MTC as calculated (see **2.16**); and
- the amount of the additional medical expense tax credit as calculated (see **2.17**).

❖ **The third step**

Determine the normal tax liability by –

- deducting all other tax credits, that is, PAYE, rebates for foreign tax credits on income and provisional tax payments made by the taxpayer for that year of assessment, from normal tax payable; and
- adding any outstanding balance of account as at the date of assessment to normal tax payable.

2.2 A resident

Persons who are exclusively resident of a country other than South Africa for purposes of applying a tax treaty are excluded from the definition of "resident".

2.2.1 Natural persons

A natural person who complies with either of the following two tests, namely, the 'ordinarily resident' test or the 'physical presence' test, will be a "resident" as defined in section 1(1).

(a) Ordinarily resident test

This test is to determine whether an individual is ordinarily resident in South Africa.

The courts have interpreted the concept "ordinarily resident" to mean the country where an individual has his or her usual or principal residence, that is, what may be described as that person's real home.[8]

(b) Physical presence test

A natural person, who is not ordinarily resident in South Africa at any time during a year of assessment but meets all three requirements of the physical presence test, will be considered to be a resident. These requirements refer to the number of days of physical presence in South Africa exceeding –

- 91 days in aggregate during the relevant year of assessment;
- 91 days in aggregate during each of the five years of assessment preceding the relevant year of assessment; and
- 915 days in aggregate during those five preceding years of assessment.[9]

2.2.2 Companies and other persons

Based on the definition of "resident", a person, other than a natural person, for example, a company or a trust will be a resident if it is incorporated, established or formed in South Africa or has its place of effective management in South Africa.[10]

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8 For more information see Interpretation Note 3 "Resident: Definition in relation to a Natural Person – Ordinarily Resident".

9 For more information see Interpretation Note 4 "Resident: Definition in relation to a Natural Person – Physical Presence Test".

10 For information on the meaning of "place of effective management" see Interpretation Note 6 "Resident: Place of Effective Management (Companies)".

2.2.3 Residents working outside South Africa

Any income derived by a resident from countries other than South Africa, that is foreign income, will be subject to tax in South Africa unless –

- that income is exempt from normal tax in South Africa; or
- a tax treaty stipulates that only the other country has a right to tax that income.

Remuneration which is received by or accrued to an employee during a year of assessment for services rendered by that employee in more than one year of assessment will be taxed evenly over the period during which those services were rendered.[11]

2.2.4 Tax treaties

A tax treaty is an international agreement aimed at eliminating or providing relief from international double taxation. These agreements also enable exchange of information between tax administrations, may provide for a mutual agreement procedure to assist in resolving any conflict arising out of the interpretation or application of the tax treaty and may allow for tax collection on another tax administration's behalf. The increasing interdependence and co-operation between the modern world economies and cross border trading makes it necessary for countries to enter into such agreements, thereby providing not only security for a country's residents in cross border interactions but also encouraging investment.

It must be emphasised, however, that a tax treaty does not impose tax. Tax is imposed in terms of a country's domestic law. The purpose of a tax treaty is to allocate taxing rights. Generally, a tax treaty will provide for income to be taxed solely in one country or, if it remains taxable in both countries, for a taxpayer's country of residence to be obliged to grant relief under an Article on "Elimination of Double Taxation". In South Africa, should an amount qualify for relief under the said Article, relief will generally be granted in the form of a tax credit. Reduced levels of withholding taxes, in situations that double taxation is permitted, are also provided for.

A list of the tax treaties in force in South Africa is available on the SARS website.[12] Since each tax treaty is unique, the relevant agreement and its provisions must be consulted. The **SARS website** also provides details of progress made on tax treaties currently being negotiated but not yet entered into force.

2.2.5 Unilateral relief for foreign taxes paid or payable

In the event that no tax treaty exists between two countries, the domestic tax legislation of each country will apply independently of each other. A resident that is liable for income tax in South Africa and in a foreign country will generally be allowed, depending on the source of the income, a rebate for the foreign tax paid or proved to be payable against the South African tax liability or a deduction from income. To qualify for this rebate or deduction the foreign tax must have been paid or be payable to the government of any country other than South Africa, without any right of recovery of that foreign tax, except for certain rights of recovery referred to in section 6*quat*.

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11 For more information see Interpretation Note 16 "Exemption from Income Tax: Foreign Employment Income".

12 **www.sars.gov.za/legal-counsel/international-treaties-agreements/double-taxation-agreements-protocols/** [Accessed 26 August 2025].

It will be necessary for a resident to submit proof of the foreign tax paid or proved to be payable.[13]

2.3 Non-resident

2.3.1 A non-resident working temporarily in South Africa

It is internationally accepted that income from employment should be subject to income tax in the source country, that is, where the services are actually rendered, as opposed to the country where an employee is a resident.

Employees who are non-resident but working in South Africa are liable for income tax in South Africa on any South African-source income. The normal employees' tax rules apply to the remuneration[14] received by or accrued to these employees. Income from employment, when the employer[15] or representative employer is a resident, will be subject to income tax by way of PAYE which is to be deducted from the remuneration.

Natural persons who are not ordinarily resident in South Africa should bear in mind the physical presence test [see **2.2.1b)**].[16]

2.3.2 Employees working at foreign diplomatic or consular missions in South Africa

Salary and emoluments payable by a foreign diplomatic or consular mission in South Africa to a person who has not been granted immunity under the Diplomatic Immunities and Privileges Act 37 of 2001 are exempt from normal tax if the employee –

- is stationed in South Africa for the sole purpose of holding an office in South Africa as an official of a foreign government; and
- is not ordinarily resident in South Africa.

Salary and emoluments payable to any domestic or private servant of the person referred to above are also exempt from normal tax, provided such servant is not a South African citizen and is not ordinarily resident in South Africa.

Should any of the abovementioned persons become residents as a consequence of the application of the physical presence test, the income earned from a foreign diplomatic or consular mission will nevertheless remain exempt. However, such income will not be exempt if any of the persons become ordinarily resident in South Africa.

Salary and emoluments payable to its employees by a foreign government which carries on business activities in South Africa could also be taxable in South Africa. The taxability of this income may be affected by a tax treaty.

Certain amounts (such as salaries and emoluments) received by members of a diplomatic or consular mission, who have received diplomatic immunity under the Diplomatic Immunities and Privileges Act 37 of 2001, are exempt from normal tax in South Africa.

13 See Interpretation Note 18 "Rebates and Deduction for Foreign Taxes and Income".
14 See the definition of "remuneration" in paragraph 1 of the Fourth Schedule.
15 See the definition of "employer" in paragraph 1 of the Fourth Schedule
16 For more information see the *Guide on the Taxation of Foreigners Working in South Africa (2014/15)*.

Salary and emoluments received by or accrued to an employee, who is ordinarily resident in South Africa and employed by a foreign government (that is, locally-recruited staff), are not exempt from normal tax.

Employees, whose salary and emoluments are not exempt from normal tax in South Africa under the above circumstances and who have not had PAYE deducted or withheld voluntarily by the diplomatic or consular mission are considered to be provisional taxpayers.

2.4 Natural persons

2.4.1 Requirements to submit an income tax return

A natural person, whose gross income exceeds the "tax threshold" as defined in paragraph 1 of the Fourth Schedule, is required to submit a return for the 2025 year of assessment. The tax thresholds are –

- R95 750 (for a person below the age of 65 years);
- R148 217 (for a person aged 65 years or older but not yet 75 years); or
- R165 689 (for a person aged 75 years or older).

However, a natural person is not required to submit a return if the gross income of that person consists solely of gross income described in one or more of the following sub-paragraphs:

- Remuneration (other than an allowance or advance for travelling on business or on any accommodation, meals and other incidental costs if that person is obliged to spend at least one night away from that person's usual place of residence or an allowance for expenses incurred by reason of that person's duties related to his or her office; and other than remuneration received or accrued in respect of services rendered outside South Africa) paid or payable from one single source which does not exceed R500 000 and PAYE has been deducted in line with the deduction tables prescribed by the Commissioner.
- Interest, other than interest from a tax free investment, from a source within South Africa not exceeding –
  - R23 800 for a person below the age of 65 years; or
  - R34 500 for a person aged 65 years or older.
- Dividends and the person was a non-resident during the 2025 year of assessment.
- Amounts received or accrued from a tax-free investment.
- A single lump sum received from a pension fund, provident fund, pension preservation fund, provident preservation fund or retirement annuity fund, and tax has been deducted or withheld in terms of a directive issued by the Commissioner.

For a detailed list of persons who are required to submit returns for the 2025 year of assessment see the notice[17] which is published yearly in the *Government Gazette* and is available on the **SARS website**.

[17] See Government Notice 6217 in *Government Gazette* 52712 of 23 May 2025.

2.4.2 Taxation of income from employment [sections 8(1), 8A, 8B, 8C and the Fourth and Seventh Schedules]

Income from employment (see the definition of "remuneration" in paragraph 1 of the Fourth Schedule) can be divided into different categories, namely –

- salary, overtime, commission, bonus etc.;
- allowances [section 8(1)];
- taxable benefits (the Seventh Schedule); and
- gains (sections 8A, 8B and 8C).

The aforementioned income is subject to PAYE, unless the allowance or benefit is exempt from normal tax or no value is placed on the benefit.

(a) Allowances [section 8(1)]

Allowances are generally paid to employees to meet expenditure incurred on behalf of an employer. Any portion of the allowance not expended for business purposes must be included in the employee's taxable income. The most common types of allowance are travelling, subsistence and uniform allowances.

Travelling allowance

Motor vehicle travelling allowances are taxable but expenses for business travel may be deducted from the allowance received.

It is compulsory to keep an accurate record to claim a deduction for business travel. A logbook, which a taxpayer can use to record business and private trips, is available on the **SARS website**.

Subsistence allowance

A subsistence allowance may be paid to employees to enable them to meet expenses incurred on accommodation and meals when away on business from their normal place of residence for at least one night. For each day or part of a day in the period during which employees are absent from their place of residence an amount, as published in Government Notices,[18] will be deemed to have been actually expended and may be deducted from the subsistence allowance.

For the year of assessment commencing on 1 March 2024, the amount that may be deducted is as follows:

- If the accommodation to which the allowance or advance relates is in South Africa, an amount equal to –
    - R169 per day, if that allowance or advance is paid or granted to defray incidental costs only; or
    - R548 per day, if that allowance or advance is paid or granted to defray the cost of meals and incidental costs.

[18] See Government Notice 4458 in *Government Gazette* 50243 of 1 March 2024.

- If the accommodation to which the allowance or advance relates is outside South Africa, the daily amount deemed to be expended will be an amount applicable to the respective country, specified in the Government Notice.[19]

The full amount of a subsistence allowance that exceeds the business expenses, or the amount calculated at the above rates, as the case may be, must be included in the employee's taxable income.[20]

Uniform allowance

The value of a uniform, or the amount of an allowance granted by an employer to an employee *in lieu* of any such uniform, must be included in the employee's gross income. The value of the uniform or the amount of the allowance will be exempt from normal tax under section 10(1)(*n*A) provided that the employee is required to wear a special uniform while on duty as a condition of the employee's employment and the uniform is clearly distinguishable from ordinary clothing.

(b) Taxable benefits (paragraphs 2, 7, 9 and 11 of the Seventh Schedule)

A taxable benefit is deemed to have been granted by an employer to an employee in respect of employment with the employer if a benefit or advantage of such employment, or a reward for services rendered or to be rendered by the employee to the employer, is granted to the employee.

The employer's purpose or motive in granting the benefit is not relevant. A taxable benefit will arise in an employee's hands if, objectively viewed, the employee receives any benefit or advantage, even if the employer derives a residual or marginal benefit as well.

Taxable benefits are not paid in cash to the employee and a value for the benefit needs to be determined. The Seventh Schedule contains provisions for the calculation of the value that must be placed upon each taxable benefit which accrues to an employee. The value of certain taxable benefits, such as company-owned residential accommodation or the use of a company motor vehicle is calculated by way of prescribed formulas.

Any consideration given by an employee to an employer which is relevant to a taxable benefit will generally reduce the amount so determined.

Taxable benefits include, for example, the use of free or cheap accommodation, right of use of a company motor vehicle, the acquisition of an asset at a consideration below cost, free or cheap services, private use of an asset, low-interest loans, housing subsidies, redemption of loans due to third parties, medical benefits, benefits under insurance policies and contributions made to retirement funds.

The following provides insight into some examples of taxable benefits but is not exhaustive.

Residential accommodation (paragraph 9 of the Seventh Schedule)

A taxable benefit arises when residential accommodation is provided to an employee by an employer. Residential accommodation will also include any accommodation occupied temporarily for purposes of a holiday.

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[19] See Government Notice 4458 in *Government Gazette* 50243 of 1 March 2024.

[20] For more information see Interpretation Note 14 "Allowances, Advances and Reimbursements".

The rental value of any residential accommodation supplied by an employer as a benefit, advantage or as a reward is valued at the lower of –

- the cost borne by the employer, less any amount paid by the employee; or
- the amount calculated by using the formula laid down in paragraph 9(3) of the Seventh Schedule, less any amount paid by the employee (see the example in **Annexure B**).

For accommodation occupied temporarily for purposes of a holiday, the rental value will be –

- when the accommodation is hired by the employer from an unconnected person, the rental payable and any amounts chargeable for meals, refreshments or any services relating to such accommodation; or
- in any other case, the prevailing rate per day that such accommodation could be let to any unconnected person.

Right of use of a motor vehicle (paragraph 7 of the Seventh Schedule)

The cash equivalent of the value of the taxable benefit of an employer-owned or -leased motor vehicle being made available to an employee for private use must be included in the employee's gross income. Such value is calculated at –

- 3,5% per month of the "determined value" as defined in paragraph 7(1) of the Seventh Schedule. In the event that the motor vehicle is the subject of a maintenance plan at the time the employer acquired the motor vehicle or the right of use thereof, that amount shall be reduced to an amount equal to 3,25% of the determined value; or
- the actual cost to the employer incurred under an operating lease and the cost of fuel for that vehicle, if the vehicle is acquired by the employer under an "operating lease" as defined in section 23A(1) concluded by the parties transacting at arm's length and who are not connected persons in relation to each other.

If more than one vehicle is made available to an employee at the same time and the Commissioner is satisfied that each vehicle was used by that employee during the year of assessment primarily for business purposes, the value to be placed on the private use of the said vehicles will be deemed to be the value of the private use of the vehicle having the highest value of private use.

The "determined value" for purposes of calculating a taxable benefit excludes finance charges or interest paid by the employer. The determined value is –[21]

- in the case of new motor vehicles provided by motor manufacturers, importers, dealers and rental companies, the dealer-billing price of such vehicles, being the selling price the manufacturer or importer of that vehicle recommends to sell it to dealers or rental companies, including VAT;
- in the case of pre-owned motor vehicles provided by motor manufacturers, importers, dealers and rental companies, the cost of acquisition of such vehicles, or if the vehicle was acquired at no cost, the market value, including VAT and costs to repair the vehicle but excluding finance charges or interest;
- the "cash value" of the motor vehicle if the motor vehicle is or was held under a lease contemplated in paragraph (*b*) of the definition of "instalment credit agreement" in section 1(1) of the VAT Act;

21 See Government Notice 362 in *Government Gazette* 38744 of 28 April 2015, read with Government Notice 37 in *Government Gazette* 42961 of 17 January 2020.

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

Interest-free or low-interest debt (paragraph 11 of the Seventh Schedule)

The difference between the actual amount of interest charged on an interest-free or low interest debt owed by an employee and the interest charged at the official rate of interest, is to be included in the gross income of the employee. The official rate of interest applicable to the 2025 year of assessment was as follows:

Date from	Date to	Interest rate
01.03.2024	30.09.2024	9,25%
01.10.2024	30.11.2024	9,00%
01.12.2024	31.01.2025	8,75%
01.02.2025	28.02.2025	8.50%

(c) Marketable securities, broad-based employee share plans and equity instruments (sections 8A, 8B, 8C and paragraph 11A of the Fourth Schedule)

Share options and other rights to acquire marketable securities (section 8A and paragraph 11A of the Fourth Schedule)

Gains made by directors of companies or employees by the exercise, cession or release of rights to acquire marketable securities such as security, stock, debentures, options and shares must be included in income and are subject to the deduction of PAYE.

Broad-based employee share plans (sections 8B and 10(1)(nC) and paragraph 11A of the Fourth Schedule)

Any gain arising from the disposal of any qualifying equity share or right therein will be exempt from normal tax but subject to CGT, provided the shares are not disposed of within five years from the date of granting of the shares. A qualifying equity share is a share acquired in a year of assessment under a broad-based employee share plan if the market value of all equity shares acquired in that year, and the four immediately preceding years of assessment under the share plan does not exceed R50 000 in aggregate.

Equity instruments [sections 8C and 10(1)(nD) and paragraph 11A of the Fourth Schedule]

Equity instruments are equity shares, member's interests, options to acquire those shares or interests and other financial instruments convertible to those shares or interests in a company. An equity instrument vests on acquisition of an unrestricted instrument or as a general rule on the date when all restrictions which prevent the instrument to be freely disposed of at market value cease to have effect.

Persons are taxed on any gain, or allowed to deduct from income any loss, on the vesting of an equity instrument acquired as a result of employment or holding of an office as a director. The taxable amount is the difference between the market value on the date of vesting and any consideration given for the acquisition. These gains are subject to the deduction of PAYE.

See the *Tax Guide for Share Owners* for detail on sections 8A, 8B and 8C.

2.4.3 Exempt benefit – Relocation costs [section 10(1)(nB)]

In the event that an employer bears the cost of certain expenditure in consequence of an employee's relocation from one place of employment to another, the appointment of the employee or the termination of the employee's employment, the benefit enjoyed by the employee relating to the expenditure incurred by the employer will be exempt from normal tax.

2.4.4 Income of spouses [section 7(2), (2A), (2B) and (2C)]

The Act defines "spouse" in relation to any person as a person who is a partner of such person in a marriage or customary union recognised under the laws of South Africa or a union recognised as a marriage in accordance with the tenets of any religion. The definition also includes a partner in a same-sex or heterosexual union which is intended to be permanent.

Under South African common law, income received by spouses married in community of property, accrues to the joint estate and is deemed as having been received in equal shares by each spouse. However, the following rules apply to certain specified income:

- A salary from a third party is treated as being the income of the spouse who receives that salary.
- Passive income (income from the letting of property and investment income, such as interest and dividends) originating from assets forming part of the joint estate, is deemed to have accrued in equal shares to each spouse [section 7(2A)(*b*)].
- Income earned from carrying on a trade jointly or if spouses are trading in partnership will accrue to each spouse according to the agreed profit-sharing ratio [section 7(2A)(*a*)(ii)], while expenses incurred in the production of that income are deductible to the extent to which that income accrued to each spouse [section 7(2B)].
- Income which does not form part of the joint estate of both spouses is taxable in the hands of the spouse who is entitled to the income [section 7(2A)(*a*)(i)].
- Benefits from pension funds, pension preservation funds, provident funds, provident preservation funds, retirement annuity funds and benefit funds or any other fund of a similar nature are taxable in the hands of the spouse who is the member of the fund [section 7(2C)]. Contributions made to a pension fund, provident fund or retirement annuity fund are deductible in the hands of the spouse who made the payments as a member of the fund.
- Income from patents, designs, trademarks and copyrights is deemed to be the income of the spouse who is the holder or owner [section 7(2C)(*c*)].
- The medical scheme fees tax credit or MTC (section 6A) and additional medical expenses tax credit (section 6B) will be allowed as rebates (see **2.15** and **2.16**) against the normal tax payable by the spouse who paid the fees or expenses, even if the funds for the fees or expenses originated from the joint estate.

The splitting of passive income mentioned above must not be seen as favouring spouses married in community of property over spouses married out of community of property. It is rather a case of harmonising the existing rights relating to property and income of persons married in community of property.

There are measures to prevent income splitting (other than those mentioned above) which apply to spouses whether they are married in or out of community of property. Section 7(2), for example, prevents income splitting between spouses carried out to obtain an unfair tax advantage.

These measures apply to donations, settlements and other dispositions between spouses, in which income is derived by one spouse (recipient) as a result of a donation made by the other spouse (donor) with the purpose of avoiding tax; or as a result of a transaction, operation or a scheme entered into or carried out by the donor with the sole or main purpose of reducing, postponing or avoiding the donor's liability for tax.

Should income be derived by a spouse (recipient) from –

- any trade which is connected to the trade of the other spouse (donor);
- a partnership of which the donor is a partner; or
- a private company in which the donor is a principal shareholder,

and such income so earned is excessive having regard to the nature of the trade and the recipient's participation, the excessive portion will be taxed in the hands of the donor.

2.4.5 Employees' tax (PAYE) (the Fourth Schedule)

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

Every employer who pays or becomes liable to pay an amount by way of remuneration is obliged to deduct PAYE, if applicable, from that amount. The PAYE deducted must be paid over to SARS within seven days after the end of the month during which such deduction was made. The deduction is determined according to tax deduction tables.[22]

(a) Remuneration paid or payable to employees

Remuneration paid or payable by employers to their employees in excess of the relevant income tax threshold mentioned in **2.4.1** is subject to the deduction of PAYE.

Employees' tax certificates (IRP5s) are issued to employees from whose remuneration PAYE has been deducted. These certificates reflect a breakdown of remuneration received, deductions made from the remuneration and PAYE deducted.

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

[22] Published as attachments to the *Guide for Employers in Respect of Tax Deduction Tables*.

(b) Remuneration paid or payable to directors

The remuneration of directors of companies (including individuals in close corporations performing similar functions) is subject to the deduction of PAYE. However, if the director is a non-executive director, amounts received in that capacity for services rendered as a board member are not “remuneration” and are not subject to the deduction of PAYE.[23]

(c) Payments to personal service providers

A personal service provider is any company or trust of which any service rendered on behalf of the company or trust to a client of the company or trust is rendered personally by any person who is a connected person in relation to such company or trust, and any one of three conditions as set out in the definition of “personal service provider” in paragraph 1 of the Fourth Schedule is met.[24]

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

Payments made to a personal service provider are subject to the deduction of PAYE. For VAT purposes, any payment made to a personal service provider who is carrying on an enterprise will be subject to VAT at the standard rate. This rule applies even if such payments have been subject to the deduction of PAYE.[25]

(d) Payments to labour brokers

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

Employers are required to deduct PAYE from all payments made to a labour broker, unless the labour broker is in possession of a valid exemption certificate issued by SARS.

Remuneration paid to persons who render services to or on behalf of a labour broker is subject to the deduction of PAYE by the labour broker.[26] For VAT purposes, the payments made to a labour broker who is carrying on enterprise are subject to tax at standard rate and the full amount received is treated as consideration despite the PAYE being deducted on that full amount.

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23 See Binding General Rulings 40 “Remuneration Paid to Non-Executive Directors” and 41 “VAT Treatment of Non-Executive Directors”.

24 See Interpretation Note 35 “Employees’ Tax: Personal Service Providers and Labour Brokers”.

25 Section 1(1) of the VAT Act – Definition of “enterprise” – Paragraph (iii)(*bb*) of the proviso.

26 For more information see Interpretation Note 35 “Employees’ Tax: Personal Service Providers and Labour Brokers”.

(e) Services rendered by independent contractors

The concept of an independent trader or independent contractor remains one of the more contentious features of the Fourth Schedule.

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

An amount paid to a person who is deemed not to carry on a trade independently will constitute "remuneration" as defined in paragraph 1 of the Fourth Schedule and will be subject to the deduction of PAYE.[27]

For VAT purposes, an independent contractor who carries on an enterprise is liable to register as a VAT vendor if the registration threshold of R1 million is exceeded.

(f) Savings withdrawal benefit

From 1 September 2024, individuals can access a portion of their member's share of the value in a retirement fund (pension fund, pension preservation fund, provident fund, provident preservation fund or retirement annuity fund). This amount is known as a "savings withdrawal benefit". Individuals are limited to one withdrawal during a year of assessment, with a minimum of R2 000. If an individual has multiple contracts in the same retirement fund or across different retirement funds, that individual is limited to one withdrawal per contract during a year of assessment.

An amount paid as a savings withdrawal benefit is remuneration and is subject to marginal rates of tax for individuals (**2.15.1**). The tax rates for retirement fund lump sums (**2.15.2** and **2.15.3**) do **not** apply to a savings withdrawal benefit. The retirement fund must apply for a tax directive from SARS for purposes of determining the PAYE to be withheld before the payment is made to the individual. See **2.4.11** for an overview of the Two-Pot Retirement System.

2.4.6 Provisional tax (the Fourth Schedule)

Provisional tax is not a separate tax but refers to payments made or to be made by a provisional taxpayer to the Commissioner in a manner provided for by the Act. A "provisional taxpayer" is defined in paragraph 1 of the Fourth Schedule as –

- any person (other than a company) who derives income that –
  - ➢ constitutes remuneration from an employer that is not registered for PAYE; or
  - ➢ does not constitute remuneration or an allowance or advance under section 8(1);
- any company;
- any labour broker in possession of a valid certificate of exemption issued by SARS; and
- any person notified by the Commissioner that such person is a provisional taxpayer,

[27] For more information see Interpretation Note 17 "Employees' Tax: Independent Contractors".

but excludes –

- any public benefit organisation[28] and recreational club approved by the Commissioner;
- any body corporate, share block company or association of persons referred to in section 10(1)(*e*);
- any person (other than a resident) who is an owner or charterer of a ship or aircraft and whose taxable income from embarking passengers or loading livestock, mails or goods in South Africa is calculated under section 33 as 10% of the amount paid to the owner or charterer or to such person's agent for the loading or embarking of the passengers, livestock, mails or goods;
- any natural person who does not derive income from the carrying on of a business if the taxable income of that person for the relevant year of assessment –
    - does not exceed the tax threshold; or
    - which is derived from interest, dividends, foreign dividends and rental from the letting of fixed property and remuneration from an employer that is not registered for PAYE, does not exceed R30 000;
- a small business funding entity (section 30C);
- a deceased estate; and
- any entity approved by the Commissioner under section 30B(2).

The above exclusions apply to provisional tax only. Natural persons will still be liable for normal tax if their taxable income for the relevant year of assessment exceeds the income tax threshold for that year.[29]

Provisional tax payments are based on a taxpayer's estimated taxable income for a year of assessment. The final normal tax liability for that year will be determined upon assessment.

Provisional tax is split into two payments, the first of which is made within six months from the beginning of the year of assessment and the second payment on or before the last day of the year of assessment. These payments alleviate the burden of one large amount being payable on assessment as it spreads the income tax burden over the year of assessment.

An optional third payment (known as a "top-up payment") may be made after the end of the year of assessment to prevent the accrual of interest on underpayment of provisional tax when the assessment for that year is raised. A taxpayer, whose year of assessment ends on the last day of February, must make the third provisional tax payment not later than seven months after the last day of such year of assessment. In any other case, the third provisional tax payment is to be made within six months after the last day of that year of assessment.

Failure to make provisional tax payments may result in interest being levied and a penalty being imposed upon assessment. If there is an overpayment of provisional tax, interest is payable to the taxpayer upon assessment.

The estimated taxable income and provisional tax payable for the year of assessment must be declared by a provisional taxpayer on an IRP6 form.

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[28] Only a public benefit organisation as contemplated in paragraph (*a*) of the definition of "public benefit organisation" in section 30(1).

[29] For more information see the *Guide for Provisional Tax: External Guide – Revision 25*.

2.4.7 Allowable deductions

(a) General deduction formula

Expenditure and losses are deductible under section 11(*a*) for income tax purposes. To be deductible the expenditure and losses must be –

- actually incurred;
- in the production of income;
- not of a capital nature; and
- laid out or expended for purposes of trade.

In addition, the expenditure or loss must be claimed in the year of assessment in which it is actually incurred.

Section 11(*a*) must be read with section 23(*g*) which states that the expenditure or loss must have been laid out or expended for the purposes of trade in order to be deductible.

The above factors form the essence of what is commonly known as the general deduction formula.

Deductions of expenditure against income derived by employees and office holders from employment (remuneration) are limited. This limitation does not apply to agents and representatives whose remuneration is normally derived mainly in the form of commission based on their sales or the turnover attributable to such persons.

Other expenditure or allowances must comply with specified requirements in order to be deductible for income tax purposes.[30]

(b) Home office expenses

Subject to specified requirements and limitations, home office expenses which relate to that part of a house used regularly and exclusively for the purposes of trade may be allowed as a deduction in determining taxable income.[31]

(c) Other deductions

Pension, provident and retirement annuity fund contributions [section 11F]

Any amount contributed by a person as a member of a fund to a pension, provident or retirement annuity fund in terms of the rules of that fund will be allowed as a deduction, provided the deduction does not exceed the lesser of –

- R350 000;
- 27,5% of the higher of the person's –
  - remuneration (other than any retirement fund lump sum benefit, retirement fund lump sum withdrawal benefit and severance benefit); or
  - taxable income (other than any retirement fund lump sum benefit, retirement fund lump sum withdrawal benefit and severance benefit) as determined before allowing any deduction for pension, provident and retirement annuity fund

[30] For more information see Interpretation Note 13 "Deductions: Limitation of Deductions for Employees and Office Holders".

[31] For more information see Interpretation Note 28 "Deductions of Home Office Expenses Incurred by Persons in Employment or Persons Holding an Office".

contributions[32] as well as certain foreign tax credits[33] and *bona fide* donations to approved organisations; or

- the taxable income (other than any retirement fund lump sum benefit, retirement fund lump sum withdrawal benefit and severance benefit) before adding any taxable capital gain and before allowing the deduction for pension, provident and retirement annuity fund contributions as well as certain foreign tax credits and *bona fide* donations to approved organisations.

When the employer contributes an amount for the benefit of an employee to a retirement fund, that amount is a taxable benefit in the person's hands.[34] The cash equivalent of the value of the taxable benefit is the actual contributions made by the employer, in the case of a defined contribution fund, or the amount paid on behalf of the employee in the case of a retirement annuity fund, or as determined by way of a formula, in the case of any other type of fund.[35]

Although a taxable benefit does arise from the employer contributions, the cash equivalent of that taxable benefit is deemed to be an amount contributed by the employee, and will qualify for a deduction, subject to the limitations discussed above. In other words, subject to the limitations, there will be a corresponding deduction equal to the amount of the taxable benefit.

Any amount not allowed as a deduction under section 11F(1) because of the limitation calculated above, and which has not been taken into consideration in the determination of the taxable portion of a lump sum benefit or as an exemption against an annuity under section 10C, will be carried forward to the following year of assessment and will be deemed to be a contribution made in that following year.

Donations to certain section 18A-approved organisations

A deduction for *bona fide* donations made to certain section 18A-approved organisations[36] is limited to an amount as does not exceed –

- for a portfolio of a collective investment scheme, other than a portfolio of a collective investment scheme in property that qualifies as a Real Estate Investment Trust (REIT),[37] an amount determined in accordance with the following formula:

  $A = B \times 0{,}005$

  in which formula:

  A = the amount to be determined;

  B = the average value of the aggregate of all of the participatory interests held by investors in the portfolio for the year of assessment, determined by using the aggregate value of all the participatory interests in the portfolio at the end of each day during that year; or

- in any other case, 10% of the taxpayer's taxable income. For purposes of this calculation, taxable income –
  - ➢ excludes any retirement fund lump sum benefit, retirement fund lump sum withdrawal benefit and severance benefit; and

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32 Under section 11F.

33 Under section 6*quat*(1C).

34 Paragraph 2(*h*) or (*l*) of the Seventh Schedule.

35 Paragraph 12D of the Seventh Schedule.

36 For more information, see the *Basic Guide to Section 18A Approval*.

37 See section 25BB(2A)(*c*). Also see **2.5.11** for more information on REITs.

- is determined before allowing any deduction for donations or certain foreign tax credits.[38]

- Any donation made in excess of the allowable deduction will be carried forward and allowed as a deduction in a subsequent year of assessment, subject to the 10% limitation.
- Any claim for a deduction of any donation will not be allowed unless supported by –[39]
  - a receipt issued by a section 18A-approved organisation containing certain prescribed information;[40] or
  - an employees' tax certificate as defined in the Fourth Schedule on which the amount of donations contemplated in paragraph 2(4)(*f*) of that Schedule, for which the employer has received a section 18A receipt.[41]
- The taxpayer claims the deduction for donations made in the income tax return of the particular year of assessment.
- Taxpayers receiving section 18A receipts issued by an organisation not approved by the Commissioner for purposes of section 18A will not be entitled to a deduction in determining taxable income for any donations made to that organisation.

Wear-and-tear [section 11(e)]

Wear-and-tear allowances may be claimed on machinery, plant, implements, utensils and articles which are used for purposes of trade, except for the limitations listed in section 11(*e*). For example, if it is essential for a taxpayer to maintain a library, a wear-and-tear allowance of 33% of the cost to the taxpayer which is calculated on a straight-line basis may be allowed. Wear-and-tear may also be claimed as a deduction on assets such as computers, furniture and fittings and motor vehicles which are used for purposes of trade.

The cost of "small items" such as loose tools may be written off in full in the year of assessment in which they are acquired and brought into use. A "small item" in this context is one which normally functions in its own right, does not form part of a set and is acquired at a cost of less than R7 000 per item.[42]

Amount included in taxable income and refunded (Repayment of employees benefits) [section 11(nA) and (nB)]

Should a person be required to refund any amount, including any voluntary award, which was previously included in taxable income for services rendered or to be rendered or by virtue of any employment or the holding of any office, the amount refunded can be claimed as a deduction in the year of assessment in which the amount is repaid.[43]

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38 Section 6*quat*(1C).
39 Section 18A(2).
40 Section 18A(2)(*a*).
41 Section 18A(2)(*b*).
42 For more information see Interpretation Note 47 "Wear-and-Tear or Depreciation Allowance".
43 For more information see Interpretation Note 88 "Tax Deduction for Amounts Refunded".

Similarly, any restraint of trade payment that was included in the gross income of any person in respect of the employment or holding of an office (whether current, past or future), a labour broker or personal service provider,[44] or a personal service company or trust,[45] as is refunded by that person, can be claimed as a deduction in the year of assessment in which the amount is repaid.

2.4.8 Prohibited deductions

Specified deductions are prohibited by section 23. Some of the deductions are listed below:

(a) Domestic or private expenses [section 23(a) and (b)]

A taxpayer is prohibited from deducting any of the following expenses and payments:

- The cost incurred in the maintenance of the taxpayer, the taxpayer's family or establishment.
- Domestic or private expenses, including the rent or repair of or expenses relating to any premises not occupied for purposes of trade or of any dwelling or house used for domestic purposes, except on those parts as may be occupied for the purpose of trade.

(b) Bribes, fines or penalties [section 23(o)(i) and (ii)]

A payment for a bribe, fine or penalty will not be allowed as a deduction for income tax purposes if –

- the payment, agreement or offer to make that payment constitutes an activity contemplated in Chapter 2 of the Prevention and Combating of Corrupt Activities Act 12 of 2004; or
- the payment is a fine charged or penalty imposed as a result of carrying out an unlawful activity in South Africa or in another country where the activity would be unlawful had it been carried out in South Africa.[46]

(c) Premiums paid for an insurance policy for loss of income [section 23(r)]

Insurance policy premiums paid for an insurance policy that covers the taxpayer against the loss of income as a result of illness, injury, disability, unemployment or death are prohibited as deductions.

(d) Other prohibited deductions [section 23(d), (e) and (g)]

Other prohibited deductions include –

- income carried to a reserve fund or capitalised in any way;
- moneys not laid out or expended for purposes of trade; and
- taxes imposed under the Act and interest or penalties imposed under other Acts administered by the Commissioner.

[44] As respectively defined in paragraph 1 of the Fourth Schedule.

[45] As respectively defined in paragraph 1 of the Fourth Schedule prior to their repeal by section 66 of the Revenue Laws Amendment Act 60 of 2008.

[46] For more information see Interpretation Note 54 "Deductions – Corrupt Activities, Fines and Penalties".

2.4.9 Pensions

(a) Pensions exempt from normal tax [section 10(1)(g), (gA), (gB) and (gC)]

The following amounts are exempt from normal tax in South Africa:

- War veteran's pensions [section 10(1)(*g*)].
- Compensation relating to diseases contracted by persons employed in mining operations [section 10(1)(*g*)].
- Disability pensions paid under section 2 of the Social Assistance Act 59 of 1992 [section 10(1)(*g*A)].
- Compensation paid under the Workmen's Compensation Act 30 of 1941 or the Compensation for Occupational Injuries and Diseases Act 130 of 1993 [section 10(1)(*g*B)(i)].
- Pension paid on death or disablement caused by any occupational injury or disease sustained or contracted by an employee before 1 March 1994 in the course of employment, if that employee would have qualified for compensation under the Compensation for Occupational Injuries and Diseases Act 30 of 1993, had that injury or disease been sustained or contracted on or after 1 March 1994 [section 10(1)(*g*B)(ii)].
- Compensation paid by an employer in addition to the compensation mentioned in section 10(1)(*g*B)(i) on the death of an employee, which arose out of and in the course of employment, to the extent that the additional compensation may not exceed R300 000 [section 10(1)(*g*B)(iii)].
- Compensation paid under section 17 of the Road Accident Fund Act 56 of 1996 [section 10(1)(*g*B)(iv)].
- Any amount received by or accrued to any resident under the social security system of any other country [section 10(1)(*g*C)(i)].
- Any lump sum, pension or annuity received by or accrued to any resident from a source outside South Africa as consideration for past employment outside South Africa or any amount transferred to a South African retirement fund or insurer from a source outside South Africa as consideration for past employment outside South Africa [section 10(1)(*g*C)(ii)].[47]

(b) Pensions that are taxable

The following pensions are taxable in South Africa, unless one of the exemptions mentioned above applies:

- A pension or annuity received by a resident from a pension, provident or retirement annuity fund.
- A pension or annuity received from the South African government.
- Any lump sum, pension or annuity payable to any person (whether a resident of South Africa or not) for services rendered inside and outside of South Africa. It is taxable in the ratio of years of service rendered inside South Africa to the total years of service rendered. The taxability of the pension may be affected by a tax treaty. Tax treaties generally make provision for a pension to be taxed in the country where the pensioner resides, except for government pensions which are taxable in the country paying such

[47] For more information see Interpretation Note 104 "Exemption – Foreign Pensions and Transfers".

pension. However, the country which has the right to tax the pension may, in its domestic tax legislation, exempt the pension from income tax, for example, section 10(1)(*g*C).

2.4.10 Annuities

Annuities which are normally received from retirement annuity funds, insurance companies, trusts and estates are taxable. The capital element of a purchased annuity is exempt from normal tax under section 10A. The insurance company will issue a certificate reflecting the capital element. Annuities are subject to the deduction of PAYE when the source is from South Africa.

Annuities received by residents from a source outside South Africa are also taxable in South Africa. The taxability of the annuity may, however, be affected by a tax treaty.

2.4.11 Overview of the Two-Pot Retirement System

The “Two-Pot” retirement system is a major reform to South Africa’s retirement savings framework, effective 1 September 2024. The Two-Pot retirement system enables members of a retirement fund, to access a small portion of their interest in that retirement fund, while they are still members of that retirement fund. The bulk of the savings will remain “preserved”.

It introduces a three-part structure to encourage preservation and to simultaneously permit short-term access:

- **Vested Component:** This component comprises of all contributions made before 1 September 2024 and any growth thereon. A portion (10%, capped at R30,000) will be reallocated to the Savings Component as the once-off seeding or starting capital amount. The value in the Vested Component can still be accessed on termination of membership in specific retirement fund types and under specific circumstances such as, resignation, retirement or death, subject to the rules of that retirement fund. These lump sum benefits remain subject to tax in accordance with the relevant tax tables applicable to a retirement fund lump sum withdrawal benefit or a retirement fund lump sum benefit.
- **Savings Component:** This component is made up of the seeding or starting capital amount allocated from the vested component, and one-third of all contributions made to a retirement fund on or after 1 September 2024. The purpose of this component is to provide emergency access to retirement funds without terminating membership, and without compromising long-term savings.

  Taxpayers can, without terminating the membership in the specific retirement fund, access the savings component, as a savings withdrawal benefit, once per tax year, subject to marginal tax rates [see **2.4.5 f)**] for detail on savings withdrawal benefits). The employer will first apply for a tax directive from SARS to determine the correct employees’ tax to be deducted or withheld before the savings withdrawal benefit is paid out.
- **Retirement Component:** This component is made up of two-thirds of all contributions made to a retirement fund on or after 1 September 2024. This means that the value in this component must be preserved until retirement to provide for income, in the form of a pension or annuity, during retirement. Only under specific exceptional circumstances may the value in this component be accessed as a lump sum benefit and be subject to tax in accordance with the relevant tax tables applicable to a retirement fund lump sum withdrawal benefit or a retirement fund lump sum benefit.

The employer will first apply for a tax directive from SARS to determine the correct employees' tax to be deducted or withheld before these benefits are paid out.

The Two-Pot retirement system will apply to almost all pension, provident, retirement annuity, and preservation funds with effect from 1 September 2024. Only legacy retirement annuity policies and certain types of benefits are specifically excluded from the Two-Pot retirement system.

2.4.12 Ring-fencing of assessed losses of certain trades (section 20A)

The term "trade" is widely defined in section 1(1). Whether a specific activity amounts to the carrying on of a trade is a question of law that depends on the facts and circumstances of the specific case. In considering whether or not an activity constitutes a trade, the intention of the person to carry on a trade profitably is of decisive importance, this being a subjective test.

While objective factors are not relevant to determine whether a trade is being carried on, they remain relevant in the objective testing of the taxpayer's stated intention. The intention of the person will, therefore, be weighed against the probabilities and inferences which can be drawn from the facts of a matter.

Ring-fencing under section 20A is a measure under which the expenditure incurred in conducting a trade is limited to the income from that trade if specified criteria are met. Any excess expenditure (assessed loss from a trade) is carried forward and set off only against any income derived from that trade in a subsequent year of assessment.

Section 20A does not replace the purpose or function of section 11(*a*) read with section 23(*g*). An assessed loss could, notwithstanding section 20A, be disallowed in its entirety under section 11(*a*) read with section 23(*g*) if the activities undertaken by a taxpayer do not constitute the *bona fide* carrying on of a trade. Section 20A comes into operation when an allowable assessed loss from a trade already exists. It is therefore applied after the application of sections 11(*a*) and 23(*g*) and provides a structure for determining whether a trade loss should be set off against other income, thereby reducing taxable income. Apart from specified circumstances, a "ring-fenced" loss is not "forfeited" or "disallowed" but merely carried forward to the next year of assessment and is available for set-off against any income derived from that specific trade in that year. A loss that is not utilised in the following year is once again carried forward to a subsequent year of assessment to be used against income generated from trade in that subsequent year.

The ring-fencing provisions apply only to an assessed loss from a trade carried on by a taxpayer who is a natural person and who meets specified criteria. Natural persons trading in a partnership may be subject to section 20A.

2.4.13 Rental income

Rental income received or accrued is subject to normal tax. A description of the asset or physical address of the property must be furnished upon request. Expenses such as bond interest, rates and taxes, insurance and repairs may generally be claimed as deductions.

2.4.14 Investment income

(a) Dividends and foreign dividends

Dividends received by or accrued to a person, whether the person is a resident or a non-resident, from South African resident companies are generally exempt from normal tax under section 10(1)(*k*)(i). A dividend which is subject to normal tax because of its inclusion in income is exempt from dividends tax under section 64F(1)(*l*). A dividend paid by a resident company is subject to dividends tax under section 64E(1). A dividend may be exempt from dividends tax under sections 64F or 64FA(1).[48]

Foreign dividends may be exempt from normal tax under section 10B(2) or partially exempt under section 10B(3). A cash foreign dividend paid by a foreign company in respect of a listed share is subject to dividends tax under section 64E(1). The foreign dividend may be exempt from dividends tax under section 64F.[49]

A resident may claim a rebate for foreign tax paid on foreign dividends against South African normal tax, if the dividend is subject to normal tax, or dividends tax if the dividend is subject to dividends tax.

(b) Interest [section 10(1)(h) and (i)]

The Act makes provision for the exemption of interest received by or accrued to any non-resident from a source within South Africa [section 10(1)(*h*)]. The full amount of the interest is exempt from normal tax. This exemption does not apply if –

- that person is a natural person who was physically present in South Africa for a period exceeding 183 days in aggregate during the twelve-month period preceding the date on which the interest is received by or accrues to that person; or
- the debt from which the interest arises is effectively connected to a permanent establishment of that person in South Africa.

For the 2025 year of assessment interest from a source in South Africa up to R23 800, (if the person is below the age of 65 years) or up to R34 500, (if the person is 65 years of age or older) is exempt from normal tax [section 10(1)(*i*)]. This exemption does not apply to interest from a source outside South Africa.

(c) Amounts received from tax free investments (section 12T)

Section 12T provides for an exemption from normal tax for natural persons (or the deceased or insolvent estate of such persons) of all amounts received from a "tax free investment" as defined in that section. The capital gain or capital loss from the disposal of the investment is disregarded for CGT purposes. A dividend that is paid to a natural person relating to a tax free investment is exempt from dividends tax.

Under section 12T(4), contributions to a tax free investment are limited to –

- an amount of R36 000[50] during a year of assessment; and
- a lifetime contribution limitation of R500 000.

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48 For more information see the *Comprehensive Guide to Dividends Tax*.

49 For more information see Interpretation Note 93 "The Taxation of Foreign Dividends" and the *Comprehensive Guide to Dividends Tax.*

50 Effective from years of assessment commencing on or after 1 March 2020.

2.4.15 Restraint of trade [the definition of "gross income" – paragraph (cA)]

A restraint of trade payment received by or accrued to a labour broker without an exemption certificate, a personal service provider, a personal service company or a personal service trust constitutes gross income under paragraph (*c*A) of the definition of "gross income" in section 1(1) and is subject to normal tax. *Bona fide* restraint of trade payments made to other companies and trusts are generally of a capital nature.

An amount received by or accrued to a natural person as consideration for any restraint of trade imposed on the person regarding –

- employment or the holding of any office; or
- any past or future employment or the holding of an office,

constitutes gross income for that natural person and is subject to normal tax.

2.4.16 Business income

Business income received by or accrued to a non-resident from carrying on a trade or business within South Africa is taxable in South Africa. The taxability of the income may be affected by a tax treaty.

Income derived from any business or trading activity carried on by a resident outside South Africa will be subject to normal tax in South Africa. However, this may have the effect that income derived by the resident may be subject to income tax in South Africa and in the country where the trading activities are carried on, that is, the source country. This situation will normally be resolved through the application of a tax treaty concluded between the two countries. Generally, profits will be taxed in the country of residence unless the business is carried on in the other country through a permanent establishment. The term "permanent establishment" will be defined in the tax treaty and generally means a fixed place of business through which the business of the enterprise is wholly or partly carried on.

2.5 Companies and businesses

2.5.1 Tax consequences of doing business in a company

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

Companies (other than SBCs, micro businesses, companies mining for gold and long-term insurance companies) pay tax on their taxable income at a flat rate. For years of assessment ending on any date on or after 31 March 2023, the tax rate is 27% of taxable income. For the tax rates applicable to the companies that are not paying tax at the flat rate see **2.15.6**.

A non-resident company which is carrying on a trade within South Africa also pays tax at a flat rate on income derived from a source within South Africa.

2.5.2 Provisional tax

A "company" as defined in section 1(1) is a provisional taxpayer (see **2.4.6**), unless it is specifically excluded from the definition of "provisional taxpayer" in paragraph 1 of the Fourth Schedule.

2.5.3 Controlled foreign companies (section 9D)

A CFC is any foreign company of which more than 50% of the total participation rights in that foreign company are held, or more than 50% of the voting rights in that foreign company are directly or indirectly exercisable, by one or more persons who are residents of South Africa, other than headquarter companies. A CFC also includes any foreign company when the financial results of that foreign company are reflected in the consolidated financial statements, as contemplated in IFRS 10, of any company that is a resident, other than a headquarter company.

Residents are liable for income tax on their proportional share of the net income of a CFC under section 9D except when a resident (together with any connected person in relation to that resident), holds less than 10% of the participation rights in aggregate and may not exercise at least 10% of the voting rights in that CFC.

The ratio of the net income to be determined for any one resident is the proportion that the resident's participation rights bears to all the participation rights in the CFC.

The net income calculation is performed in a CFC's currency of financial reporting and the result must be translated to rand by applying the average exchange rate for the year of assessment during which the net income is included in the resident's income.

The business profits of a CFC will not be imputed to the South African resident if the profits are from the operation of a foreign business establishment as defined in section 9D(1).

2.5.4 Small business corporations (section 12E)

The SBC tax legislation provides for two major concessions to entities (private companies, close corporations and co-operatives) which comply with all of the following requirements:

- The holders of shares in the company or members of the close corporation or co-operative must, at all times during the year of assessment, be natural persons.
- No holder of shares or member should hold any shares or have any interest in the equity of any other company, other than companies as specified in the definition of "small business corporation" in section 12E(4).
- The gross income of the entity for the year of assessment may not exceed R20 million.
- Not more than 20% of the total of all receipts and accruals (other than those of a capital nature) and all capital gains of the entity may consist collectively of "investment income" as defined in section 12E(4) and income from rendering a "personal service" as defined in section 12E(4).
- The entity may not be a "personal service provider" as defined in the Fourth Schedule.

The first concession is that the entity will be taxed at a progressive rate [see **2.15.6 b)**].

The second concession is the immediate write-off of all plant or machinery brought into use for the first time by the entity for purpose of its trade (other than mining or farming) and used by the entity directly in a process of manufacture or similar process in the year of assessment (see **2.6.15)**. Furthermore, the entity can elect to claim depreciation on its depreciable assets (other than manufacturing assets) acquired on or after 1 April 2005 at either –

- the wear-and-tear allowance rate under section 12E(1A)(*a*) read with section 11(*e*) (see **2.6.14**); or
- an accelerated write-off allowance rate under section 12E(1A)(*b*) (see **2.6.15**).

An entity which is engaged in the provision of personal services will qualify for the relief provided it employs three or more full-time employees (as specified in section 12E) throughout the year of assessment and the service is not performed by a person who holds an interest in that entity.[51]

2.5.5 Micro businesses (sections 48 to 48C and the Sixth Schedule)

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

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

and the "qualifying turnover", as defined in paragraph 1 of the Sixth Schedule, of that person for the year of assessment does not exceed R1 million.

If that person carries on a business during a year of assessment for a period of less than 12 months, the turnover requirement of R1 million is reduced proportionally by taking into account the number of full months that it carried on business during that year.

Micro businesses have a simplified tax system (turnover tax) and serves as an alternative to income tax, provisional tax and CGT. A micro business may, however, be registered for VAT whilst registered under the tax regime for micro businesses.

See **2.15.6 c)** for the progressive tax rate applicable to micro businesses.[52]

2.5.6 Insurance companies

(a) Short-term insurance (section 28)

A short-term insurance company is conducting non-life insurance business as defined in the Insurance Act 18 of 2017. The ordinary rules for the determination of taxable income also apply to a short-term insurer. Short-term insurers are allowed to deduct expenditure incurred in respect of their business of insurance, premiums on re-insurance and the actual amount of a liability incurred for any claims, less any claims recovered. In addition, allowances for unexpired risks, claims reported but not paid and claims not reported nor paid, are allowed subject to the discretion of the Commissioner. Such allowances claimed as a deduction in a year of assessment must be included as income in the succeeding year of assessment.

(b) Long-term insurance (section 29A)

Long-term insurance companies conduct life insurance business as defined in the Insurance Act 18 of 2017. These insurers hold and administer certain assets on behalf of various categories of policyholders, while the balance of the assets represents the shareholders' interests.

These companies are liable for income tax according to a five-fund approach. The application of this approach requires that long-term insurers allocate their assets to the five separate funds, namely, untaxed policyholder fund, individual policyholder fund, company policyholder fund, corporate fund and the risk policy fund.

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51 For more information see Interpretation Note 9 "Small Business Corporations". See also the *Tax Guide for Small Businesses 2023/2024.*

52 For more information see the *Tax Guide for Micro Businesses 2016/17*.

The taxable income derived by an insurer in respect of its individual policyholder fund, its company policyholder fund, its corporate fund and its risk policy fund must be determined separately in accordance with the provisions of the Act as if each fund had been a separate taxpayer and the individual policyholder fund, company policyholder fund, untaxed policyholder fund, corporate fund and its risk policy fund shall be deemed to be separate companies which are connected persons in relation to each other for the purposes of certain provisions of the Act.

2.5.7 Mining (sections 12N, 15(a), 36 and 37A)

Mining entities enjoy certain tax privileges. Mining entities are allowed to deduct capital expenditure incurred from taxable income derived from mining operations, subject to certain limitations as indicated in the paragraph below. The meaning of capital expenditure is defined in section 36(11) and includes, for example, expenditure on shaft sinking and mine equipment. It also includes, among others, expenditure on development, general administration and management before the commencement of production or during a period of non-production and expenditure in respect of the acquisition, erection, construction, improvement or laying out of residential housing for employees.

The deduction of capital expenditure incurred on a particular mine is restricted to the taxable income derived from that mine only. Any excess (unredeemed) capital expenditure will be carried forward and deemed to be capital expenditure incurred during the next year of assessment of the mine to which the capital expenditure relates. The capital expenditure of a mine cannot be set-off against non-mining income such as interest, rental, other trading activities etc. However, if a new mine commenced mining operations after 14 March 1990, its excess (unredeemed) capital expenditure may also be deducted from the total taxable income derived from mining of other mines operated by the taxpayer, as does not exceed 25% of the total taxable income derived from its other mines.

The taxable income of a company derived from mining for gold is taxed in accordance with a special formula (see **2.15.6 d)**). A company which derives taxable income from other mining operations is taxed at the same rate as is applicable to other companies.

Taxpayers conducting mining operations are required to rehabilitate areas where mining has taken place. These taxpayers are therefore required to make provision for rehabilitation expenses during the life of the mine. Amounts paid in cash to rehabilitation funds are allowed as a deduction for income tax purposes.

Expenditure incurred by a taxpayer to effect obligatory improvements under section 12N on capital expenditure items contemplated in section 36(11)(*d*)(i) to (v) shall be deemed to be expenditure for the purpose of section 36.

Section 12N deems a taxpayer to be the owner of improvements effected on land or to any building if the taxpayer –

- holds a right of use or occupation of the land or building;
- effects improvements on the land or to the building under a public private partnership or a long-term lease on land belonging to the government of South Africa or an exempt entity listed under section 10(1)(*c*A) or (*t*);
- incurs expenditure to effect the improvements referred to in bullet two; and
- uses or occupies the land or building for the production of income or derives income from the land or building.

2.5.8 Oil and gas companies (the Tenth Schedule)

Section 26B provides that the taxable income of oil and gas companies as defined in the Tenth Schedule is determined under the Act but subject to the provisions of the Tenth Schedule. Special rules therefore apply regarding the calculation of taxable income and certain withholding taxes.

See **21** for information on mineral and petroleum resources royalties.

2.5.9 Section 18A approval [section 18A(1) to (7)]

Government has recognised that certain organisations are dependent on the generosity of the public and to encourage that generosity has provided a tax deduction for *bona fide* donations made by taxpayers.[53] The eligibility to issue section 18A receipts is restricted to the following specific organisations:

- A public benefit organisation.[54]
- An institution, board or body.[55]
- A conduit public benefit organisation.[56]
- The South African government.[57]
- Any agency contemplated in the definition of "specialized agencies" in section 1 of the Convention on the Privileges and Immunities of the Specialized Agencies, 1947, set out in Schedule 4 to the Diplomatic Immunities and Privileges Act 37 of 2001.[58]
- Specifically named programmes, funds, High Commissioners, offices, entities, or organisations as listed in section 18A(1)(*b*A)(ii) to (xii).[59]

To qualify for section 18A approval the above eligible organisations must use *bona fide* donations to carry on or fund public benefit activities listed in Part II of the Ninth Schedule in South Africa.

An eligible organisation must apply to the Commissioner for approval under section 18A to be able to issue section 18A receipts to taxpayers for *bona fide* donations received. Information on the application process is available on the **SARS website**.

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53 For more information, see the *Basic Guide to Section 18A Approval*.
54 Section 18A(1)(*a*)(i).
55 Section 18A(1)(*a*)(ii).
56 Section 18A(1)(*b*).
57 Section 18A(1)(*c*).
58 Section 18A(1)(*b*A)(i). For more information, see the draft *Guide to Section 18A Approval for Specific United Nations Entities*.
59 For more information, see the draft *Guide to Section 18A Approval for Specific United Nations Entities*.

2.5.10 Headquarter companies

A headquarter company is subject to tax in the same way as any other resident company. However, it is entitled to certain relief from income tax, CGT and dividends tax which is not available to resident companies that are not headquarter companies. As a consequence of the special relief granted to headquarter companies, they are also subject to special anti-avoidance rules.

Under section 9I(2), a resident company must meet three requirements in order to be eligible to elect to be a headquarter company for any year of assessment, namely, –

- the "10% shareholding and voting rights" requirement;
- the "80% or more of the cost of total assets in, to or by a qualifying foreign company" requirement; and
- the "50% or more of gross income" requirement.[60]

2.5.11 Real estate investment trusts

Real estate investment trusts (REITs) were introduced in South Africa with effect from 1 April 2013. South African REITs own several kinds of commercial property such as shopping centres, office buildings, factories, warehouses, hotels, hospitals and, to a lesser extent, residential property, in South Africa. Some REITs also invest in property in other countries.

The objective of a REIT is to provide investors with steady rental income and capital growth in the underlying properties. A REIT may be a company as commonly understood or may be deemed to be a company for taxation purposes. A portfolio of a collective investment scheme in property that qualifies as a "REIT", as defined in the listing requirements of an "exchange" as defined in section 1 of the Financial Markets Act 19 of 2012 and licensed under section 9 of that Act, if those listing requirements have been approved in consultation with the Director-General of the National Treasury and published by the appropriate authority, as contemplated in section 1 of the Financial Markets Act, under section 11 of that Act or by the Financial Sector Conduct Authority, is deemed to be a "company".

A REIT, and a "controlled company" as defined,[61] are subject to a specific tax regime under section 25BB. In essence, a REIT and a controlled company are granted a deduction, subject to various limitations, for distributions made by it. A resident investor is subject to normal tax on distributions derived from a REIT or controlled company. By contrast, a non-resident investor is liable for dividends tax (as opposed to normal tax) on such distributions.

A REIT and a controlled company must also consider dividends tax, transfer duty, securities transfer tax and VAT.[62]

[60] For more information see Interpretation Note 87 "Headquarter Companies".
[61] Defined in section 25BB(1) as "a company that is a subsidiary, as defined in IFRS, of a REIT".
[62] For more information see Interpretation Note 97 "Taxation of REITs and Controlled Companies".

2.6 Special allowances or deductions and recoupment

Improvements not owned by a taxpayer (section 12N)

The cost to a taxpayer of an asset referred to in **2.6.1**, **2.6.2**, **2.6.3**, **2.6.5**, **2.6.9**, **2.6.11**, **2.6.12**, **2.6.18**, and **2.6.26**, on which an allowance may be claimed, can include expenditure to effect obligatory improvements on property owned by public private partnerships, the three spheres of government (national, provincial or local sphere) or certain exempt entities.

Recoupment of allowances and deductions

The full amount of any recoupment of an allowance will be included in the taxpayer's income under section 8(4)(*a*). With regard to a replacement asset (asset acquired to replace a damaged or destroyed asset), section 8(4)(*e*) will apply if the taxpayer opts for paragraph 65 or 66 of the Eighth Schedule to apply to the disposal of the damaged or destroyed asset. The amount to be included in income in a year of assessment is limited to an amount apportioned to the replacement asset but in the same ratio as the deduction of the allowance is allowed for the replacement asset. This has the effect of the cost of the replacement asset not being reduced.

Section 8(4)(*e*A) to (*e*E) stipulates as follows:

- If a taxpayer acquires more than one replacement asset the taxpayer must, in applying paragraphs (*e*B), (*e*C) and (*e*D), apportion the recoupment to each replacement asset in the same ratio as the receipts and accruals from the disposal respectively expended to acquire the replacement asset bear to the total receipts and accruals expended in acquiring all those replacement assets [section 8(4)(*e*A)].
- The amount of the recoupment will be included in the taxpayer's income over the period that the replacement asset is written off for tax purposes in the same proportion as the allowance granted on the replacement asset [section 8(4)(*e*B)].
- In the year of assessment in which the taxpayer disposes of a replacement asset, any portion of the recoupment that is apportioned to the replacement asset and which has not been included in the taxpayer's income will be deemed to have been recouped in that year of assessment [section 8(4)(*e*C)].
- In the year of assessment in which the taxpayer ceases to use a replacement asset for the purposes of that person's trade, any portion of the recoupment that is apportioned to the replacement asset and which has not been included in the taxpayer's income will be deemed to have been recouped in that year of assessment [section 8(4)(*e*D)].
- In the year of assessment in which the taxpayer fails to conclude a contract or fails to bring any replacement asset into use within the period prescribed in paragraph 65 or 66 of the Eighth Schedule, section 8(4)(*e*) will not apply and the amount recovered or recouped as a result of the disposal of the asset will be deemed to be recouped under section 8(4)(*a*) on the date on which the relevant period ends [section 8(4)(*e*E)].

Expenditure incurred in respect of moving costs

Expenditure incurred by a taxpayer during any year in moving an asset from one location to another, for which an allowance was deducted or is deductible, will be allowed as a deduction as follows:

- If the allowance is deductible in that year of assessment and one or more succeeding years of assessment, the expenditure incurred in moving the asset will be allowed in equal instalments in each year of assessment in which the allowance is deductible.

- In any other case, the expenditure will be allowed in the year of assessment during which the asset is moved.

2.6.1 Buildings used in the process of manufacture, research and development or a process of a similar nature) (section 13)

An allowance equal to 2% (50-year straight-line basis) of the cost to a taxpayer of buildings, or of improvements to existing buildings used in a process of manufacture, research and development or a process of a similar nature (other than mining or farming) will be granted.

The allowance was increased to 5% (20-year straight-line basis) for those erections or improvements of buildings which commenced on or after 1 January 1989.

The depreciable cost of a building (or improvements) is the lesser of –

- the actual cost of the building (or improvements) to the taxpayer; or
- the actual cost of the building (or improvements) to the taxpayer less any amount of an allowance recouped from a previous building (or improvements), if any.

Any recoupment of the allowance can, at the option of the taxpayer, either be –

- set off against the cost of a further building under section 13(3), provided the requirements of the section are met; or
- included in the taxpayer's income under section 8(4)(*a*).[63]

2.6.2 Commercial buildings (section 13quin)

An allowance is available equal to 5% (20-year straight-line basis) of the cost to a taxpayer of new and unused buildings or improvements to buildings wholly or mainly used by the taxpayer during the year of assessment for purposes of producing income in the course of the taxpayer's trade. The buildings or improvements to the building must have been contracted for on or after 1 April 2007 and the construction, erection or installation must have commenced on or after this date. Buildings used for the provision of residential accommodation are excluded.[64]

The depreciable cost of a building (or improvement) is the lesser of –

- the actual cost to the taxpayer; or
- the arm's length cash price of the building or improvement at the time of acquisition.

To the extent that a taxpayer acquires a part of a building without erecting or constructing that part –

- 55% of the acquisition price, when a part being acquired; and
- 30% of the acquisition price, when an improvement being acquired,

will be deemed to be the cost incurred for that part or improvement.[65]

Any recoupment of the allowance will be included in the taxpayer's income under section 8(4)(*a*).

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63 For more information see the *Guide to Building Allowances*.

64 See **2.6.3**.

65 For more information see Interpretation Note 107 "Deduction in respect of Commercial Buildings".

2.6.3 Buildings used by hotel keepers (section 13*bis*)

Section 13*bis* provides for an allowance on the erection of buildings or improvements to such buildings used by the taxpayer in the trade of hotel keeper, or if let, then used by the lessee in the trade of hotel keeper. The term "hotel keeper" is defined in section 1(1).

Buildings and improvements

An allowance equal to 2% (50-year straight-line basis) of the cost to a taxpayer of the erection of buildings and improvements will be granted.

The allowance increased to 5% (20-year straight-line basis) for buildings or improvements, the erection of which commenced on or after 4 June 1988.

Improvements which commenced on or after 17 March 1993 which do not extend the existing exterior framework of the building

An allowance equal to 20% (five-year straight-line basis) of the cost to a taxpayer of the erection of such improvements will be granted.

The depreciable cost of a building (or any improvements) is the lesser of –

- the actual cost of the building (or improvements) to the taxpayer; or
- the actual cost of the building (or improvements) to the taxpayer less any amount of an allowance recouped from a previous building (or improvements), if any.

Any recoupment of the allowance can at the option of the taxpayer either be –

- set off against the cost of a further building under section 13*bis*(6)(*a*) provided the requirements thereof are met; or
- included in the taxpayer's income under section 8(4)(*a*).[66]

2.6.4 Urban development zones (section *13quat*)

Taxpayers investing in one of the demarcated urban development areas may claim special depreciation allowances[67] for construction or refurbishment of commercial and residential buildings[68] located in these areas which are used solely for trade purposes.[69] The allowance also relates to low-cost residential buildings which are within an urban development zone.

These areas are located within the boundaries of the municipalities of Buffalo City, City of Cape Town, Ekurhuleni, Emalahleni, Emfuleni, eThekwini, Johannesburg, Mahikeng, Mangaung, Matjhabeng, Mbombela, Msunduzi, Nelson Mandela, Polokwane, Sol Plaatje and Tshwane.[70]

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66 For more information see Interpretation Note 105 "Deductions in respect of Buildings Used by Hotelkeepers".

67 The allowance is available on a building or part of a building brought into use on or before 31 March 2030.

68 See **11.6** for the VAT treatment of expenses related to residential buildings.

69 Taxpayers who have already started claiming the incentive prior to the sunset clause will be entitled to continue to do so even after 31 March 2030 provided that all requirements are still complied with. No deduction shall be allowed for any building or part of a building which is brought into use by the taxpayer after 31 March 2030.

70 For more information see the *Guide to the Urban Development Zone (UDZ) Tax Incentive*.

2.6.5 Certain residential units (section 13*sex*)

An allowance, equal to 5% (20-year straight-line basis) of the cost to a taxpayer of a new and unused residential unit (or of new and unused improvements to a residential unit) acquired or the erection of which commenced on or after 21 October 2008 by the taxpayer, will be granted if –

- the unit or improvement is used by the taxpayer solely for the purposes of a trade carried on by the taxpayer;
- the unit is situated within South Africa; and
- the taxpayer owns at least five residential units within South Africa, which are used by the taxpayer for the purposes of a trade carried on by the taxpayer.

An additional allowance of 5% of the cost of a low-cost residential unit[71] will be granted if the allowance of 5% referred to above is allowed to be deducted.

In the event that the taxpayer acquires a residential unit (or improvement to a residential unit) representing only a part of a building, without erecting or constructing the unit or improvement, the percentages below will be deemed to be percentages of the costs incurred by the taxpayer:

- 55% of the acquisition price if the unit was acquired.
- 30% of the acquisition price if the improvement was acquired.

These allowances are not applicable to any residential unit (or any improvement to it) if the cost of the residential unit qualified or will qualify for a deduction under any other provision of the Act.

The depreciable cost of the residential unit is the lesser of –

- the actual cost to the taxpayer; or
- the arm's length cash price at the time of acquisition.[72]

Any recoupment of these allowances will be included in the taxpayer's income under section 8(4)(*a*).

2.6.6 Residential buildings (section 13*ter*)

Under this section, deductions are available to a taxpayer who erects at least five residential units. The taxpayer must have commenced with the erection of the residential units, under a housing project, on or after 1 April 1982 and before 21 October 2008. The terms "residential unit" and "housing project" are defined in section 13*ter*(1).

The deductions are allowed as follows:

- A residential building initial allowance equal to 10% of the cost to the taxpayer of the unit if it is let to a tenant for purposes of trade or occupied by a full-time employee provided that at least five residential units in that housing project have been let or occupied for the first time.

[71] The term "low-cost residential unit" is defined in section 1(1).

[72] For more information see the *Guide to Building Allowances*.

- A residential building annual allowance equal to 2% of the cost to the taxpayer of the unit in the year of assessment in which the residential building initial allowance is deducted and in each succeeding year of assessment.

If the unit is used or dealt with by the taxpayer in such a way that the unit ceases to be available for letting to a tenant or occupied by a full time employee, these two allowances are subject to recoupment under section 13*ter*(7). Should the unit be disposed of, section 8(4)(*a*) will apply to the balances of these two allowances not yet recouped.[73]

2.6.7 Deduction for sale of low-cost residential units on loan account (section 13*sept*)

Should a taxpayer dispose of a low-cost residential unit[74] to an employee of the taxpayer or an "associated institution" as defined in the Seventh Schedule in relation to the taxpayer on or after 21 October 2008, a deduction, equal to 10% of the amount owing to the taxpayer by the employee for the unit at the end of the taxpayer's year of assessment ending on or before 28 February 2022, will be allowed.[75] This will apply provided that no deduction will be allowed in the eleventh and subsequent years of assessment after the disposal of the unit.

Taxpayers who have already started claiming the incentive prior to 28 February 2022 will be entitled to continue to do so for the remaining period of depreciation provided that all requirements of the section are still complied with.

No deduction will be allowed, if –

- the disposal is subject to any condition other than that the employee may be required to transfer the low-cost residential unit back to the taxpayer –
  - upon termination of employment; or
  - upon a consistent failure (for a minimum period of three months) by the employee to pay an amount owing to the taxpayer for the low-cost residential unit,
- interest is payable on the amount owing to the taxpayer by the employee; or
- the unit is disposed of to the employee for an amount which exceeds the actual cost to the taxpayer of the unit and the land on which the unit is erected.

All repayments of the amount owing on the loan trigger a potential deemed recoupment [section 13*sept*(4)]. The amount deemed to be recouped by the employer will be equal to the lesser of –

- the amount so repaid; or

the amount allowed as a deduction under section 13*sept*(1) in the current or previous years of assessment.[76]

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73 For more information see the *Guide to Building Allowances*.

74 The term "low-cost residential unit" is defined in section 1(1).

75 This provision is subject to section 36 dealing with the calculation of redemption allowances and the unredeemed balance of capital expenditure in connection with mining operations.

76 For more information see the *Guide to Building Allowances*.

2.6.8 Aircraft and ships (section 12C)

An allowance equal to 20% (five-year straight-line basis) of the cost to a taxpayer to acquire an aircraft or ship (the asset) will be granted from the year of assessment during which the asset is brought into use.

The asset must be owned or acquired by the taxpayer as purchaser under an "instalment credit agreement" as defined in section 1(1) of the VAT Act.

The depreciable cost of the asset is the lesser of –

- the actual cost to the taxpayer; or
- the arm's length cash price at the time of acquisition.

2.6.9 Certain pipelines, transmission lines and railway lines (section 12D)

Pipelines used for transportation of natural oil

An allowance equal to 10% (10-year straight-line basis) of the cost incurred by a taxpayer to acquire any new or unused pipelines will be granted.

The pipeline must be owned and brought into use for the first time by the taxpayer and used directly for the transportation of natural oil.

Pipelines for transportation of water used by power stations

An allowance equal to 5% (20-year straight-line basis) of the cost incurred by a taxpayer to acquire any new or unused pipelines will be granted.

The pipeline must be owned and brought into use for the first time by the taxpayer and used directly for the transportation of water used by power stations in generating electricity.

Lines or cables used for transmission of electricity

An allowance equal to 5% (20-year straight-line basis) of the cost incurred by a taxpayer to acquire any new or unused lines or cables will be granted.

The line or cable must be owned and brought into use for the first time by the taxpayer and used directly for the transmission of electricity.

Lines or cables used for transmission of electronic communications

An allowance equal to 6,67% (15-year straight-line basis) of the cost incurred by a taxpayer for any new or unused lines or cables acquired on or after 1 April 2015 will be granted.

The line or cable must be owned and brought into use for the first time by the taxpayer and used directly for the transmission of telecommunication signals.

The allowance increased to 10% (10-year straight-line basis) for lines and cables (new or used) owned by the taxpayer and brought into use for the first time by the taxpayer. The increased allowance applies only to lines and cables acquired on or after 1 April 2019.

Railway lines used for transportation of persons, goods or things

An allowance equal to 5% (20-year straight-line basis) of the cost incurred by a taxpayer to acquire new or unused railway lines will be granted.

The railway line must be owned and brought into use for the first time by the taxpayer and used directly for the transportation of persons, goods or things.

Earthworks or supporting structures forming part of assets mentioned above and any improvements to these assets, will also qualify for the relevant allowance.

The depreciable cost of these assets is the lesser of –

- the actual cost to the taxpayer; or
- the arm's length cash price at the time of acquisition.

Any recoupment of the allowance granted will be accounted for under section 8(4)(*a*) or (*e*) (see **2.6**).

2.6.10 Rolling stock (trains and carriages) (section 12DA)

An allowance equal to 20% (five-year straight-line basis) of the cost actually incurred by a taxpayer on the acquisition or improvement of any rolling stock brought into use, on or before 28 February 2022, in the carrying on of a trade will be granted. Taxpayers who have already started claiming the incentive before 28 February 2022 will be entitled to continue to do so for the remaining period of depreciation provided that all requirements of the section are still complied with.

The depreciable cost of the rolling stock is the lesser of –

- the actual cost to the taxpayer; or
- the arm's length cash price of the stock at the time of acquisition.

The rolling stock must be owned acquired by the taxpayer as purchaser under an "instalment credit agreement" as defined in section 1(1) of the VAT Act and must be used directly by the taxpayer wholly or mainly for the transportation of persons, goods or things.

Any recoupment of the allowance granted will be accounted for under section 8(4)(*a*) or (*e*) (see **2.6**).

2.6.11 Airport assets (section 12F)

An allowance will be granted that is equal to 5% (20-year straight-line basis) of the cost incurred by a taxpayer to acquire new and unused airport assets (including the construction, erection or installation of these assets) which have been brought into use by the taxpayer for the first time, on or before 28 February 2022, in the carrying on of a trade. Taxpayers who have already started claiming the incentive before 28 February 2022 will be entitled to continue to do so for the remaining period of depreciation provided that all requirements of the section are still complied with.

Airport assets include, under the definition in section 12F(1), any aircraft hangar, apron, runway or taxiway on any designated airport and any improvements to these assets including any earthworks or supporting structures forming part of these assets.

The depreciable cost of an asset is the lesser of –

- the actual cost to the taxpayer; or
- the arm's length cash price at the time of acquisition.

Any recoupment of the allowance granted will be accounted for under section 8(4)(*a*) or (*e*) (see **2.6**).

2.6.12 Port assets (section 12F)

An allowance will be granted that is equal to 5% (20-year straight-line basis) of the cost incurred by a taxpayer to acquire new and unused port assets (including the construction, erection or installation of these assets). The assets must have been brought into use by the taxpayer for the first time, on or before 28 February 2022, in the carrying on of a trade. Taxpayers who have already started claiming the incentive prior to 28 February 2022 will be entitled to continue to do so for the remaining period of depreciation provided that all requirements of the section are still complied with.

The term "port asset" is defined in section 12F(1) and means any port terminal, breakwater, sand trap, berth, quay wall, bollard, graving dock, slipway, single point mooring, dolos, fairway, surfacing, wharf, seawall, channel, basin, sand bypass, road, bridge, jetty or off-dock container depot (including any earthworks or supporting structures forming part of the aforementioned and any improvements thereto).

The depreciable cost of an asset is the lesser of –

- the actual cost to the taxpayer; or
- the arm's length cash price at the time of acquisition.

Any recoupment of the allowance granted will be accounted for under section 8(4)(*a*) or (*e*) (see **2.6**).

2.6.13 Machinery, plant, implements, utensils and articles [section 11(*e*)]

Save for the allowance provided in paragraph 12(2) of the First Schedule, an allowance equal to the amount by which the value of any machinery, plant, implements, utensils and articles, other than assets contemplated in sections 12B, 12BA, 12C, 12DA, 12E(1) and 37B, has diminished through wear-and-tear or depreciation, as the Commissioner may think just and reasonable, will be allowed.

Any foundation or supporting structure to which the asset is mounted or affixed forms part of the asset and also qualifies for the allowance.

The depreciable cost of the asset is the direct cost under a cash transaction concluded at arm's length including the direct cost of the installation or erection of the asset. The value of the asset will be increased by the amount of any expenditure incurred by a taxpayer during any year in moving the asset from one location to another.

The assets must be owned or acquired by the taxpayer as purchaser under an "instalment credit agreement" as defined in section 1(1) of the VAT Act.

Small items costing less than R7 000 may be written off in full in the year of assessment in which the item was acquired.[77]

Any recoupment of the allowance granted will be included in the taxpayer's income under section 8(4)(*a*).

2.6.14 Manufacturing assets (section 12C)

The following assets qualify for an allowance under section 12C:

- Machinery or plant or improvements to these assets owned or acquired by a taxpayer and brought into use for the first time by the taxpayer in a direct process of manufacturer or similar process.[78]
- Machinery or plant or improvements to these assets owned or acquired by a taxpayer and let to a lessee who brought the assets into use for the first time in its trade as manufacturer.
- Machinery or plant owned or acquired by a taxpayer (manufacturer) that was or is made available by the manufacturer under a contract to another person for no consideration and brought into use for the first time by that other person for such other person's trade (other than mining or farming). These assets must be used by this other person solely for the benefit of the manufacturer for the purpose of the performance of that other person's obligations under that contract in a process of manufacture under the Automotive Production and Development Programme administered by the Department of Trade, Industry and Competition or Automotive Investment Scheme administered by that Department.
- Machinery, implements, utensils or articles (other than those referred to in the first bullet) or improvements to these assets owned or acquired by the taxpayer and brought into use for the first time by the taxpayer trading as hotelkeeper.
- Machinery, implements, utensils or articles (other than those referred to in the first bullet) or improvements to these assets owned or acquired by a taxpayer and let to a lessee who brought these assets into use for the first time in its trade as hotelkeeper.
- Machinery or plant owned or acquired by a taxpayer and brought into use for the first time by any agricultural co-operative for storing or packing farming products.

An allowance equal to 20% (5-year straight-line basis) will be granted to a taxpayer to acquire the asset or effect improvements to the asset.

Any foundation or supporting structure to which the asset is mounted or affixed forms part of the asset and qualifies for the allowance.

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77 For more information see Interpretation Note 47 "Wear-and-Tear or Depreciation Allowance".

78 See Practice Note 42 for processes of manufacture, processes similar to a process of manufacture and processes not regarded as processes of manufacture or processes similar to the process of manufacture.

The allowance is increased, for any new or unused asset, acquired on or after 1 March 2002 and brought into use by the taxpayer in a manufacture or similar process carried on in the course of its business, to –

- 40% of the cost to the taxpayer in the year of assessment during which the asset was or is so brought into use; and
- 20% of the cost to the taxpayer in each of the three subsequent years of assessment.

For any new or unused machinery or plant acquired on or after 1 January 2012, brought into use after that date and used by the taxpayer for purposes of research and development as defined in section 11D, the deduction is increased to –

- 50% of the cost to that taxpayer in the year of assessment during which the plant, machinery or improvement is or was brought into use for the first time;
- 30% of that cost in the immediate succeeding year, and
- 20% of that cost in the immediate succeeding year, that is, the third year.

The depreciable cost of the asset is the lesser of –

- the actual cost to the taxpayer; or
- the arm's length cash price at the time of acquisition.

The asset must be owned or acquired by the taxpayer as purchaser under an "instalment credit agreement" as defined in section 1(1) of the VAT Act.

Any recoupment of the allowance granted will be accounted for under section 8(4)(*a*) or (*e*) (see **2.6**).

2.6.15 Plant or machinery of small business corporations (section 12E)

Plant and machinery (used in a process of manufacture or a process of a similar nature)

A deduction, equal to 100% of the cost of any plant or machinery, brought into use in a year of assessment for the first time and used in a process of manufacture or any other process which is of a similar nature, will be granted [section 12E(1)].

Machinery, plant, implement, utensil, article, aircraft or ship (other than plant or machinery used in a process of manufacture or a process of a similar nature)

An allowance will be granted which is equal to –

- an amount as calculated in **2.6.14** [section 12E(1A)(*a*) read with section 11(*e*)]; or
- an accelerated allowance for the assets, acquired by an SBC on or after 1 April 2005 [section 12E(1A)(*b*)], at –
    - ➢ 50% of the cost of the asset in the year of assessment during which it is first brought into use;
    - ➢ 30% of such cost in the first succeeding year of assessment; and
    - ➢ 20% of such cost in the second succeeding year of assessment.

An SBC can elect to claim either a wear-and-tear allowance under section 11(*e*) or the accelerated allowance (50:30:20 deductions) under section 12E(1A)(*b*).

The asset must be owned or acquired by the taxpayer as purchaser under an "instalment credit agreement" as defined in section 1(1) of the VAT Act.

The depreciable cost of the asset is the lesser of –

- the actual cost to the taxpayer; or
- the arm's length cash price at the time of acquisition.

Any recoupment of the allowance granted under –

- section 11(*e*) will be included in the taxpayer's income under section 8(4)(*a*), and
- section 12E(1A)(*b*) will be accounted for under section 8(4)(*a*) or (*e*) (see **2.6**).

2.6.16 Machinery, plant, implements, utensils or articles or improvements made to these assets used in farming or production of renewable energy (section 12B)

A deduction is allowed under section 12B on machinery, implements, utensils, articles and improvements to these assets.

An allowance will be granted on these assets owned or acquired by the taxpayer as purchaser under an "instalment credit agreement" as defined in section 1(1) of the VAT Act, and brought into use for the first time by the taxpayer –

- in the carrying on of farming operations except on –
  - ➢ livestock;
  - ➢ any motor vehicle of which the sole primary function is the conveyance of persons;
  - ➢ any caravan;
  - ➢ any aircraft (other than an aircraft used solely or mainly for crop spraying); or
  - ➢ any office furniture or equipment;
- for the purpose of trade to be used for the production of bio-diesel or bio-ethanol; or
- for the purpose of the taxpayer's trade to generate electricity from –
  - ➢ wind power:
    - o photovoltaic solar energy of more than 1 megawatt;
    - o photovoltaic solar energy not exceeding 1 megawatt; or
    - o concentrated solar energy;
  - ➢ hydropower to produce electricity of not more than 30 megawatts; or
  - ➢ biomass comprising organic wastes, landfill gas or plant material.

An allowance under section 12B will be granted for –

- assets used to generate electricity from photovoltaic solar energy not exceeding 1 megawatt, equal to 100% (for years of assessment commencing on or after 1 January 2016); and
- all other assets, equal to –
  - ➢ 50% of the cost of the asset to the taxpayer in the year of assessment (first year of assessment) in which the asset is so brought into use;

- 30% of such cost in the second year of assessment; and
- 20% of such cost in the third year of assessment.

Any foundation or supporting structure to which the assets are mounted or affixed forms part of the asset and qualifies for the allowance.

The depreciable cost of the asset is the lesser of –

- the actual cost to the taxpayer; or
- the arm's length cash price at the time of acquisition.

The direct cost of acquisition of the asset includes the direct cost of installation or erection of such asset.

Any recoupment of the allowance granted will be accounted for under section 8(4)(*a*) or (*e*) (see **2.6**).

2.6.17 Enhanced deduction in respect of certain machinery, plant, implements, utensils and articles used in production of renewable energy (section 12BA)

Section 12BA was introduced as an accelerated depreciation allowance under which a taxpayer may potentially claim a deduction on the cost of assets acquired for the purpose of trade to be used in generating electricity from wind power, photovoltaic or concentrated solar power, hydropower or biomass. In specified circumstances foundations and supporting structures are deemed to be part of the asset and will also qualify for the deduction under this section.

Under section 12BA(1), a deduction may be granted –

- in respect of any new and unused machinery, plant, implement, utensil, or article;
- which is owned by the taxpayer or acquired by the taxpayer as a purchaser under an instalment credit agreement;
- was or is brought into use for the first time by that taxpayer on or after 1 March 2023 and before 1 March 2025;
- for the purpose of that taxpayer's trade; and
- to be used by the taxpayer or the lessee of that taxpayer in the generation of electricity from the specified sources of renewable energy in South Africa.

The deduction equals 125% of the cost incurred by the taxpayer for the acquisition of the asset if all the requirements are met.

Any recoupment of the allowance granted will be accounted for under section 8(4)(*a*) or (*e*) (see **2.6**). In addition, under section 8(4)(*n*A),[79] if a taxpayer disposes of an asset contemplated in section 12BA before 1 March 2026, 25% of the cost of the asset, which has been recouped, must be included in such taxpayer's income. This amount will be in addition to the amount recouped under section 8(4)(*a*). However, the inclusions in income under section 8(4)(*a*) and section 8(4)(*n*A) are limited to the total amount allowed to be deducted under section 12BA. This means that if the asset is disposed of before 1 March 2026, a

[79] Section 8(4)(*n*A) inserted by section 4 of the Taxation Laws Amendment Act, 17 of 2023 is deemed to come into operation on 1 March 2023 and applies to assets brought into use on or after this date.

maximum of 125% of the cost that was recouped may be included in income under these sections.

If the asset is disposed of on or after 1 March 2026, section 8(4)(*n*A) does not apply.[80]

2.6.18 Additional deduction in respect of roads and fences in respect of production of renewable energy (section 12U)

Section 12U was introduced with the intention of promoting the generation of electricity from specified sources of renewable energy.

Under this section, a taxpayer may claim a deduction on an amount actually incurred during the year of assessment on the construction of any road or erection of any fence used by such person for the purposes of their trade of generating electricity which exceeds five megawatts from specified sources of renewable energy.[81]

In addition to a deduction of the amount incurred on the construction of the roads and the erecting of the fences referred to above, the expenditure actually incurred on the foundation or supporting structure designed for such fence and on improvements to the roads, fences, and the foundation or supporting structure for the fences is also deductible.[82]

2.6.19 Invention, patent, design, trademark, copyright and knowledge [sections 11(*g*A), 11(*g*B) and 11(*g*C)]

Expenditure incurred during any year of assessment commencing before 1 January 2004 [section 11(gA)]

An allowance will be granted for expenditure actually incurred (other than expenditure which has qualified in whole or part for a deduction or allowance under section 11 or under a provision of a previous Act), in –

- devising or developing any invention;
- creating or producing any design, trade mark, copy right or other property which is of a similar nature;
- obtaining or restoring any patent or the registration of any design or trade mark; or
- acquiring any such patent, design, trade mark or copyright or any other property of a similar nature or knowledge essential to use such patent, design, trade mark, copyright or other property or the right to have such knowledge imparted.

This expenditure will be allowed as a deduction if the invention, patent, design, trade mark, copyright, other property or knowledge, as the case may be, is used by the taxpayer in the production of income.

80 See the *Guide on the Allowances and Deductions Relating to Assets Used in the Generation of Electricity from Specified Sources of Renewable Energy* for more information on section 12BA.

81 Under section 12U there is a limitation of the amount of electricity which may be produced by hydropower, one of the specified sources of renewable energy, namely the electricity produced may not exceed 30 megawatts.

82 See the *Guide on the Allowances and Deductions Relating to Assets Used in the Generation of Electricity from Specified Sources of Renewable Energy* for more information on section 12U.

An allowance in respect of expenditure exceeding R5 000 and incurred before 29 October 1999 shall not exceed for any one year the amount which is the greater of –

- the expenditure divided by the number of years which represents the probable duration of use of the invention, patent, design, trade mark, copyright, other property or knowledge; or
- 4% of the said amount.

An allowance in respect of expenditure exceeding R5 000 and incurred on or after 29 October 1999 will not exceed an amount equal to –

- 5% of the expenditure incurred on any invention, patent, trade mark, copyright or property of a similar nature or any knowledge essential to the use thereof or the right to have such knowledge imparted; or
- 10% of the expenditure of any design or other property of a similar nature or any knowledge essential to the use thereof or the right to have such knowledge imparted.

No allowance will be granted for expenditure incurred on or after 29 October 1999 for the acquisition of a trade mark or other property of a similar nature or knowledge essential to the use of the trade mark or the right to have such knowledge imparted.

This allowance will not be granted for expenditure incurred during any year of assessment commencing on or after 1 January 2004.

Registration or renewal of registration of intellectual property (other than expenditure which has qualified in whole or in part for deduction or allowance under any other provision of section 11) [see section 11(gB)]

Expenditure actually incurred in respect of the following assets will be allowed as a deduction if these assets are used in the production of income:

- Obtaining the grant of any patent
- The restoration of any patent
- The extension of the term of any patent
- The registration of any design
- Extension of the registration period of any design
- The registration of any trade mark
- Renewal of the registration of any trade mark

Expenditure incurred on acquisition of intellectual property during any year of assessment commencing on or after 1 January 2004 [section 11(gC)]

An allowance will be granted for expenditure actually incurred to acquire (otherwise than by way of devising, developing or creating) –

- an "invention" or "patent" as defined in the Patents Act 57 of 1978;
- a "design" as defined in the Designs Act 195 of 1993;
- a "copyright" as defined in the Copyright Act 98 of 1978;
- other property which is of a similar nature (other than a "trade mark" as defined in the Trade Marks Act 194 of 1993); or

- knowledge essential to the use of such patent, design, copyright or other property or the right to have such knowledge imparted.

The allowance will be granted in the year of assessment in which the abovementioned property is brought into use for the first time by the taxpayer for purposes of the taxpayer's trade if used in the production of income.

In the event that the expenditure exceeds R5 000, the allowance will not exceed in any year of assessment –

- 5% of the expenditure for any invention, patent, copyright or other property of a similar nature or any knowledge essential to the use of such invention, patent, copyright or other property or the right to have such knowledge imparted; or
- 10% of the expenditure of any design or other property of a similar nature or any knowledge essential to the use of such design or other property or the right to have such knowledge imparted.

Any recoupment of an allowance granted under section 11(*g*A), (*g*B) or (*g*C) will be included in the taxpayer's income under section 8(4)(*a*).

2.6.20 Scientific or technological research and development (sections 11D, 12 and 13)

A deduction, equal to 150% of the expenditure incurred directly and solely on scientific or technological research and development[83] undertaken in South Africa, will be allowed in the year of assessment in which the expenditure is incurred in the production of income and in the carrying on of any trade. This deduction may not be allowed for expenditure incurred in respect of –

- immovable property, machinery, plant, implements, utensils or articles excluding any prototype or pilot plant created solely for the purpose of the process of scientific or technological research and development and that prototype or pilot plant is not intended to be utilised or is not utilised for production purposes after that scientific or technological research and development is completed; and
- financing, administration, compliance and similar costs.

The scientific or technological research and development must be approved by the Minister of Science and Technology under section 11D(9) and the expenditure must be incurred within six months prior to or on or after the date of receipt of the application by the Department of Science and Innovation for approval of that scientific or technological research and development.

If a person undertakes scientific or technological research and development activities on behalf of another person (the funder), only the person responsible for determining the research methodology will qualify for the 150% deduction.

The Minister of Higher Education, Science and Innovation may under section 11D(10) withdraw an approval granted for scientific or technological research and development with effect from a specific date under specified circumstances. Under section 11D(19) an additional assessment may be raised for any year of assessment in which a deduction for scientific or technological research and development was allowed, if approval for such a deduction is subsequently withdrawn under section 11D(10).

83 See the definition of "scientific or technological research and development" in section 11D(1).

Under section 13, a deduction, equal to 5% (20-year straight-line basis) of the cost to a taxpayer of any new and unused building or part of the building, brought into use for the purpose of carrying on a process of scientific or technological research and development in the course of that taxpayer's trade in that building, will be allowed.[84]

Under section 12C deduction, equal to a three year write-off at a rate of 50:30:20 will be allowed for any new and unused machinery, plant, implement, utensils or article (assets) or improvements made to the assets brought into use for purposes of scientific or technological research and development.

Any foundation or supporting structure to which the asset, acquired under an agreement formally and finally signed by every party to the agreement on or after 1 January 2012, is mounted or affixed, forms part of the asset and qualifies for the allowance.

The depreciable cost of the asset is the lesser of –

- the actual cost to the taxpayer; or
- the arm's length cash price at the time of acquisition.

Any recoupment of the allowance granted will be accounted for under section 8(4)(*a*) or (*e*) (see **2.6**).

No deduction shall be allowed under section 11D in respect of applications received after 31 December 2033.[85]

2.6.21 Additional deduction for learnership agreements (section 12H)

Employers are entitled to deductions in addition to deductions allowable under the Act in respect of learnership agreements.

The term "registered learnership agreement" as defined in section 12H(1) means a learnership agreement that is –

- registered in accordance with the Skills Development Act 97 of 1998; and
- entered into between a learner and an employer before 1 April 2027.

The deduction for learnership agreements entered into on or after 1 October 2016 is allowed as follows:

1) During any year of assessment that a learner who holds a qualification with an NQF level from 1 up to and including 6 is a party to a registered learnership agreement with an employer and the agreement was entered into pursuant to a trade carried on by the employer.	R40 000
2) If the agreement is for less than 12 full months during the year of assessment.	R40 000 is reduced and limited to the same ratio as the number of full months that the learner is a party to the agreement bears to 12.

84 For more information see the *Guide to Building Allowances*.
85 Section 11D(22).

3) During any year of assessment that a learner who holds a qualification with an NQF level from 7 up to and including 10 is a party to a registered learnership agreement with an employer and the agreement was entered into pursuant to a trade carried on by the employer.	R20 000
4) If the agreement is for less than 12 full months during the year of assessment.	R20 000 is reduced and limited to the same ratio as the number of full months that the learner is a party to the agreement bears to 12.
5) During any year of assessment that a learner who holds a qualification with an NQF level from 1 up to and including 6 is a party to a registered learnership agreement with an employer for less than 24 full months, the agreement was entered into pursuant to a trade carried on by the employer and the learner successfully completes the learnership during that year of assessment.	R40 000 in addition to any allowable deduction.
6) During any year of assessment that a learner who holds a qualification with an NQF level from 7 up to and including 10 is a party to a registered learnership agreement with an employer for less than 24 months, the agreement was entered into pursuant to a trade carried on by the employer and the learner successfully completes the learnership during that year of assessment.	R20 000 in addition to any allowable deduction.
7) During any year of assessment that a learner who holds a qualification with an NQF level from 1 up to and including 6 is a party to a registered learnership agreement with an employer for a period that equals or exceeds 24 full months, which agreement was entered into pursuant to a trade carried on by the employer and the learner successfully completes the learnership during that year of assessment.	R40 000 multiplied by the number of consecutive 12-month periods within the duration of the agreement.

8) During any year of assessment that a learner who holds a qualification with an NQF level from 7 up to and including 10 is a party to a registered learnership agreement with an employer for a period that equals or exceeds 24 full months, which agreement was entered into pursuant to a trade carried on by the employer and the learner successfully completes the learnership during that year of assessment.	R20 000 multiplied by the number of consecutive 12-month periods within the duration of the agreement.
9) If the learner who holds a qualification with an NQF level from 1 up to and including 6 is a person with a disability at the time of entering into the learnership agreement.	R60 000 (R40 000 is increased by R20 000).
10) If the learner who holds a qualification with an NQF level from 7 up to and including 10 is a person with a disability at the time of entering into the learnership agreement.	R50 000 (R20 000 is increased by R30 000).

For more information see Interpretation Note 20 "Additional Deduction for Learnership Agreements".

2.6.22 Film owners (section 12O)

South Africa's income tax system contains an incentive aimed at encouraging the production of films within the country.

Section 12O provides for the exemption from normal tax of income derived from the exploitation rights of approved films. Section 12O came into effect on 1 January 2012 and applies to all receipts and accruals of approved films if principal photography commenced on or after this date but before 1 January 2022.

Section 12O effectively eliminates income tax on qualifying film receipts and accruals for a 10-year period from the date the film is completed. It applies to films that have been approved by the National Film and Video Foundation as a local production or a co-production. The National Film and Video Foundation has introduced a set of qualifying criteria, the South African Film Criteria, that are used to determine whether a film constitutes a local production or a co-production based on a point system. The exemption is limited to investors who acquired the exploitation rights held before the completion date of the film.

Taxpayers may claim a net loss on a film in a year of assessment commencing at least two years after the completion date of the film. The deduction of a net loss also results in a taxpayer being unable to claim the exemption on the particular film going forward.

Section 12O(6) provides that any grant received by or accrued to a special purpose corporate vehicle from the state under the Department of Trade, Industry and Competition incentive will be exempt from normal tax but subject to recoupment under section 8(4). In certain cases, if the grant is passed on to an investor, the investor will also qualify for the exemption. A taxpayer who receives or to whom an exempt Department of Trade, Industry and Competition incentive accrues must consider the provisions of section 12P(3) to (6), as there are consequences on the cost, deductions and allowances available to a taxpayer in respect of related expenditure.[86]

2.6.23 Environmental expenditure (sections 37A and 37B)

Post-trade environmental expenses (section 37A)

Section 37A regulates mining closure rehabilitation funds (a company or trust) created with the sole object of applying their property for the environmental rehabilitation of mining areas and grants a tax deduction for cash payments made to such dedicated rehabilitation funds. This section imposes strict rules in respect of the utilisation of the assets of rehabilitation funds in accordance with their objects.

Section 37A permits a deduction from the income of specified persons carrying on any trade, of any cash paid during any year of assessment to a company or trust whose sole object is the application of its property solely for rehabilitation. If a rehabilitation company or trust holds a financial instrument or investment other that those allowable under section 37A(2), a penalty is imposed under section 37A(6). Similarly, if a distribution is made for any other purpose than rehabilitation, a penalty is imposed under section 37A(7).

Under section 10(1)(*c*P) the receipts and accruals of a company contemplated in section 37A are exempt from normal tax.

Section 37B(2)

Environmental treatment and recycling assets

An environmental treatment and recycling asset means –

- any air, water and solid waste treatment and recycling plant or pollution control and monitoring equipment (including improvements to the plant or equipment);
- used in the course of a taxpayer's trade in a process;
- that is ancillary to any process of manufacture or any other process;
- which, in the opinion of the Commissioner, is of a similar nature; and
- required by any law of South Africa for purposes of complying with measures that protect the environment.

An allowance will be granted, equal to –

- 40% of the cost to the taxpayer to acquire the asset in the year of assessment (first year of assessment) in which the asset is so brought into use; and
- 20% of such cost in each of the subsequent three years of assessment.

Environmental waste disposal assets

An environmental waste disposal asset means –

- any air, water and solid waste disposal site, dam, dump, reservoir, or other structure of a similar nature, or any improvement to the asset if the structure is of a permanent nature,
- utilised in the course of a taxpayer's trade in a process;
- that is ancillary to any process of manufacture or any other process;

[86] For more information see the *Guide to the Exemption from Normal Tax of Income from Films*.

- which, in the opinion of the Commissioner, is of a similar nature; and
- required by any law of South Africa for purposes of complying with measures that protect the environment.

An allowance equal to 5% (20-year straight-line basis) of the cost to a taxpayer to acquire the asset will be granted in the year of assessment that the asset is brought into use for the first time and 5% in each succeeding year of assessment.

The depreciable cost of the assets mentioned above is the lesser of –

- the actual cost to the taxpayer; or
- the arm's length cash price at the time of acquisition.

Any recoupment of these allowances will be included in the taxpayer's income under section 8(4)(*a*).

2.6.24 Environmental conservation and maintenance expenditure (section 37C)

A deduction for expenditure actually incurred by a taxpayer to conserve or maintain land is deemed to be expenditure incurred in the production of income and for purposes of a trade carried on by the taxpayer, if –

- the conservation or maintenance is carried out under a biodiversity management agreement which has a duration of at least five years entered into by the taxpayer under the National Environmental Management: Biodiversity Act 10 of 2004; and
- the land used by the taxpayer in the production of income and for purposes of trade consists of, includes or is in the immediate proximity of the land which is the subject of the agreement mentioned above.

The expenditure will be limited to the income derived from the trade carried on by the taxpayer on such land. The excess amount will be carried forward and deemed to be expenditure incurred in the next year of assessment.

Expenditure actually incurred to conserve or maintain land owned by the taxpayer is, for purposes of section 18A, deemed to be a donation if the conservation or maintenance is carried out under a declaration which has a duration of at least 30 years under the National Environmental Management: Protected Areas Act 57 of 2003.

2.6.25 Allowance for land conservation of nature reserves or national parks (section 37D)

If land is declared on or after 1 March 2015 as a national park or nature reserve, for at least 99 years, an allowance will be granted in the year of assessment during which the land becomes declared land and in each subsequent year of assessment equal to 4% (25-year straight-line basis) of –

- the expenditure incurred to acquire the land and improvements on it, if the expenditure is not less than the lower of market value or municipal value of the declared land; or
- an amount determined in accordance with the formula in section 37D, if the lower of market value or municipal value exceeds the expenditure incurred.

2.6.26 Additional investment and training allowances for industrial policy projects (section 12I)

Additional investment allowance

In addition to any other deductions allowable under the Act, section 12I allows a company that submitted an application for approval to the Minister of Trade and Industry not later than 31 March 2020 to deduct an amount equal to the relevant rates quoted below on the cost of any new or unused asset if such asset was acquired and contracted for on or after the date of approval and was brought into use within four years from the date of approval. The allowance must be claimed in the year of assessment during which the asset is first brought into use by the company as the owner of the asset for the furtherance of the industrial policy project carried on by that company.

The rates that are applicable under sections 12I(2)(*a*) and (*b*) are as follows:

> "(*a*) (i) 55% of the cost of any new and unused manufacturing asset used in an industrial policy project with preferred status; or
>
> (ii) 100% of the cost of any new and unused manufacturing asset used in an industrial policy project with preferred status that is located within an industrial development zone; or
>
> (*b*) (i) 35% of the cost of any new and unused manufacturing asset used in any industrial policy project other than an industrial policy project with preferred status; or
>
> (ii) 75% of the cost of any new and unused manufacturing asset used in any industrial policy project other than an industrial policy project with preferred status that is located within an industrial development zone,"

The deduction referred to in section 12I(2)(*a*)(ii) and (*b*)(ii) above applies only to projects approved on or after 1 January 2012 and an application for approval received by the Minister of Trade and Industry not later than 31 March 2020.

The additional investment allowance may not exceed –

- R900 million for a greenfield project with preferred status, or R550 million for any other greenfield project from the date of approval; or
- R550 million for a brownfield project with preferred status, or R350 million for any other brownfield project from the date of approval.

The terms, "industrial policy project", "brownfield project", "greenfield project" and "manufacturing asset" are defined in section 12I(1).

Additional training allowance

In addition to any other deductions allowable under the Act, a company may deduct an amount equal to the cost of training provided to employees in the year of assessment during which the cost of training is incurred for the furtherance of the industrial policy project carried on by the company.

The cost of the training must be incurred by the end of the compliance period and the additional training allowance may not exceed R36 000 per employee.

This additional training allowance allowed to a company at the end of the compliance period from the date of approval may not exceed –

- R30 million for an industrial policy project with preferred status; and
- R20 million for any other industrial policy project.

2.6.27 Expenditure incurred to obtain a licence [section 11(gD)]

Expenditure (not related to infrastructure) incurred to acquire a licence from specified government authorities to carry on a trade which constitutes the provision of telecommunication services, the exploration, production or distribution of petroleum or the provision of gambling facilities, may be claimed as a deduction. The deduction for any year of assessment must not exceed an amount equal to the amount of the expenditure divided by the number of years for which the taxpayer has the right to the licence after the date that the expenditure was incurred, or 30 years, whichever is the lesser.

2.6.28 Deduction for expenditure incurred in exchange for issue of venture capital company shares (section 12J)

The deduction under section 12J aims to encourage investors to invest in venture capital companies (VCCs), which in turn, invest in qualifying investee companies.

A claim for a deduction must be supported by a certificate issued by the approved VCC.

No deductions will be allowed under this section in respect of shares acquired after 30 June 2021.[87]

2.6.29 Deduction of medical lump sum payments (section 12M)

A taxpayer will be allowed to deduct from income derived from carrying on a trade, a lump sum payment –

- to any former employee of the taxpayer who has retired from the taxpayer's employ on grounds of old age, ill health or infirmity or to a dependant of that former employee; or
- under a policy of insurance taken out with an insurer solely for one or more former employees or dependants mentioned above,

but only to the extent that the amount is paid for purposes of making any contribution, to any former employee or dependant referred to above, to any medical scheme or fund contemplated in section 6A(2)(*a*)(i) or (ii).[88]

2.6.30 Deduction in respect of energy-efficiency savings (section 12L)

Section 12L provides for a deduction for savings derived from implementing energy-efficient methods that result from activities performed in the carrying on of any trade and in the production of income.

Section 12L became effective on 1 November 2013 and applies to years of assessment ending before 1 January 2026.

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87 For more information see the *External Guide: Venture Capital Companies*. Also see the *Guide on Venture Capital Companies* for a detailed explanation of section 12J.

88 For more information see Interpretation Note 121 "Deduction of Medical Lump-Sum Payments".

The deduction is calculated at 95 cents per kilowatt hour or kilowatt hour equivalent of energy-efficiency savings. No deduction will be allowed if the taxpayer receives any concurrent benefit in respect of energy-efficiency savings.

A deduction must be supported by a certificate issued by the South African National Energy Development Institute[89] in respect of the energy efficiency savings for that year of assessment.[90]

2.6.31 Exemption of amounts received or accrued in respect of government grants (section 12P)

Section 12P(2) provides for the exemption from normal tax of any amount received by or accrued to a person as a beneficiary of a government grant if that grant is –

- listed in the Eleventh Schedule; or
- identified by the Minister by notice in the *Gazette* for the purpose of exempting that government grant with effect from a date specified by the Minister in that notice after having regard to –
  - the implications of the exemption for the National Revenue Fund; and
  - whether the tax implications were taken into account in allocating that grant.

The term "government grant" is defined in section 12P(1) as –

> "a grant-in-aid, subsidy or contribution by the government of the Republic in the national, provincial or local sphere".

Effective from 1 January 2016, section 12P(2A) exempts any amount received by or accrued to a person from the government in the national, provincial or local sphere from normal tax, if the amount is granted for the performance by that person as part of that person's obligations pursuant to a PPP.

Such a PPP grant is exempt only if an amount at least equal to the amount received or accrued is required to be expended for the improvement on any land or to any buildings owned by the government or over which the government holds a servitude. The described grants to PPPs do not have to be listed in the Eleventh Schedule or be identified by the Minister in the *Gazette*.

Anti-double-dipping rules were introduced in section 12P(3) to (6) to ensure that exempt government grant funding is not used as a means to achieve a further tax reduction by claiming deductions for expenditure funded by government grants exempt under section 12P(2) or (2A).

The anti-double-dipping rules contained in section 12P(3) and (4) apply to a government grant as contemplated in section 12P(2) or (2A) (other than a government grant in kind), received by or accrued to a person for the acquisition, creation or improvement of trading stock or an allowance asset or as a reimbursement for expenditure incurred.

In the instance where a person referred to in section 12P(4) qualifies for a deduction under section 12BA in respect of an allowance asset, the aggregate amount of the deductions or allowances allowable to that person in respect of that allowance asset may not exceed an

89 Established under section 7 of the National Energy Act 34 of 2008.

90 For more information see Interpretation Note 95 "Deduction for Energy-Efficiency Savings".

amount equal to 125 per cent of the aggregate amount otherwise determined under section 12P(4).[91]

Section 12P(5) provides that if any amount is received by or accrues to a person by way of a government grant contemplated in section 12P(2) or (2A) (other than a government grant in kind) for the acquisition, creation, or improvement of an asset (other than trading stock or an allowance asset) or to reimburse expenses so incurred, the base cost of the asset must be reduced by the government grant to the extent that it is applied for that purpose.

Section 12P(6)(*a*) provides that if during any year of assessment any amount is received by or accrues to a person by way of a government grant as contemplated in section 12P(2) or (2A) (other than a government grant in kind), and section 12P(3), (4) or (5) does not apply, any deduction allowed under section 11 for that year of assessment must be reduced to the extent of the government grant.

Section 12P(6)(*b*) provides that if the government grant exceeds the total amount of otherwise allowable deductions under section 11 for that year of assessment, the excess is deemed to be a government grant received or accrued during the following year of assessment and should in that following year of assessment be deducted from expenditure allowable under section 11.

2.6.32 Exemption of income in respect of ships used in international shipping (section 12Q)

Section 12Q(2)(*a*) provides that any international shipping income received by or accrued to any international shipping company derived from international shipping will be exempt from normal tax. Any capital gain or capital loss in respect of any year of assessment of any international shipping company determined in respect of a South African ship engaged in international shipping must be disregarded in determining the aggregate capital gain or aggregate capital loss of that international shipping company.[92]

Any dividends paid by an international shipping company on the amount of any dividend derived from international shipping income are subject to dividends tax at the rate of 0%.

Any interest paid by an international shipping company to any foreign person[93] in respect of debt utilised to fund the acquisition, construction or improvement of a South African ship utilised for international shipping will be exempt from withholding tax on interest.[94]

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91 Amendment introduced under section 19(1) of the Taxation Laws Amendment Act 17 of 2023 that is deemed to have come into operation on 1 March 2023 and applicable in respect of assets brought into use on or after that date.

92 The terms “international shipping”, “international shipping company”, “international shipping income” and “South African ship” are defined in section 12Q(1).

93 As defined in section 50A.

94 For more information see Interpretation Note 131 “Exemption of Income Relating to South African Ships used in International Shipping”.

2.7 Owners or charterers of ships or aircraft who are not residents of South Africa (sections 10(1)(cG) and 33)

A non-resident owner or charterer of a ship or aircraft that embarks passengers, or loads livestock, mails or goods in South Africa will be deemed to have derived taxable income equal to 10% of the amount payable to the owner or charterer, or to an agent on such person's behalf, irrespective of whether the amount is payable in or outside South Africa. This tax treatment will not apply if the owner or charterer renders accounts which satisfactorily disclose the actual taxable income derived from the business.

A non-resident owner or charterer of a ship or aircraft is exempt from normal tax in South Africa under section 10(1)(*c*G), if the country of residence of that person grants a similar exemption or equivalent relief to South African ships or aircraft operators. Provisions dealing with these aspects are generally contained in tax treaties (see **2.2.4**).

2.8 Farming (the First Schedule)

Section 26 provides that the taxable income of a person carrying on pastoral, agricultural or other farming operations shall, in so far it is derived from such operations, be determined in accordance with the Act but subject to the First Schedule.

Farming operations include, amongst other things, livestock farming, crop farming, milk production, plantation farming, sugar cane farming and game farming.

Any person carrying on farming operations is required to account for the value of livestock and produce on hand at the beginning and end of a year of assessment. The values to be placed on livestock at the beginning and end of the year of assessment are the standard values as prescribed by regulation under the Act. Produce, on the other hand, must be accounted for at cost of production or market value, whichever is the lower.

No standard values have been prescribed by regulation for game livestock, but the Commissioner accepts that game livestock may be allocated a standard value of nil. Game livestock which is acquired by donation or inheritance is included in opening stock in the year of acquisition at market value.[95]

The onus is on a game farmer to prove that the game is purchased, bred and sold on a regular basis with the intention to carry on farming operations profitably in order to qualify as a game farmer. Income relating to accommodation and catering facilities for visitors does not qualify as income from farming operations.

Allowable deductions for capital development expenditure are –

- the eradication of noxious plants and alien invasive vegetation;
- the prevention of soil erosion;
- dipping tanks;
- dams, irrigation schemes, boreholes and pumping plants;
- fences;

[95] For more information see Interpretation Note 69 "Game Farming".

- the erection of or extension, addition or improvement (other than repairs) to buildings used in connection with farming operations, other than those used for domestic purposes;[96]
- the planting of trees, shrubs or perennial plants for the production of grapes or other fruit, nuts, tea, coffee, hops, sugar, vegetable oils or fibres, and the establishment of any area used for the planting of such trees, shrubs or plants;
- the building of roads and bridges used in connection with farming operations; and
- the carrying of electric power from the main transmission lines to the farm apparatus or under an agreement concluded with the Electricity Supply Commission under which the farmer has undertaken to bear a portion of the cost incurred by the said Commission in connection with the supply of electric power consumed by the farmer wholly or mainly for farming purposes.

The deduction for capital development expenditure (excluding expenditure incurred on the eradication of noxious plants and alien invasive vegetation or the prevention of soil erosion) may not exceed the taxable income from farming operations during a year of assessment. The balance of the amount of such expenditure which exceeds the taxable income in the year of assessment will be carried forward and deducted in the succeeding year, subject to the same limitation.

Certain of the above capital development expenditure incurred such as the prevention of soil erosion, dams, irrigation schemes and fences to conserve and maintain land owned by the taxpayer will be deemed to be expenditure incurred in the carrying on of pastoral, agricultural or other farming operations if specified requirements are met (paragraph 12(1A) of the First Schedule).[97]

Special measures in determining taxable income of farmers

A person, deriving income from farming operations may, under paragraph 19(5) of the First Schedule, elect to be subject to tax according to the rating formula set out in section 5(10). The rating concession is applied due to the abnormal accrual of income occurring in one year of assessment in comparison with another year. Farming income may fluctuate on an annual basis because of, for example, an extended period between sowing and eventual crop yields – in other words, periods of little or no income followed by periods of inflated income.

This rating concession applies only to natural persons, deceased estates and insolvent estates. Once the option has been exercised to adopt the equalised rates, this election will be binding on the taxpayer for the current year as well as all future years of assessment, irrespective of the fact that farming operations may be terminated. No provision is made in the Act for a variation either by the farmer or by the Commissioner.

If an election was made under paragraph 19(5) of the First Schedule, a taxpayer may not apply the following paragraphs:

- Paragraph 13(1)(*b*) – Provisions relating to the replacement of livestock sold as a result of the person's participation in a livestock reduction scheme organised by government.
- Paragraph 15(3) – Rating formula on taxable income derived from plantations.

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96 For more information see the *Guide to Building Allowances*.

97 For more information see the *Guide on the Taxation of Farming Operations*.

- Paragraph 17 – Rating formula arising as a result of abnormal receipts from the disposal of sugar cane damaged by fire.

- Paragraph 20 – Relief relating to income for any year of assessment including income derived from excess profits as a result of farming land acquired by the state or certain juristic persons.

2.9 Deductions for expenditure and losses incurred before commencement of trade (section 11A)

Pre-trade expenditure and losses qualify as a deduction against the income from the trade to which they relate, subject to the following requirements in section 11A(1):

- Firstly, the trade, in respect of which the pre-trade expenditure or loss was incurred, must have been commenced by the taxpayer.
- Secondly, the pre-trade expenditure or loss must have been actually incurred before the commencement of and in preparation for carrying on that trade.
- Thirdly, had the pre-trade expenditure or loss been incurred after the commencement of the trade to which it relates, it would have been allowed as a deduction under section 11 [other than section 11(*x*)], 11D or 24J.
- Fourthly, the pre-trade expenditure or loss must not have been allowed as a deduction in that year or any previous year of assessment.

Once these requirements have been met, the pre-trade expenditure or loss will be allowed as a deduction under section 11A(1) in the year of assessment in which the trade to which it relates commences, subject to the ring-fencing requirements of section 11A(2).[98]

As indicated above, for any pre-trade expenditure and losses to qualify as a deduction under section 11A(1), they must pass a "post-trade" test under one of the following sections:

- Section 11 (general deduction formula), excluding section 11(*x*)
- Section 11D (deduction for research and development)
- Section 24J (incurral and accrual of interest)

2.10 Trading stock (section 22)

The acquisition cost (cost price) of trading stock is allowed as a deduction under section 11(*a*).

The Act makes provision for the tax treatment of trading stock at the beginning of the year of assessment (opening stock) and at the end of the year of assessment (closing stock). The cost price or value of opening stock is allowed as a deduction and the cost price or value of closing stock is included in taxable income.

The cost price of trading stock is generally the cost incurred by the taxpayer, whether in the current or any previous year of assessment in acquiring the trading stock plus any further costs. If trading stock is acquired for no consideration or for a consideration which is not measurable in money, the taxpayer is deemed to have acquired the trading stock at a cost equal to the market value of the trading stock on the date on which it was acquired.[99]

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98 For more information see Interpretation Note 51 "Pre-Trade Expenditure and Losses".

99 For more information see Interpretation Note 65 "Trading Stock – Inclusion in Income when Applied, Distributed or Disposed of Otherwise than in the Ordinary Course of Trade".

The Act contains anti-avoidance provisions regarding trading stock in section 23F.

2.11 Transfer pricing and thin capitalisation (section 31)

South Africa's transfer pricing and thin capitalisation rules apply arm's length principles to transactions, operations, schemes, agreements or understandings constituting affected transactions entered into between certain connected persons resulting in any tax benefit being derived by a person that is a party to the transaction.[100]

From a compliance perspective, the burden of proof is on the taxpayer to show that the transaction, operation, scheme, agreement or understanding complied with the arm's length principle.

2.12 Capital gains tax (the Eighth Schedule)

2.12.1 Introduction

Capital gains tax was introduced in South Africa with effect from 1 October 2001 and applies to the disposal and deemed disposal by a person of an asset on or after that date. South African residents are subject to CGT on the disposal of assets not only in South Africa, but anywhere in the world. Capital gains and capital losses made on the disposal of assets are subject to CGT unless disregarded by specified provisions. Only capital gains or capital losses attributable to the period on or after 1 October 2001 must be brought to account for CGT purposes.

The Eighth Schedule provides for four key definitions (asset, disposal, proceeds and base cost) which form the basic building blocks in determining a capital gain or capital loss (see below).

The CGT provisions are mostly contained in the Eighth Schedule, although some are in the main body of the Act, such as those dealing with the death of a taxpayer (section 9HA), transactions between spouses (section 9HB), change of residence, ceasing to be a controlled foreign company or becoming a headquarter company (section 9H), government grants (section 12P), international shipping (section 12Q) and the corporate restructuring rules (sections 41 to 47). Section 26A provides that a taxable capital gain must be included in taxable income. An assessed capital loss is carried forward to the next year of assessment.

Since CGT forms part of income tax, capital gains and capital losses must be declared in a person's income tax return.

2.12.2 Registration

A person who is already registered as a taxpayer for income tax purposes need not register separately for CGT.

Persons who must be registered as a taxpayer and submit an income tax return for the 2024 year of assessment are, amongst others:

- any natural person who is a resident and had capital gains or capital losses exceeding R40 000;
- a company that is a resident and had capital gains or capital losses exceeding R1 000; and

[100] See Interpretation Note 127 "Determination of the Taxable Income of Certain Persons from International Transactions: Intra-Group Loans".

- any natural person, company or trust who is a non-resident and had capital gains or capital losses from the disposal of an asset to which the Eighth Schedule applies.[101]

2.12.3 Rates

Natural persons, deceased estates, insolvent estates and special trusts

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

Companies and trusts (other than special trusts)

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

Effective rate of tax on a taxable capital gain

The effective rate of tax on a taxable capital gain is calculated as follows:

- **Natural persons and special trusts**

  The minimum marginal rate of income tax (normal tax) for natural persons and special trusts is 18% and the maximum marginal rate is 45%. The effective CGT rate for natural persons and special trusts varies from 0% (0% × 40%) to 18% (45% × 40%), depending on the marginal rate of normal tax applicable to the person.

  For purposes of the Eighth Schedule the disposal of an asset by a deceased estate or insolvent estate of a natural person is treated in the same manner as if the asset had been disposed of by that person (see paragraphs 40(3) and 83(1) of the Eighth Schedule.) Under section 25(5) a deceased estate must, other than for purposes of sections 6, 6A, 6B and 6C, be treated as if it were a natural person.

- **Trusts, other than special trusts**

  The rate of income tax for trusts is 45% and the effective rate of CGT is 36% (45% × 80%).

- **Companies**

  The rate of income tax for companies is 27% and the effective rate of CGT is 21.6%

2.12.4 Capital gains and capital losses

A capital gain arises when the proceeds from the disposal of an asset exceed the base cost and a capital loss arises when the base cost exceeds the proceeds.[102]

Capital losses may only be set off against capital gains. The sum of all capital gains and capital losses, less an annual exclusion if applicable, is carried forward to the next year of assessment if this amount is a negative figure. An assessed capital loss must be set off against an aggregate capital gain in a year of assessment.

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[101] See Government Notice 6217 in *Government Gazette* 52712 of 25 May 2025 for submission of returns for the 2025 year of assessment.

[102] For more information see the *Comprehensive Guide to Capital Gains Tax*, the *ABC of Capital Gains Tax for Individuals*, the *ABC of Capital Gains Tax for Companies* and the *Guide on Valuation of Assets for Capital Gains Tax Purposes*.

2.12.5 Asset

An "asset" is widely defined and includes property of whatever nature, whether movable or immovable, corporeal or incorporeal and any right to, or interest in, such property. Any currency is excluded from the definition of "asset", but any coin made mainly from gold or platinum is included.

2.12.6 Disposal

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

The time of disposal is an important core rule as it dictates when a capital gain or capital loss must be brought to account. It also provides the corresponding date of acquisition by the acquirer of an asset.

Paragraph 13 of the Eighth Schedule contains three categories of timing rules covering:

- disposals involving a change of ownership effected or to be effected because of an event, act, forbearance or by operation of law [paragraph 13(1)(*a*)(i) to (ix)],
- disposals arising from specific events [paragraph 13(1)(*b*) to (*g*)], and
- acquisition of assets [paragraph 13(2)].

However, not all the time of disposal rules are contained in paragraph 13. Some of them are in standalone provisions in the Eighth Schedule and the main body of the Act.

2.12.7 Proceeds

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

2.12.8 Base cost

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

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

Assets acquired before 1 October 2001

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

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

Assets acquired on or after 1 October 2001

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

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

Assets acquired by donation, for a consideration not measurable in money or from a connected person at a non-arm's length price

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

2.12.9 Exclusions

Specified capital gains or capital losses (or a portion of the gains or losses) are disregarded for CGT purposes, for example, the following:

- The first R2 million of the capital gain or capital loss on the disposal of a primary residence by a natural person or special trust.
- A capital gain on disposal of the primary residence of a natural person or a special trust if the proceeds from the disposal do not exceed R2 million.
- A capital gain or capital loss on disposal of a personal use asset by a natural person or special trust. Examples are motor vehicles, including a motor vehicle for which a travel allowance was received, caravans, furniture and jewellery.
- Retirement benefits.
- An amount received for a long-term insurance policy by the original beneficial owner.
- A natural person and a special trust qualify for an annual exclusion of R40 000 of the sum of capital gains and capital losses in a year of assessment.
- Small business exclusion of capital gains of R1.8 million for individuals (at least 55 years old), when a small business with a market value not exceeding R10 million is disposed of.
- When a person dies during a year of assessment the annual exclusion for that year is R300 000.

2.13 Taxation of deceased persons and deceased estates (sections 9HA, 9HB and 25)

(a) Capital gains tax

The death of a person triggers potential CGT consequences. The deceased person is deemed to have disposed of all assets at their market value at the date of death, except for –

- assets disposed of to a surviving spouse, either under the law of intestate succession or by means of a will, by means of the redistribution of assets in the course of the liquidation or distribution of the deceased estate, or by the settlement of a claim arising due to the spouses being married with the accrual system, in which case the disposal by the deceased is deemed to be at the base cost of that asset;
- a long-term insurance policy, if the proceeds of that policy are disregarded for CGT purposes; or
- the interest of the deceased person in a pension, pension preservation, provident, provident preservation, retirement annuity or a similar fund, if the lump sum benefit therefrom is disregarded for CGT purposes.[103]

[103] Section 9HA applies to persons dying on or after 1 March 2016. Paragraph 40 of the Eighth Schedule applied to persons dying before 1 March 2016. For more information see Interpretation Note 134 “Disposal of Assets by Deceased person, Deceased Estate, and Transfer of Assets between Spouses”.

Assets disposed of to the spouse of the deceased in the manner indicated above result in the spouse "stepping into the shoes" of the deceased with regard to the date of acquisition of the asset, expenditure incurred by the deceased, how the asset was used by the deceased and any allowances or deductions which the deceased was allowed to claim on that asset.[104]

An asset directly transferred to an heir or legatee of the deceased person, will result in a deemed acquisition by the heir or legatee of that asset at the market value thereof at the date of death of the deceased.[105]

Should the taxable capital gain from the deemed disposal of assets on date of death of the deceased result in tax due which exceeds 50% of the net value of the deceased estate and the executor has to dispose of an asset of the deceased estate in order to settle this tax liability, the heir or legatee who would have been entitled to receive that asset may elect to receive that asset in exchange for settling that tax due within three years of the deceased estate becoming distributable. This tax is then a debt due by that heir or legatee to the deceased estate.[106]

An asset acquired by a deceased estate from the deceased, other than assets disposed of to the spouse, is deemed to be acquired at the market value of the asset at the date of death of the deceased.[107] An asset awarded to an heir or legatee is treated as being disposed of by the deceased estate for an amount received or accrued equal to the amount of expenditure incurred by the deceased estate in respect of that asset.[108] Such expenditure could comprise the deemed expenditure under section 25(2) for the asset acquired from the deceased or actual expenditure if the executor purchased more assets after the date of death. An heir or legatee is treated as having acquired an asset from the deceased estate for an amount of expenditure incurred equal to the expenditure incurred by the deceased estate in respect of that asset.[109] An asset awarded to an heir or legatee is treated as being disposed of by the deceased estate on the earlier of the date on which that asset is disposed of or on which the liquidation and distribution account becomes final, in respect of an account that is finalised on or after 1 March 2022.[110]

(a) Income tax

Income received by or accrued to the executor of a deceased estate, which would have been income in the hands of the deceased, is deemed to be income of the deceased estate and is taxable in the deceased estate.[111] The deceased estate is treated as a natural person for this purpose, although the rebates, medical scheme tax credits and solar energy tax credits are not available to it.[112] The deceased estate may be regarded as a natural person but is not seen as the same natural person as the deceased person.

The deceased estate's tax residency follows the residency of the deceased person at the date of death. If the deceased person was a resident at the date of death, the deceased estate will

104 Section 9HB.
105 Section 9HA(3).
106 Section 25(6).
107 Section 25(2)(*a*).
108 Section 25(3)(*a*).
109 Section 25(3)(*b*).
110 Section 25(3)(*c*).
111 Section 25(1).
112 Section 25(5)(*a*).

also be regarded as a resident.[113] Similarly if the deceased person was a non-resident at the date of death, the deceased estate will also be regarded as a non-resident.[114]

2.14 Withholding of amounts from payments to non-resident sellers of immovable property (section 35A)

An amount of tax must be withheld from the amount that a person must pay on the sale of immovable property in South Africa by a non-resident. The amount is to be deducted by the purchaser from the amount payable to the seller, or to any other person for or on behalf of the seller. The amount which has to be withheld and paid over to SARS is equal to –

- 7,5% of the amount payable, if the seller is a natural person;
- 10% of the amount payable, if the seller is a company; or
- 15% of the amount payable, if the seller is a trust.

The seller may apply for a directive that no amount or a reduced amount be withheld having regard to the circumstances mentioned in section 35A(2).

The amount withheld is an advance (credit) against the seller's normal tax liability for the year of assessment during which the property is disposed of.

No amount must be withheld –

- if the total amount payable for the immovable property does not exceed R2 million; or
- from any deposit paid by a purchaser for the purpose of securing the acquisition of the immovable property until the agreement for the disposal has been entered into, in which case the amount is to be withheld from the first following payments made by the purchaser for that disposal.[115]

2.15 Tax rates

2.15.1 Rate of tax to be levied on taxable income (excluding any retirement lump sum benefit, retirement fund lump sum withdrawal benefit or severance benefit) of any natural person, deceased estate, insolvent estate or special trust

Year of assessment commencing on or after 1 March 2024

Taxable income	Rate of tax
R1 – R237 100	18% of taxable income
R237 101 – R370 500	R42 678 plus 26% of the amount by which taxable income exceeds R237 100
R370 501 – R512 800	R77 362 plus 31% of the amount by which taxable income exceeds R370 500
R512 801 – R673 000	R121 475 plus 36% of the amount by which taxable income exceeds R512 800

113 Section 25(5)(*b*)(i).
114 Section 25(5)(*b*)(ii)
115 For more information see the *External Guide: Amounts to be Withheld when a Non-resident Sells Immovable Property in SA. IT-PP-02-G01*.

Taxable income	Rate of tax
R673 000 – R857 900	R179 147 plus 39% of the amount by which taxable income exceeds R673 000
R857 901 – R1 817 000	R251 258 plus 41% of the amount by which taxable income exceeds R857 900
R1 817 001 and above	R644 489 plus 45% of the amount by which taxable income exceeds R1 817 000

Income tax thresholds for the year of assessment commencing on 1 March 2024 and ending on 28 February 2025

Income tax thresholds (natural persons only)	Amount
Below the age of 65 years	R95 750
Age 65 years and over but below 75 years	R148 217
Age 75 years and over	R165 689

Lump sum benefits and severance benefits

There are three types of lump sums:

- Retirement fund lump sum withdrawal benefit
- Retirement fund lump sum benefit
- Severance benefit

A retirement fund lump sum benefit refers to an amount received by way of a lump sum from a pension fund, pension preservation fund, provident fund, provident preservation fund or retirement annuity fund upon either –

- retirement or death;
- termination or loss of employment owing to redundancy or an employer ceasing trade; or
- the commutation of an annuity or portion of an annuity

less any deduction permitted under paragraph 5 or 6 of the Second Schedule.

A retirement fund lump sum withdrawal benefit is any amount –

- assigned under a divorce order granted on or after 13 September 2007 under section 7(8)(*a*) of the Divorce Act 70 of 1979, to the extent that the amount so assigned –
  - constitutes a part of a pension interest, as defined in section 1 of the Divorce Act of a member of a pension fund, pension preservation fund, provident fund, provident preservation fund or retirement annuity fund; and
  - is due and payable on or after 1 March 2012 to a person who is the former spouse of that member by that pension fund, pension preservation fund, provident fund or provident preservation fund or retirement annuity fund;

- that is transferred for the benefit of that person to any pension fund, pension preservation fund, provident fund, provident preservation fund or retirement annuity fund from any pension fund, pension preservation fund, provident fund, provident preservation fund or retirement annuity fund of which that person is or previously was a member; and
- other than an amount received by or accrued to that person by way of a lump sum benefit, an amount assigned under a divorce order referred to above or an amount transferred for the benefit of that person referred to above, received by or accrued to that person by way of a lump sum benefit from or in consequence of membership or past membership of any pension fund, pension preservation fund, provident fund, provident preservation fund or retirement annuity fund,

less any deduction permitted under paragraph 6 of the Second Schedule.

A severance benefit refers to a lump sum from or by arrangement with a person's employer or an associated institution in relation to that employer for the relinquishment, termination, loss, repudiation, cancellation or variation of the person's office or employment or of the person's appointment to any office or employment if certain additional requirements are met.

The first R27 500 and R550 000, as indicated in the tables in **2.15.2** and **2.15.3**, will not be subject to tax, depending on the category of lump sum received and whether or not lump sums of this nature were received in the past.

Once the respective lump sum benefits or severance benefits are aggregated, the tax due is calculated in accordance with the respective tables below. Tax payable on previous lump sum benefits or severance benefits is deducted from the tax payable to arrive at the tax payable on the lump sum benefit or severance benefit that accrued during the relevant year of assessment.

2.15.2 Taxable income from retirement fund lump sum withdrawal benefits:

The rates of tax in the table below apply to a year of assessment commencing on or after 1 March 2024

Taxable income from lump sum benefits	Rate of tax
R0 – R27 500	0% of taxable income
R27 501 – R726 000	18% of taxable income exceeding R27 500
R726 001 – R1 089 000	R125 730 plus 27% of taxable income exceeding R726 000
R1 089 001 and above	R223 740 plus 36% of taxable income exceeding R1 089 000

2.15.3 Taxable income from retirement fund lump sum benefits:

The rates of tax in the table below apply to any year of assessment ending on or after 1 March 2024

Taxable income from lump sum benefits	Rate of tax
R0 – R550 000	0% of taxable income
R550 001 – R770 000	18% of taxable income exceeding R550 000
R770 001 – R1 155 000	R39 600 plus 27% of taxable income exceeding R770 000
R1 155 001 and above	R143 550 plus 36% of taxable income exceeding R1 155 000

2.15.4 Taxable income from severance benefits:

The rates of tax in the table below apply to a year of assessment commencing on or after 1 March 2024

Taxable income from lump sum benefits	Rate of tax
R0 – R550 000	0% of taxable income
R550 001 – R770 000	18% of taxable income exceeding R550 000
R770 001 – R1 155 000	R39 600 plus 27% of taxable income exceeding R770 000
R1 155 001 and above	R143 550 plus 36% of taxable income exceeding R1 155 000

2.15.5 Taxable income of trusts (other than special trusts or public benefit organisations, recreational trusts or small business funding entities that are trusts):

The rate of tax in the table below applies to a year of assessment commencing on or after 1 March 2024

Taxable income	Rate of tax
On each rand of taxable income	45%

2.15.6 Taxable income of companies

(a) Companies (other than public benefit organisations, recreational clubs or small business funding entities approved by the Commissioner, small business corporations, mining companies and long-term insurers)

The rate of tax in the table below applies to years of assessment ending on or after 1 April 2024

Taxable income	Rate of tax
On each rand of taxable income	27%

(b) Small business corporations

Rates of tax applicable to any year of assessment ending on or after 1 April 2024

Taxable income	Rate of tax
R1 – R95 750	0% of taxable income
R95 751 – R365 000	7% of the amount by which taxable income exceeds R95 750
R365 001 – R550 000	R18 848 plus 21% of the amount by which taxable income exceeds R365 000
R550 001 and above	R57 698 plus 27% of the amount by which taxable income exceeds R550 000

(c) Registered micro businesses (turnover tax)

The rates of tax in the table below apply to any year of assessment commencing on or after 1 March 2024

Taxable turnover	Rate of tax
R1 – R335 000	0% of taxable turnover
R335 001 – R500 000	1% of the amount by which taxable turnover exceeds R335 000
R500 001 – R750 000	R1 650 plus 2% of the amount by which taxable turnover exceeds R500 000
R750 001 and above	R6 650 plus 3% of the amount by which taxable turnover exceeds R750 000

(d) Mining companies

Companies mining for gold **(taxed according to the following formula "gold mining tax formula")**

The rates of tax below apply to any year of assessment ending during the 12-month period ending on 31 March 2024

$$y = 34 - 170/x$$

Where:

y = rate of tax to be levied

x = the ratio expressed as a percentage to –

$$\frac{\text{Taxable income from gold mining (excluding taxable income determined to be attributable to the disposal of certain assets)}}{\text{Total revenue (turnover) from gold mining}}$$

See the Rates and Monetary Amounts and Amendment of Revenue Laws Act B14 of 2025 for the detailed formula and rates of tax applicable to taxable income derived from mining for gold.

(e) Oil and gas companies

Under paragraph 2 of the Tenth Schedule the rate of tax on taxable income attributable to oil and gas income by any oil and gas company will not exceed 28% on each rand of taxable income for any year of assessment ending during the 12-month period ending on 31 March 2024.

(f) Other mining companies

The rates applicable to ordinary companies also apply to all mining companies, other than companies mining for gold for the year of assessment ending during the 12-month period ending on 31 March 2025.

(g) Insurance companies

Long-term insurance companies

Rates of tax applicable to years of assessment ending on or after 1 April 2024

Funds	**Rate of tax**
Corporate fund	27% of taxable income
Individual policyholder fund	30% of taxable income
Company policyholder fund	27% of taxable income
Untaxed policyholder fund	0% of taxable income
Risk policy fund	27% of taxable income

Short-term insurance companies

Companies carrying on a short-term insurance business are taxed at the same rate that is applicable to standard companies, namely, 27% for years of assessment ending on or after 1 April 2024.

(h) Special economic zones

The special economic zones (SEZ) tax incentive was introduced to promote investment, growth and job creation in the South African manufacturing sector as well as development in designated regions. In the event that a taxpayer's business or enterprise is located in a customs-controlled area within a designated SEZ, the taxpayer may qualify for certain VAT and customs relief measures,[116] provided that such taxpayer is registered with SARS for VAT and customs purposes.

In addition, if the taxpayer is a "qualifying company" as defined in section 12R(1), the following income tax incentives are available if the necessary requirements are met:

- A reduced corporate income tax rate of 15%.
- An accelerated depreciation allowance of 10% under section 12S on the cost of any new and unused building or improvement owned by the qualifying company.

Consideration must be given to the types of activity being carried on which may prohibit a qualifying company from claiming the income tax incentives under section 12R(4).

Furthermore, an employer who operates through a fixed place of business located within a designated SEZ, may claim the employment tax incentive allowed for under the ETI Act for an employee rendering services to the employer mainly within that SEZ (see **9**).[117] Note that there are other requirements under the ETI Act that should be met in order for an employer to claim the incentive.[118]

2.15.7 Taxable income of public benefit organisations, recreational clubs and small business funding entities

The tax rates below are applicable to a public benefit organisation, a recreational club and a small business funding entity.

A public benefit organisation,[119] recreational club[120] and small business funding entity are partially taxable on certain receipts and accruals.

(a) A public benefit organisation, recreational club and small business funding entity that is a company

The rate of tax in the table below applies to any year of assessment ending on or after 1 April 2024

Taxable income	Rate of tax
On each rand of taxable income	27%

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116 The VAT relief for a vendor operating in the SEZ comes in the form of an exemption upon importation of certain goods. Certain goods or services may also be acquired by that vendor at the zero rate of VAT.

117 For more information on SEZs, see the *Brochure on the Special Economic Zone Incentive*.

118 See the *Guide to the Employment Tax Incentive*.

119 For more information on PBOs see the *Tax Exemption Guide for Public Benefit Organisations in South Africa* and the *Basic Guide on Income Tax for Public Benefit Organisations*.

120 For more information on recreational clubs see the *Tax Guide for Recreational Clubs*.

(b) A public benefit organisation and small business funding entity that is a trust

The rate of tax in the table below apply to any year of assessment commencing on or after 1 March 2024

Taxable income	Rate of tax
On each rand of taxable income	27%

2.16 Medical scheme fees tax credit (section 6A)

The amount of the MTC for fees paid by a natural person to a medical scheme registered under the Medical Schemes Act 131 of 1998, or a fund which is registered under any similar provisions contained in the laws of any other country where the medical scheme is registered, is allowable as a rebate. The amount of the MTC is deducted from normal tax payable by the natural person and is calculated as follows for each month in the year of assessment for which those fees were paid:

- R364 for benefits to the taxpayer, or if the taxpayer is not a member of a medical scheme or fund for benefits to a dependant who is a member of a medical scheme or fund or a dependant of a member of a medical scheme or fund.
- R728 for benefits to the person and one dependant.
- R728 for benefits to two dependants
- R246 for benefits relating to each additional dependant.

The MTC reflected above will apply to qualifying taxpayers irrespective of their age and whether or not they or their dependant(s) are persons with a disability.

If the taxpayer is *not* a member of a registered medical scheme, but pays fees for a dependant, and that dependant *is* a member of a registered medical scheme or fund, the MTC of R364 referred to in the first bullet would be allowed in the taxpayer's hands. An example is a taxpayer who pays fees for a parent who is a dependant of such taxpayer.

Any amount paid by an employer on behalf of an employee as a contribution or payment to a benefit fund (such as a medical scheme) is a taxable benefit for the employee and must be included in the employee's gross income [paragraphs 2(*i*) and 12A of the Seventh Schedule, read with paragraph (*i*) of the definition of "gross income" in section 1(1)].[121] The amount included in the employee's income as a taxable benefit is, however, deemed to be a fee paid by the employee for purposes of the MTC rebate.

2.17 Additional medical expenses tax credit (section 6B)

A percentage of qualifying medical expenses paid by a person is allowed as a rebate which is deducted from the normal tax payable by that natural person.

Any amount incurred by an employer on behalf of the employee for any medical, dental and similar services, hospital services, nursing services or medicines, will be a taxable benefit in the hands of the employee and will be included in the employee's gross income [paragraphs 2(*j*) and 12B of the Seventh Schedule, read with paragraph (*i*) of the definition of "gross income" in section 1(1)]. The amount included in the employee's income as a taxable

[121] For more information see the Guide on the Determination of Medical Tax Credits.

benefit is, however, deemed to be a qualifying medical expense paid by the employee for purposes of this rebate.

Whether a person is entitled to the additional medical expenses tax credit depends on the category in which the person falls, namely –

- a person aged 65 years or older;
- a person, such person's spouse or child being a person with a "disability" as defined in section 6B(1); or
- any other case.

The amount to be deducted is calculated as follows:[122]

Category	Amount
A person aged 65 years or older	The aggregate of – (i) 33,3% of so much of the amount of the fees paid by that person to a medical scheme or fund contemplated in section 6A(2)(*a*) as exceeds three times the amount of the MTC to which that person is entitled under section 6A(2)(*b*); and (ii) 33,3% of the amount of qualifying medical expenses paid by that person.
A person, such person's spouse or child being a person with a "disability" as defined in section 6B(1)	The aggregate of – (i) 33,3% of so much of the amount of the fees paid by that person to a medical scheme or fund contemplated in section 6A(2)(*a*) as exceeds three times the amount of the MTC to which that person is entitled under section 6A(2)(*b*); and (ii) 33,3% of the amount of qualifying medical expenses paid by that person.
Any other case	If the aggregate of – (i) the amount of the fees paid by that person to a medical scheme or fund contemplated in section 6A(2)(*a*) as exceeds four times the amount of the MTC to which that person is entitled under section 6A(2)(*b*); and (ii) the amount of qualifying medical expenses paid by that person, exceeds 7,5% of the person's taxable income (excluding any retirement fund lump sum benefit, retirement fund lump sum withdrawal benefit and severance benefit), 25% of the excess.

122 See the *Guide on the Determination of Medical Tax Credits*.

2.18 Normal tax rebates (section 6)

The amounts of the normal tax rebates (for the year of assessment commencing on 1 March 2024 and ending on 28 February 2025) which are deductible from normal tax payable by a natural person, other than normal tax payable on any retirement fund lump sum benefit, retirement fund lump sum withdrawal benefit or severance benefit, are as follows:

Rebates (natural persons only)	**Amount**
Primary rebate – (Below the age of 65 years)	R17 235
Secondary rebate – (Age 65 years or older) additional to primary rebate	R9 444
Tertiary rebate – (Age 75 years or older) additional to primary and secondary rebates	R3 145

2.19 Solar energy tax credit (section 6C)

In order to encourage households to invest in clean electricity generation capacity as soon as possible, a tax credit has been introduced under section 6C for a limited time period.[123]

This tax credit applies to natural persons who are liable for personal income tax and who invest in qualifying solar PV panels. The cost relating to other components of a complete solar energy system such as inverters, batteries and supporting structures do not qualify for the tax credit.[124]

In order for a natural person to qualify for the tax credit relating to the solar PV panels, certain requirements under section 6C(2) have to be met, namely, that –

- the panels must be new and unused;
- the generation capacity of each panel must be not less than 275W; and
- the panels must be brought into use for the first time by the natural person who acquired it on or after 1 March 2023 and before 1 March 2024.

In addition to the requirements above, other specific mandatory requirements under section 6C(3) must also be met –

- the solar PV panels are installed and mounted on or affixed to a residence mainly used for domestic purposes by the natural person referred to in section 6C(2)(*a*);
- the installation is connected to the distribution board of such residence; and
- an electrical certificate of compliance contemplated in the Electrical Installation Regulations 2009, is issued for the installation referred to above.

The amount of the tax credit allowed as a rebate to an individual is 25% of the cost actually incurred on the solar PV panels, up to a maximum of R15 000 and is deducted from the natural person's tax liability. The tax credit is limited to the actual cost of the solar PV panels and excludes other costs such as supporting structures, installation costs or financing costs.

123 Paragraph 1.3 of the Explanatory Memorandum on the Taxation Laws Amendment Bill, 2023.
124 Section 6C(2)(*a*)(i) refers only to the cost of solar PV panels.

Section 6C is deemed to have come into operation on 1 March 2023 and applies to years of assessment commencing on or after this date. Furthermore, this section is only available for a period of one year, that is, from 1 March 2023 to 29 February 2024.[125]

3. Taxation of foreign entertainers and sportspersons (sections 47A to 47K)

Any resident who is liable to pay any amount to a foreign entertainer or sportsperson (who is a non-resident) relating to the non-resident's performance in South Africa, must deduct or withhold tax at a rate of 15% of the gross payments. The resident must pay the amount deducted or withheld to SARS on behalf of the foreign entertainer or sportsperson before the end of the month following the month in which the tax was deducted or withheld. Failure to deduct or withhold tax and to pay it over to SARS will render the resident personally liable for the tax. Either the foreign entertainer or sportsperson, or the resident who pays the withholding tax must submit a return together with the payment to the Commissioner.

If it is not possible for the tax to be withheld (for example, if the payer is a non-resident), the foreign entertainer or sportsperson will be liable for the tax which must be paid to SARS within 30 days after the amount is received by or accrued to such person.

The 15% tax on foreign entertainers and sportspersons is a final tax. Any amount received by or accrued to a person who is a non-resident is exempt from normal tax under section 10(1)(*l*A) if that amount is subject to tax on foreign entertainers and sportspersons.

A foreign entertainer or sportsperson who is –

- employed by an employer who is a resident; and
- physically present in South Africa for more than 183 days in aggregate in a 12-month period which commences or ends during a year of assessment,

will not be liable for the 15% withholding tax but will have to pay income tax on the same basis as a resident, that is, at the rates of normal tax, which requires the submission of an income tax return.

Any person who is primarily responsible and who will be rewarded for founding, organising or facilitating a performance in South Africa must notify SARS of the performance within 14 days of concluding an agreement with a performer.[126]

4. Withholding tax on royalties (sections 49A to 49H)

Royalties received by or accrued to a non-resident may be subject to either normal tax or withholding tax on royalties.

Amounts received for the imparting of any scientific, technical, industrial or commercial knowledge or information, commonly known as "know-how" payments, are included in the definition of "gross income" and are taxable.

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[125] See the *Guide on the Solar Energy Tax Credit Provided under Section 6C* for more information on the tax credit.

[126] For more information contact the special team dealing with visiting artists at **nres@sars.gov.za**. For more information on resident sports persons, see the *Guide on the Taxation of Professional Sports Clubs and Players*.

The amount of any royalty received by or accrued to a person who is a non-resident is exempt from normal tax under section 10(1)(*l*), unless –

- the non-resident was physically present in South Africa for more than 183 days in aggregate during the twelve-month period preceding the date on which the amount is received by or accrued to that person; or
- the intellectual property, knowledge or information for which the royalty is paid is effectively connected with a permanent establishment of the non-resident in South Africa if that non-resident is registered as a taxpayer for purposes of the Act.

Withholding tax on royalties of 15% or a lower rate as determined in accordance with a tax treaty that is concluded between the relevant countries is a final tax. Withholding tax on royalties is payable on royalties paid by any person to or for the benefit of any foreign person if the amount is regarded as having been received or accrued from a source within South Africa.

The person making the payment of the royalty must withhold withholding tax on royalties from that amount. The withholding of tax is triggered by the date that the royalty is paid or becomes due and payable. The withholding tax on royalties must be paid over to SARS by the last day of the month following the month during which the royalty is paid.

The amount withheld, which is denominated in any currency, other than the currency of the Republic, must be translated to rand at the spot rate on the date that the amount is withheld. Overpayment of withholding tax on royalties may be refunded if the required declaration form is submitted to SARS within three years after the royalty is paid.

A foreign person may be exempt from withholding tax on royalties if the requirements of section 49D are met.[127]

5. Withholding tax on interest (sections 50A to 50H)

Any amount of interest which is paid by any person to or for the benefit of any non-resident is subject to withholding tax on interest, to the extent that the amount is regarded as being received or accrued from a source within South Africa. Withholding tax on interest is calculated at the rate of 15% of the amount of the interest or a lower rate determined in accordance with a relevant tax treaty. The withholding tax on interest is a final tax.

The liability to withhold withholding tax on interest is that of the person paying the interest. The tax is triggered on the earlier of the date on which the interest is paid or becomes due and payable. The withholding tax on interest must be paid to SARS by the last day of the month following the month during which the interest is paid. A foreign person to which an amount of interest is paid is liable for the tax, even though it is withheld by the person paying the interest.

If the amount withheld by a person is denominated in any currency other than the currency of South Africa that amount must be translated to the currency of South Africa at the spot rate on the date on which that amount was so withheld.

Overpayment of withholding tax on interest may be refunded if the required declaration form is submitted to SARS within three years after the interest is paid.

[127] See Interpretation Note 116 "Withholding Tax on Royalties" for more information.

Interest paid to a non-resident may be exempt from withholding tax on interest provided the requirements of section 50D are met.

Interest received by or accrued to a non-resident may be subject to either normal tax or withholding tax on interest.[128]

6. Donations tax (sections 54 to 64)

Donations tax is payable by any resident (the donor) who makes a donation to another person (the donee). A donation is defined in section 55(1) as any gratuitous disposal of property including the gratuitous waiver or renunciation of a right. A donation is deemed to take effect upon the date upon which all the legal formalities for a valid donation have been complied with. Donations tax is calculated at a rate of 20% on the cumulative value of property disposed of not exceeding R30 million, and at a rate of 25% on the cumulative value of property disposed of exceeding R30 million.[129]

The Act provides for specified donations to be exempt from donations tax under section 56.

The following donations, amongst others, are exempt from donations tax:

- Casual gifts made by a donor other than a natural person, not exceeding R10 000 during a year of assessment. If the period of assessment is less than 12 months or exceeds 12 months the R10 000 must be adjusted in accordance with the ratio that the year of assessment bears to 12 months.
- Donations by a donor who is a natural person, not exceeding R100 000 during a year of assessment.
- The sum of all *bona fide* contributions made by a donor for the maintenance of any person as the Commissioner considers to be reasonable.

Any property that has been disposed of for a consideration which, in the opinion of the Commissioner, is not an adequate consideration is treated as having been disposed of under a donation.[130]

If a donor fails to pay the donations tax within the prescribed period (by the end of the month following the month during which a donation takes effect or longer period as the Commissioner may allow from the date upon which the donation took effect), the donor and the donee (whether a resident or a non-resident) are jointly and severally liable for donations tax.

7. Dividends tax (sections 64D to 64N)

Dividends tax is levied on dividends paid by companies that are residents (other than headquarter companies). Dividends tax is also payable by foreign companies on a foreign dividend to the extent that the foreign dividend does not constitute the distribution of an asset *in specie* and it is paid to residents in respect of listed shares.

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128 See Interpretation Note 115 “Withholding Tax on Interest” for more information.
129 Section 64.
130 Section 58.

Dividends tax is levied at the rate of 20% of the amount of the dividend paid. Certain dividends paid by oil and gas companies and international shipping companies are subject to dividends tax at the rate of 0%. Dividends paid to non-residents may be subject to a reduced rate of tax under a tax treaty.[131]

A company or regulated intermediary must withhold dividends tax on behalf of the beneficial owners when a cash dividend is paid. The company is liable for dividends tax on any dividend *in specie* paid by it.

A dividend received by or accrued to a person will be subject to either dividends tax or normal tax.

8. Turnover tax (sections 48 to 48C and the Sixth Schedule)

As part of government's broader mandate to encourage entrepreneurship and create an enabling environment for small businesses to survive and grow, a presumptive tax was introduced to reduce the tax compliance burden on micro businesses. Turnover tax is available to micro businesses of sole proprietors, partnerships and companies.

The turnover tax system is essentially an alternative to the current income tax regime provided for in the Act. A qualifying micro business may choose to register for VAT and turnover tax, provided that all the conditions for voluntarily VAT registration are met.

A person qualifies as a micro business if that person is –

- a natural person (or the deceased or insolvent estate of a natural person which was a registered micro business at the time of death of insolvency) or company; and
- the qualifying turnover of that person for the year of assessment does not exceed R1 million.

Turnover tax is a single tax, replacing normal tax and CGT in relation to microbusinesses.

A person may generally elect to be registered as a micro business before the beginning of a year of assessment. It is important to thoroughly review the operations of a business before deciding on whether to elect to be a micro business for a specific year of assessment. Factors such as the overhead costs of the micro business, its expected tax liability and tax compliance costs should be taken into account in making the decision.

Unlike the income tax system that makes use of comprehensive inclusion rules and a reduction process, turnover tax is calculated by simply applying the tax rate to the taxable turnover of the micro business [see **2.15.6** c)]. The taxable turnover will basically consist of the turnover of the micro business with a few specified inclusions and exclusions.[132]

[131] For more information see the *Comprehensive Guide to Dividends Tax*.

[132] For more information see the *Tax Guide for Micro Businesses 2016/2017*.

9. Employment tax incentive

The employment tax incentive (ETI) was introduced by the ETI Act to encourage employment creation and is administered by SARS through the PAYE system.

The ETI is an incentive that may be claimed by eligible employers as encouragement to employ –

- young employees between the ages of 18 and 29 years;
- employees of any age employed by an employer that is a "qualifying company" as contemplated in section 12R and renders services to that employer mainly within the special economic zone[133] in which the qualifying company that is the employer carries on trade; or
- employees of any age in any industry identified by the Minister of Finance by notice in the *Government Gazette*.

The ETI applies to qualifying employees employed on or after 1 October 2013 by eligible employers.

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

The ETI commenced on 1 January 2014 and will end on 28 February 2029.[134] During this period, the employer may claim the ETI for a maximum of 24 individual months per qualifying employee. The ETI is subject to continuous review of its effectiveness and impact to determine the extent to which its core objective of reducing youth unemployment is achieved.

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

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

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

Monthly remuneration	**ETI per month during the first 12 months in which the employee qualified**	**ETI per month during the next 12 months in which the employee qualified**
R0 – R1 999	75% of monthly remuneration	37,5% of monthly remuneration
R2 000 – R4 499	R1 500	R750

133 As defined in section 12R(1).

134 The incentive was extended until 28 February 2029 by section 102 of the Taxation Laws Amendment Act 23 of 2018.

Monthly remuneration	ETI per month during the first 12 months in which the employee qualified	ETI per month during the next 12 months in which the employee qualified
R4 500 – R6 499	Formula: R1 500 – [0,75 × (monthly remuneration – R4 500)]	Formula: R750 – [0,375 × (monthly remuneration – R4 500)]

The employer must add any amounts rolled over from previous months to the amount of the ETI for the current month.[135] Any excess ETI contemplated under section 9(2) and (3)[136] of the ETI Act will be deemed to be nil on the day following the end of the period for which the employer is required to render a reconciliation return (that is, 1 September and 1 March respectively).

Any excess ETI rolled over that has not been deducted at the end of the period for which a return must be submitted under paragraph 14(3)(*a*) of the Fourth Schedule (these reconciliation returns are normally submitted for the six-month periods ending August and February), may be claimed from SARS. The refund claimed from SARS will, however, not be made if an employer has any outstanding tax returns or an outstanding tax debt.[137]

In an attempt to curb apparent abuse of the ETI, the definition of "employee" in section 1(1) was amended to specify that the individual works for another person and in any other manner directly or indirectly assists in carrying on or conducting the business of that other person and must be documented in the records of that other person as envisaged in the record keeping provisions under the Basic Conditions of Employment Act 75 of 1997.[138] The definition of "monthly remuneration" was also amended to stipulate that an amount other than in cash must be disregarded in determining the remuneration paid or payable. A proviso was also included to section 6 of the ETI Act to deny ETI if the employee is mainly involved in the activity of studying unless a learnership agreement as defined in the Skills Development Act is entered into. These amendments are all effective from 1 March 2022.

The ETI Act was further amended to provide for a penalty if an employer receives the ETI in respect of an amount that must be disregarded under the proviso to the definition of "monthly remuneration" in section 1(1). That employer must pay a penalty to SARS in an amount equal to 100% of the ETI received in respect of that employee in respect of each month that the employer received the ETI relating to the amount that should have been so disregarded.[139]

135 This may be subject to a limitation as the rollover amounts under section 9(2) are subject to a limitation under section 9(4).

136 Section 9(4) of the ETI Act was amended by section 70 of the Taxation Laws Amendment Act 23 of 2020 to include section 9(3) of the ETI Act and was deemed to have come into operation on 31 July 2020.

137 For more information see the *Guide to the Employment Tax Incentive*.

138 Section 58(1)(*a*) of the Taxation Laws Amendment Act 20 of 2021.

139 Section 57(1)(*b*) of the Taxation Laws Amendment Act 42 of 2024. The amendment came into operation on 1 March 2025 and applies in respect of years of assessment commencing on or after that date.

10. General anti-avoidance rule (sections 80A to 80L)

The general anti-avoidance rules are contained in sections 80A to 80L.

The application of the general anti-avoidance rules is based on the definition of "impermissible avoidance arrangement" in section 80A. The Commissioner may make adjustments if it is found that an impermissible avoidance arrangement was entered into with the sole or main purpose to obtain a tax benefit and –

- in the context of business –
  - it was entered into or carried out by means or in a manner which would not normally be employed for *bona fide* business purposes, other than obtaining a tax benefit; or
  - it lacks commercial substance, in whole or in part, taking into account the provisions of section 80C;
- in a context other than business, it was entered into or carried out by means or in a manner which would not normally be employed for a *bona fide* purpose, other than obtaining a tax benefit; or
- in any context –
  - it has created rights or obligations that would not normally be created between persons dealing at arm's length; or
  - it would result directly or indirectly in the misuse or abuse of the provisions of the Act.

11. Value-added tax

11.1 Introduction

VAT is an indirect tax based on consumption in South Africa and is levied under the VAT Act. VAT must be included in the price charged for every taxable supply of goods or services made by a vendor in the course or furtherance of that vendor's "enterprise". A "vendor" is a person[140] who is registered or required to register for VAT. VAT is a destination-based tax meaning that exports are generally zero rated. VAT is payable on most goods or services supplied in South Africa as well as on the importation of goods into the country. "Imported services", as defined in section 1(1) of the VAT Act are also subject to VAT if the recipient is a resident and the services are acquired for exempt, private or other non-taxable purposes.

The mechanics of the VAT system are based on a subtractive or credit-input method which allows the vendor to deduct the tax incurred on expenses in the furtherance of enterprise activity (input tax) and other permissible deductions from the tax collected on the supplies made by the vendor (output tax). Vendors will therefore charge their customers VAT (output tax) on supplies made during a tax period and then pay over the net VAT (or claim a refund) on a VAT 201 return after deducting any input tax and certain other deductions that may be allowed. Most vendors account for VAT on a monthly or bi-monthly basis although other tax periods for the payment of VAT may apply, provided certain conditions are met. See **11.3.2** for more details.

[140] The term "person" includes any public authority, any municipality, any company, any body of persons (corporate or unincorporated), the estate of any deceased or insolvent person and any trust fund.

Special rules apply with effect from 1 July 2022 under the Domestic Reverse Charge Regulations (the DRC Regulations)[141] in respect of supplies of "valuable metal"[142] between certain VAT-registered vendors in South Africa. In terms of the DRC Regulations the responsibility to account for the output tax on the supply of valuable metal is shifted from the supplier to the recipient. In doing so, the DRC Regulations place certain responsibilities and obligations on both the VAT registered supplier and the recipient of valuable metal. Amendments to the DRC Regulations were made with effect from 1 January 2024. The amendments mainly related to the definition of "valuable metal" and "residue" as well as to certain administrative requirements regarding documentation.[143] A further amendment to the definition of "valuable metal" was made in the DRC Regulations with effect from 1 April 2025.[144] As a result, supplies made by a "holder" or a person contracted to a holder will fall within the ambit of the DRC Regulations.[145]

11.2 Rates

VAT is levied at the standard rate on most supplies and importations but there is a limited range of goods and services which are subject to VAT at the zero rate or are exempt when supplied, or which are exempt upon importation. For example, exports and certain basic foodstuffs are taxed at the zero rate of VAT. Certain goods are also exempt when supplied in, or imported into South Africa.

VAT is levied on an inclusive basis, which means that any prices marked on products in stores, and any prices advertised or quoted, must include VAT if the supplier is a vendor. If the vendor has omitted to include VAT in the price charged, the law will deem the price to include VAT at the standard rate. Therefore, even if VAT was not actually charged, the vendor will still be obliged to account for the VAT that should have been charged and to pay such amount to SARS.

11.3 Registration, collection and payment of value-added tax

11.3.1 Registration

A person can register for VAT only if that person is carrying on an enterprise. The term "enterprise" includes any enterprise or activity carried on continuously or regularly by any person in South Africa or partly in South Africa, which involves the supply of goods or services for a "consideration" to another person, whether or not that enterprise or activity is carried on for profit.

Any person who carries on an enterprise must register for VAT if the total value of taxable supplies (taxable turnover) has exceeded the VAT registration threshold of R1 million in any consecutive 12-month period, or has entered into a written contractual commitment to make taxable supplies which will exceed the R1 million threshold within the next 12 month period.[146] This is referred to as a **compulsory registration.** The R1 million compulsory VAT registration

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141 See Notice No 2140 in *Government Gazette* 46512 of 8 June 2022. See also VAT Connect 14 (August 2022), VAT Connect 16 (August 2023) for further information in this regard.

142 "Valuable metal" is defined in the DRC Regulations. In short, the term refers to gold or goods containing gold and includes certain ancillary goods and services supplied together with the valuable metal.

143 See Notice No 4793 in *Government Gazette* 50642 of 10 May 2024.

144 See Notice No 5995 in *Government Gazette* 52295 of 15 March 2025.

145 The VAT Domestic Reverse Charge webpage on the **SARS website** contains a full package of information with regard to the subject of VAT Domestic Reverse Charge.

146 Compulsory registration is dealt with in section 23(1) of the VAT Act.

threshold applies to the total value of taxable supplies (turnover) and not the net income (profit) that the business has made for the period.

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

Non-resident suppliers of certain "electronic services" as prescribed in the Electronic Services Regulation[147] are also required to register and account for VAT in South Africa if the total value of such taxable supplies exceeds R1 million.[148] Non-resident suppliers of electronic services are required to register for VAT if at least two out of the following three circumstances are present:

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

With effect from 5 January 2023, a foreign electronic services provider is not required to register as a vendor if the total value of taxable supplies of R1 million in any consecutive 12-month period has been exceeded solely as a consequence of abnormal circumstances of a temporary nature.

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

[147] See Government Notice 221 which came into operation on 1 June 2014 (the 2014 Regulation), Regulation 429 in *Government Gazette* 42316 of 18 March 2019, which came into effect on 1 April 2019 (the 2019 Regulation), and Government Notice 5993 in *Government Gazette* 52293 of 14 March 2025, effective from 1 April 2025 (the 2025 Regulation).

[148] The compulsory registration threshold for non-resident suppliers of electronic services before 1 April 2019 was R50 000. The threshold increased to R1 million with effect from 1 April 2019.

A person making taxable supplies with a value of less than R1 million may choose to apply to the Commissioner to register for VAT if certain conditions are met. This is referred to as a **voluntary registration**.[149] The Commissioner may allow a voluntary registration if the value of taxable supplies made by the applicant has already exceeded the minimum voluntary threshold of R50 000 within the preceding 12 months, or if there is a written contractual commitment to make taxable supplies exceeding R50 000 within the next 12 month period.[150] A person may also qualify to register voluntarily if the R50 000 threshold has not yet been reached, or if that person carries on certain types of activity which will lead to taxable supplies being made only after a period of 12 months owing to the nature of the activity (for instance, the construction of residential or commercial buildings for the taxable supplies thereof). However, registration of these special cases will only be permitted under certain conditions prescribed by Regulation.[151]

11.3.2 Collection and payment of value-added tax

VAT is levied on all supplies made by a vendor in the course or furtherance of its enterprise and only a registered vendor may levy VAT. A vendor may not charge VAT on any exempt supplies nor deduct any VAT as input tax if an expense is incurred to make exempt supplies or for any other non-taxable purpose.

The VAT incurred on any goods or services acquired by a vendor may be deducted to the extent that it constitutes "input tax" (as defined). Input tax may be deducted in full if it is incurred wholly for purposes of consumption, use or supply in the course of making taxable supplies. VAT on expenses incurred for both taxable and non-taxable purposes must be apportioned, to determine the extent to which input tax can be deducted.[152] The method of apportionment generally prescribed for vendors is set out in Binding General Ruling 16 "Standard Turnover-based Apportionment Method" (BGR 16). A vendor may, however, apply for a VAT ruling to use an alternative method of apportionment if the prescribed method in BGR 16 proves to be unfair or unreasonable in the vendor's circumstances.[153] An approved alternative method can only be given from a future date or from a date falling within the year of assessment for income tax purposes during which the vendor has applied for a ruling.

The vendor is, therefore, required to directly attribute the VAT incurred on goods or services acquired according to the intended purpose for which the goods or services will be consumed, used or supplied, **before** applying the apportionment method to any mixed expenses.

The mechanics of the VAT system are based on a subtractive or credit-input method which allows the vendor to deduct the tax incurred on expenses in the furtherance of the enterprise activity (input tax) from the tax collected on the supplies made by the enterprise (output tax). The effect is that even though VAT is ultimately borne by the final consumer of goods and services, it is collected and paid over to SARS by registered VAT vendors. The difference

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149 If a person chooses to register voluntarily, that person will have to carry out all the duties of a vendor, as is the case with compulsory registration. These include charging VAT, submitting returns, making VAT payments on time and keeping proper records for at least five years.

150 Persons supplying "commercial accommodation" are currently subject to a specific minimum threshold for voluntary registration of R120 000 and not R50 000.

151 See the regulations issued under section 23(3)(*b*)(ii) and 23(3)(*d*) in Government Notices R446 and R447 respectively, which were published in *Government Gazette* 38836 of 29 May 2015.

152 Section 17(1) of the VAT Act.

153 See the *VAT Rulings Process: Reference Guide* and VAT Connect 10 (March 2020) for more details.

between the input tax[154] and output tax in a tax period is the VAT that must be paid to SARS, or if the input tax exceeds the output tax in a tax period, SARS will refund the difference to the vendor.

A recipient of imported services is liable to declare and pay the VAT to SARS only if the services are acquired from a non-resident for non-taxable purposes. If the recipient is registered for VAT, the taxable amount of any imported services must be declared in Block 12 of the VAT 201 return and paid together with any other VAT which may be due by that vendor for the tax period concerned. Non-vendors must obtain form VAT 215 from **SARS website**, complete and retain form VAT 215 and make payment on eFiling in respect of any VAT on imported services. . Non-vendors that encounter problems when making payments on eFiling must contact SARS via the **importedservices@sars.gov.za** e-mail address, for assistance.[155] Prior to 24 December 2024, VAT on imported services had to be accounted for and paid within 30 days of the earlier of receipt of the invoice issued by the supplier or the recipient or the time any payment is made by the recipient in respect of that supply. With effect from 24 December 2024, the 30-day period has been extended to 60 days.

For more information on VAT registration and the collection and payment of VAT see *VAT 404 – Guide for Vendors.*

11.4 Application of value-added tax to supplies and imports

Most supplies of goods or services by vendors are subject to VAT at the standard rate which is the default if the supply is not exempt or zero-rated. The standard rate also applies to most imports of goods into South Africa and any services which fall into the definition of "imported services." The standard rate would not apply in instances when the goods imported qualifies for an exemption.

Zero-rated supplies and exempt supplies are listed and dealt with in sections 11 and 12 of the VAT Act respectively. Sections 13 and 14 of the VAT Act deal with exemptions and exclusions relating to the importation of goods and imported services respectively. Schedule 1 to the VAT Act lists the specific exemptions and the relevant rebate item numbers for goods which qualify for exemption on importation into South Africa.

See **11.5** and **11.6** for some examples of zero-rated and exempt supplies of goods and services and exempt imports.

For more information regarding the importation of goods into South Africa, see and the Customs guide *Value-added tax Levied on the Importation of Goods into South Africa*.

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[154] A vendor may also claim some other non-input tax deductions on the VAT 201 return against the output tax, but for the purposes of this guide they are not dealt with separately.

[155] For more information on the completion of VAT 215 form and payment of VAT on imported services see *External Guide – Manage Value-Added Tax on Imported Services*.

11.5 Zero-rated supplies

The following are some examples of goods and services which are subject to VAT at the zero rate:

- Goods exported[156] from South Africa
- International transport and related services
- Services physically rendered outside South Africa
- Certain goods supplied to customs controlled area enterprises, SEZ enterprises, or SEZ operators situated in any customs controlled area
- Petrol, diesel and illuminating paraffin
- Certain gold coins issued by the South African Reserve Bank, including Krugerrands
- Services physically rendered outside South Africa
- Goods consisting of sanitary towels (pads)[157], subject to specific conditions in Part C of Schedule 2 to the VAT Act.
- Certain basic foodstuffs supplied for human consumption, including the following:
    - Brown bread
    - Certain types of maize meal
    - Samp
    - Mealie rice
    - Dried mealies
    - Dried beans
    - Rice
    - Lentils
    - Fresh fruit and vegetables
    - Tinned pilchards or sardinella
    - Milk, cultured milk and milk powder
    - Vegetable cooking oil, excluding olive oil
    - Hen's eggs
    - Edible legumes and pulse of leguminous plants
    - Certain dairy powder blends
    - Cake wheat flour and white bread wheat flour.[158]

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[156] The zero-rating is subject to the parties meeting the relevant requirements set out in Interpretation Note 30 "The Supply of Movable Goods as Contemplated in Section 11(1)(*a*)(i) read with Paragraph (*a*) of the Definition of 'Exported' and the Corresponding Documentary Proof" (IN 30) with regard to direct exports and Regulation 316 in *Government Gazette* 37580 of 2 May 2014 with regard to indirect exports.

[157] The zero rate applies with effect from 1 April 2019.

[158] As defined in Regulation 1 of the Regulations in terms of Government Notice R.405 in *Government Gazette* 40828 of 5 May 2017. The zero rate applies with effect from 1 April 2019.

Some of the basic food items listed above are subject to specific conditions as set out in the relevant item descriptions in Part B of Schedule 2 to the VAT Act.

Certain agricultural products such as animal feed, seedlings and fertilisers which are for use in farming enterprises are zero rated when supplied to VAT registered farmers. The VAT Act has, however, been amended to remove this zero rating with effect from a future date determined by the Minister by notice in the *Gazette*.[159]

The effect of applying the zero rate of VAT means that the purchaser does not pay any VAT to the vendor making the supply. However, as zero-rated supplies are regarded as taxable supplies, it means that the VAT incurred by the vendor to make those zero-rated supplies may generally be deducted as input tax, subject to the required documents such as valid tax invoices being held.

For more information on zero rated supplies see paragraph 6.3 of the *VAT 404 – Guide for Vendors*.

11.6 Exempt supplies

The following are some examples of goods and services which are exempt from VAT:

- Financial services (such as the provision of credit, the supply of cryptocurrency, life insurance, the services of benefit funds such as medical schemes, provident, pension and retirement annuity funds), provided that the consideration payable in respect of such financial services is not a fee, commission or similar charge. [160]
- Services provided to members in the course of managing body corporates, share block companies, housing development schemes for retired persons, and home-owners associations that are paid for out of levy contributions by the members.[161]
- Public transport of fare-paying passengers and their personal effects by road and rail.
- The supply of residential accommodation (that is, a dwelling)[162] under a lease agreement.
- Certain educational services provided by recognised educational institutions such as primary and secondary schools, public and private colleges and universities.
- Certain supplies of goods or services made by an employee organisation, bargaining council or political party to any of its members, subject to certain conditions.
- Childcare services provided at crèches and after-school care centres.

Unlike zero-rated supplies, an exempt supply does not qualify as a taxable supply. This means that a person that only makes exempt supplies may not register as a vendor. As a result, no output tax may be charged on any exempt supplies and no input tax may be deducted if any VAT was incurred in order to make those exempt supplies. This rule applies even if the person is registered as a vendor in respect of other taxable supplies made.

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[159] As at the time of updating this guide, the notice had not yet been issued by the Minister.

[160] See the *VAT 404 – Guide for Vendors* and *Commissioner for the South African Revenue Services v Tourvest Financial Services (Pty) Ltd* (Case no 435/2020) [2021] ZASCA 61 (25 May 2021).

[161] The members may, however, apply to SARS in writing to elect for the exemption not to apply. The exemption does not apply to property time-sharing schemes.

[162] A place used (or intended to be used) predominantly as a place of residence or abode by a natural person, but excludes a place used to supply “commercial accommodation”.

A vendor that makes both taxable and exempt supplies (or carries on other non-taxable activities) may only deduct input tax to the extent that taxable supplies are made. As mentioned earlier, the input tax in that case must be apportioned using an approved method. The only pre-approved method which may be used to apportion VAT incurred for mixed purposes without specific prior written approval from the Commissioner is the standard turnover-based method.[163]

For more information on exempt supplies see Chapter 7 of the *VAT 404 – Guide for Vendors*.

11.7 Refunds to tourists, diplomats and exports to foreign countries

11.7.1 Tourists

Goods consumed and services rendered in South Africa, do not qualify for a VAT refund. However, any qualifying purchaser (including a foreign tourist) may obtain a refund from the VAT Refund Agency (VRA) in respect of any VAT paid on goods purchased whilst in South Africa if those goods are subsequently removed from the country. In order to obtain a refund, the qualifying purchaser must remove (export) the goods when departing from South Africa and must have the goods available for inspection by Customs at the point of departure as well as by the VRA (if the VRA is present at the point of exit). The qualifying purchaser must be in possession of a valid tax invoice issued by a registered VAT vendor relating to the goods removed as well as the proof of payment (amongst others).[164]. An administration fee is levied by the VRA for processing the refund. This fee may change from time-to-time. For more details in this regard, see the VRA details provided below.

The VRA will process the refund if the qualifying purchaser exits South Africa via any of the international airports situated in Johannesburg (OR Tambo), Durban (King Shaka International) and Cape Town (Cape Town International). However, if the qualifying purchaser exits the country via any other designated commercial port, the refund application must be posted to the VRA after leaving the country.

For more information on VRA refunds see the VRA pamphlet which is available from all of South Africa's International Airports or the VRA's website **https://vatrefundagency.co.za**. The VRA e-mail addresses are **info@vatrefundagency.co.za** and **support@vatrefundagency.co.za**.

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

- The purchaser must be a qualifying purchaser.
- The goods must be exported within 90 days from the date of the tax invoice.
- The VAT-inclusive total of all purchases exported at one time must exceed the minimum of R250.
- The request for a refund, together with the relevant documentation, must be received by the VRA within three months of the date of export.[165]

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163 See **11.3.2** and BGR 16.

164 See Government Notice R.316 for further information on the required documentation.

165 In certain exceptional cases, an extension of the period may be allowed, provided the exporter has obtained prior written permission from the Commissioner. The written request must be received by SARS before to the expiry of the 90-day period. However, a late application may be considered if the applicant is not more than 30 days late, and is able to prove that the refund claim is late due to "circumstances beyond the control" of the claimant, or due to "exceptional commercial delays" as defined.

- The goods must be exported through one of the 43 designated commercial ports by the qualifying purchaser or the qualifying purchaser's cartage contractor.

For more information on the documentary requirements, the export timeframes and the procedures involved in obtaining a refund, see the Export Regulations[166] and the Tax Refund Information pamphlet which is issued by the VRA and is available from all of South Africa's International Airports or the VRA's website vatrefundagency.co.za.

11.7.2 Diplomats and diplomatic and consular missions

Relief from VAT incurred in South Africa is granted to certain persons and missions that are accredited with diplomatic status if the expenses meet certain requirements. Typically, these would be expenses incurred for official diplomatic or consular purposes. The relief is granted in the form of a periodic refund. This arrangement is effected by way of registration for VAT and the submission of returns on which the refundable amount for the period is indicated. This procedure applies to diplomatic missions, consular posts, international organisations accredited to the South African government, heads of state, and special envoys and transferred representatives.

VAT refunds on any goods purchased by diplomats whilst in South Africa which are subsequently exported are dealt with by the VRA as described in **11.7.1**.

11.7.3 Exports to foreign countries

Direct exports are usually subject to VAT at the zero rate. A direct export is when the supplying vendor (the supplier) consigns or delivers movable goods to a recipient at an address in an export country. The supplier is in control of the export and the zero rate of VAT will apply if the requirements stipulated in Interpretation Note 30 "The supply of movable goods as contemplated in section 11(1)(*a*)(i) read with paragraph *(a)* of the definition of "exported" and the corresponding documentary proof" are met. A vendor may therefore apply the zero rate of VAT, subject to the supplier obtaining and retaining the prescribed export documents which are acceptable to the Commissioner.

Indirect exports are currently regulated by the Export Regulations. An indirect export is when the recipient, or the agent of the recipient, receives delivery of the goods in South Africa and subsequently removes (exports) the goods from the country. In certain circumstances the vendor supplying the goods may elect to apply the zero rate of VAT under Part 2 of the Export Regulations on certain indirect exports delivered to designated commercial ports in South Africa, and provided that the vendor obtains and retains the proof of export as required. If an indirect export is subject to VAT at the standard rate, the qualifying purchaser may claim a refund from the VRA as set out in the Export Regulations. Alternatively, the vendor may elect to zero-rate the supply of the movable goods, subject to certain requirements set out in the Export Regulations.

Certain goods delivered by a vendor to the owner or charterer of any foreign-going ship or foreign-going aircraft are also considered to be exported if the goods are for use or consumption in the ship or aircraft whilst travelling to a destination outside of South Africa. The VAT on goods purchased in South Africa by a non-resident or a foreign enterprise may also be refunded by the VRA if the goods are subsequently exported (see in **11.7.1**).

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

For more information on the zero-rating of exports, see Chapter 12 of the *VAT 404 – Guide for Vendors*.

12. Customs administration and formalities

12.1 Introduction

In South Africa imported or locally-manufactured goods are classified according to the Harmonised System. The Harmonised commodity description and coding system is a multi-purpose international product nomenclature developed by the World Customs Organisation (WCO). It is often simply called Harmonised System and abbreviated as HS. The specific classification will determine what the rate of duty is for a specific commodity and whether it will attract additional duties or levies.

The policy on tariffs applicable on importation into South Africa is set by the International Trade Administration Commission under the authority of the Department of Trade, Industry and Competition.

Customs duties are imposed in terms of the Customs and Excise Act. The duties are levied on imported and exported goods with the aim of regulating trade and protecting the local market. The duties are usually calculated as a percentage of the value of the goods (set in the Schedules to the Customs and Excise Act). However, meat, fish, tea, certain textile products and certain firearms attract rates of duty calculated either as a percentage of the value or as cents per unit (for example, per kilogram or metre).

Additional specific and *ad valorem* excise duties, environmental levies, fuel levies and health promotion levies are imposed on imports of goods for local consumption that are equivalent to domestically manufactured goods which are subject to these taxes. These excise duties and levies are imposed in terms of the Customs and Excise Act with the aim of raising revenue and to promote desirable socio-economic outcomes.[167]

Indirect taxes imposed on imported goods

Four kinds of indirect (consumption) taxes are imposed on imported goods:

- Customs duties
- Excise duties and levies
- Anti-dumping, safeguard and countervailing duties
- VAT (which is also collected on goods imported and cleared for home consumption)

Anti-dumping, safeguard and countervailing duty

Anti-dumping, safeguard and countervailing duties are levied under section 55 of the Customs and Excise Act on –

- goods considered to be "dumped" in South Africa;
- instances in which there has been a surge of imports causing injury; and
- subsidised imported goods.

[167] See the *External Standard - Ad Valorem Excise Duty*.

These goods are the subject of investigations into pricing and export incentives in the country of origin. The rate imposed depends on the result of the investigations. These duties are either levied on an *ad valorem* basis (as a percentage of the value of the goods) or as a specific duty (as cents per unit).

The amount and type of duty imposed on a product is determined by the following main criteria:

- The value of the goods in terms of section 65 of the Customs and Excise Act (the customs value)
- The volume or quantity of the goods
- The tariff classification of the goods (the tariff heading) in terms of the Harmonised System

South Africa is a signatory to the Southern African Customs Union (SACU) Agreement. SACU consists of the Governments of the Republic of Botswana, the Kingdom of Lesotho, Republic of Namibia, South Africa and Eswatini.

The SACU Agreement, which is currently in place, was published in Notice R.800 in *Government Gazette* 26537 of 2 July 2004 and came into operation from 15 July 2004.

The effect of the SACU Agreement is that a Common Customs Area has been created within which goods that are grown, produced or manufactured, on importation from one of the member states to another, shall be free of customs duties and quantitative restrictions (see Article 18.1). It does not have the effect that the restrictions on imports or exports in accordance with any national laws for the protection of the local industries or products in the relevant member state are not being enforced.

This Common Customs Area also has a Common Revenue Pool,[168] in which all customs and excise duties collected by the different Member States, are paid within three months of the end of the quarter of a particular financial year.[169] SACU Member States are then paid from this pool and the share of each member state is calculated from the different components according to a specific formula. Country-specific levies such as South Africa's environmental levies, fuel levies and health promotion levies do not form part of these SACU revenue sharing arrangement.

A trade agreement providing for preferential rates of customs duty is applied between SACU and other Member States of the Southern African Development Community (SADC). A number of non-reciprocal preferential arrangements are applied to products exported from the region to developed countries. South Africa has also entered into agreements on mutual administrative assistance with a number of countries. These agreements cover all aspects of assistance in the prevention and combating of customs fraud, including the exchange of information as far at the Customs and Excise Act allows, technical assistance, surveillance, investigations and visits by officials from other Customs Administrations.

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[168] See Article 19 of the 1969 Agreement.

[169] See Articles 32 and 33 of the current Agreement.

12.2 Trade agreements

SARS administers a number of trade agreements or protocols or other parts or provisions of it, and other international instruments, according to sections 46, 46A and 49 of the Customs and Excise Act, which are enacted into law when published by Notice in the *Gazette*.

The full texts of these types of agreement are contained in Schedule 10 to the Customs and Excise Act, and include the following:

- Treaty of the Southern African Development Community and Protocols concluded under the provisions of Article 22 of the Treaty **(SADC Treaty & Protocols)**
- Southern African Customs Agreement between the Governments of the Republic of Botswana, the Kingdom of Lesotho, the Republic of Namibia, South Africa and Eswatini **(SACU)**
- Free Trade Agreement between the European Free Trade Association (EFTA) States and the SACU States **(EFTA SACU)**
- The Southern Common Market commonly known by the abbreviation MERCOSUR, comprising of Argentina, Brazil, Paraguay and Uruguay and the South African Customs Union (SACU) comprising of Botswana, Lesotho, Namibia, South Africa and Eswatini **(MERCOSUR – SACU)**
- Economic Partnership Agreement between the SADC Economic Partnership Agreement States, of the one part, and the European Union and its member states of the other part **(SADC – EU EPA)**
- Economic Partnership Agreement between the Southern African Customs Union Member States and Mozambique, of the one part, and The United Kingdom of Great Britain and Northern Ireland, Of the other part **(SACUM – UK EPA)**
- Agreement Establishing the African Continental Free Trade Area and its Protocols, Annexes and Appendices which shall form an integral part thereof **(AfCFTA)**

Other trade agreements which are not part of Schedule 10 to the Act include the following:

- African Growth Opportunity Act **(AGOA)**
- Agreement between the Governments of the Republic of South Africa and the Republic of Malawi **(RSA Malawi)**
- Agreement between the Governments of the Republic of South Africa and the Republic of Southern Rhodesia **(RSA Southern Rhodesia (Zimbabwe))**
- Generalized System of Preferences Norway **(GSP Norway)**
- Generalized System of Preferences Russia, Belarus and Kazakhstan **(GSP Russia, Belarus and Kazakhstan)**
- Generalized System of Preferences Turkey **(GSP Turkey)**

12.3 Duties

12.3.1 Customs duty

The Customs division plays an integral role in the facilitation of movement of goods and people entering or exiting the borders of South Africa.

The Customs mandate and priorities are to:

- Provide border control management, community protection and Industry protection
- Administer trade policy measures and industry schemes; and
- Collect revenue

Customs duty is levied on imported goods under section 47 of the Customs and Excise Act. This duty, if expressed as a percentage (*ad valorem*), is always calculated as a percentage of the value of the goods. However, with certain agricultural products the duty is expressed as a specific rate, for example, cents per kilogram and cents per litre based on the volume of the goods.

12.3.2 Excise duties and levies

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

These specific and *ad valorem* excise duties, environmental levies, fuel levies and health promotion levies are imposed with the aim of raising revenue and to promote desirable socio-economic outcomes. For example, *ad valorem* excise duties enhance the progressivity of the indirect (consumption) taxes, while specific excise duties and the various levies discourage both the production and consumption of products that cause harm to health or the environment. These excise duties and levies are generally rebated or refunded when such goods are applied in further manufacture or exported. For example, the fuel levy on diesel is partly refunded to primary producers in farming, forestry and mining subject to strict conditions.

The revenue generated by these excise duties and levies contribute approximately 10% to the total revenue received by SARS.

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

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

The levies do not form part of SACU tax harmonisation and revenue sharing and are unique to each SACU member state. South Africa imposes levies on the following products:

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

Manufacturers of these products in South Africa must register and licence with SARS for Excise purposes before they commence manufacture.

These duties and levies are self-assessed by the client per periodic excise return and, depending on the product, paid to SARS on either a monthly, quarterly or annual basis.

12.4 Value-added tax on imported goods

VAT is levied at the standard rate on the importation of goods into South Africa from export countries, including Botswana, Lesotho, Namibia and Eswatini. However, certain goods which are listed in Schedule 1 to the VAT Act are exempt from VAT upon importation.

For VAT purposes the value to be placed on the importation of goods into South Africa is the value of the goods for customs duty purposes, plus any duty levied under the Customs and Excise Act on the importation of those goods, plus a further 10% of the said customs value. The value of any goods which have their origin in Botswana, Lesotho, Namibia and Eswatini and which are imported into South Africa from any of those countries is not increased by the factor of 10% as is the case for imports from other countries.[170]

12.5 Customs value

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

In determining the customs value, SARS pays particular attention to the relationship between the buyer and seller, payments outside of the normal transactions, for example, royalties and licence fees and restrictions which have been placed on the buyer. These aspects can result in the price paid for the goods being increased for the purpose of determining a customs value and thus directly affecting the customs duty payable. In determining the value for customs duty purposes, the provisions of sections 65, 66 and 67 of the Customs and Excise Act must be considered.

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[170] See the customs guide *Value-added Tax Levied on the Importation of Goods into South Africa* for more information.

12.6 Clearance declarations

Customs declarations made at the time of importation and exportation must be accurate and correct.[171] The acceptance of such declarations must not be construed as acceptance of the information provided as being correct. Declarations and related documents must normally be retained for five years.[172] In the event that errors are detected or false declarations are made, the Customs and Excise Act provides for the forfeiture of the goods as well as for severe penalties, whether duties were payable or not.[173] In instances of fraud, or general criminality, offenders may be prosecuted.

Under section 59A and the corresponding rules of the Customs and Excise Act, importers and exporters of goods to and from South Africa for commercial purposes must register with SARS for that purpose.

The following persons are excluded from formal registration requirements and may make use of registration code 70707070:

- A person, including a traveller, who imports or exports goods other than goods referred to in Part 6 of Schedule 1, of which the total value required to be declared is less than R150 000 during any calendar year, whether such goods are imported or exported in one or more consignments.
- A person who imports or exports goods classifiable under tariff subheading 9999.00.10 or 9999.00.20 as contemplated in the notes to Chapter 99 of Schedule No.1.
- A person who is not a South African citizen who exports a motor vehicle registered in the Republic to a non-SACU country of destination for personal use.

12.6.1 Rebates on importation of goods

Schedule 3 to the Customs and Excise Act provides for industrial rebates and Schedule 4 to the Customs and Excise Act provides for, amongst others, general rebates on the payment of customs duty on importation under very specific conditions. An example of an industrial rebate under Schedule 3 is the Automotive Production and Development Programme (APDP) whereas a rebate of duty on the re-importation of imported or locally-manufactured goods that were sent abroad for processing, finishing, repairs is an example of a Schedule 4 rebate.

Other examples of general rebates are –

- rebates of customs duties on the importation of goods by handicapped persons;
- diplomats, as passengers' baggage; and
- personal and household goods on change of residence.

[171] Section 38 of the Customs and Excise Act.
[172] Section 101 of the Customs and Excise Act.
[173] Section 91 of the Customs and Excise Act.

12.7 Persons entering or leaving South Africa

Section 15 of the Customs and Excise Act states that upon arrival in or departure from South Africa a traveller shall unreservedly declare to Customs all goods in their possession by completing a traveller card (TC-01 form).

The following Customs channels must be followed, depending on the circumstances:

- In the event that a traveller has any prohibited or restricted goods or goods which fall outside the duty-free allowance in his or her possession or if there is uncertainty on whether any goods fall within these categories, this person must proceed to the red channel.
- If the traveller does not have any prohibited or restricted goods, any commercial goods (imported for trade purposes) or gifts that are carried on behalf of others in his or her possession or if the goods fall within the duty-free allowance, the traveller may proceed to the green channel, unless instructed otherwise by a customs official. A customs official may stop, question, inspect goods or search a traveller at any time while in the red or green channel.

If travellers have something to declare, they have the option to clear it using the new traveller management system (where implemented) or submitting the manual traveller cards (TC-01) and traveller declaration (TRD1). The TC-01 and TRD1 are supported by verbal declarations which are captured on the Passenger processing system (PPS) by a Customs officer. The TRD1 will also be used as the temporary import permit (TIP) and the temporary export permit (TXP).

If the traveller is satisfied with the TRD1 information captured on the PPS, an electronic signature pad will have to be signed and the traveller's signature will be captured on the system. The signed TRD1 will then be printed and given to the traveller.

Certain prohibitions and restrictions on imported goods (section 113 and 113A)

The importation of the following goods into South Africa is strictly prohibited:

- Narcotic and habit-forming drugs in any form
- Fully automatic, military and unnumbered weapons
- Explosives and fireworks
- Poison and other toxic substances
- Cigarettes with a mass of more than 2kg per 1 000
- Goods to which a trade description or trademark is applied in contravention of any Act (for example, counterfeit goods)
- Unlawful reproductions of any works subject to copyright
- Penitentiary or prison-made goods

Certain goods may be imported only if the traveller is in possession of the necessary authority or permit. Examples are the following:

- Firearms or Weapons
- Gold coins
- Unprocessed minerals (for example, gold and diamonds)

- Animals, plants and their products (for example, animal skins, dairy products and honey)
- Medicine (excluding sufficient quantities for three months for own personal treatment accompanied by a letter or certified prescription from a registered physician)
- Herbal products (Department of Health permit required)

Handmade articles for commercial purposes

Travellers from SACU or the SADC member states are allowed to bring into South Africa handmade articles of leather, wood, plastic, or glass if the goods do not exceed 25kg in total, without the payment of duties and taxes.

Flat-rate assessment

Over and above the duty-free allowance, a traveller may elect to pay customs duty at a flat-rate of 20% on goods acquired abroad or in any duty-free shop.

The total value of these additional goods, new or used, may not exceed R20 000 per person or R2 000 for crew members. Goods assessed at the flat-rate are also exempted from the payment of VAT.

Should the value of the additional goods in question exceed R20 000 or should the traveller decide not to make use of this facility, the flat-rate assessment falls away and the appropriate rates of duty and VAT must be assessed and paid on each individual item.

It must, however, be noted that the application of this provision is subject to the total value of goods declared under the entire rebate item not exceeding R25 000. In other words, all consumables, the duty-free allowance of R5 000 and the items to be assessed on the flat rate must in value not exceed R25 000.

The duty-free allowance shall only apply to accompanied passengers' baggage declared by returning residents and non-residents visiting South Africa for personal use or to dispose of as gifts.

The 20% flat rate is only applicable during a period of 30 days and shall not apply to goods imported by persons returning after an absence of less than 48 hours.

In addition to the above, the flat-rate assessment will also apply in the following circumstances.

(a) Goods imported by persons who are not residents of South Africa

Personal effects and sporting and recreational equipment, new or used, imported either as accompanied or unaccompanied passenger’s baggage, for own use during the stay in South Africa.

(b) Goods imported by persons who are residents of South Africa

Personal effects and sporting and recreational equipment, new or used, exported by residents of South Africa for their own use while abroad and subsequently re-imported either as accompanied or unaccompanied passenger’s baggage.

(c) Limits on certain goods

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

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

Consumables imported in excess of the quantities stipulated above will be assessed for customs duty at the applicable rates and VAT will be payable on such items at the standard rate.

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

The duty-free allowance for such goods (new or used) imported for personal use remains applicable for any such goods up to a value of R20 000, notwithstanding the fact that the total of such goods may exceed that amount.

The traveller will be entitled to these allowances once per person during a period of 30 days after an absence of 48 hours from South Africa.

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

Currency

Currency brought into or taken from South Africa is subject to the Reserve Bank Exchange Control Regulations and the FIC Act,[174] travellers entering or leaving South Africa must declare South African or foreign currency or any other monetary instruments equal or more than R25 000 to a customs officer.

[174] 38 of 2001.

Payments

Customs duties and taxes are payable in South African Rand. Payment can be made through EFT, credit card or a customs branch office.

Should a traveller have any questions on or uncertainty about the amount of duty or tax paid or payable or on any other matter relating to interactions with a customs official, the traveller may approach the senior customs officer in charge

Temporary imports

Travellers may be required to lodge a cash deposit to cover the potential duty or tax on expensive articles being brought into the country on a temporary basis. Upon departure from the country, the deposit will be refunded to the traveller after a customs officer has physically inspected the items and verified that the goods being exported are those initially imported. Visitors must notify the Customs office where the deposit was lodged at least two days before leaving to ensure that the refund is ready.

In the event that a traveller leaves from a port other than the port at which the deposit was lodged, the inspection report confirming the re-exportation of the items will be forwarded to the latter office and the deposit will be made to the traveller electronically.

Media or sportsmen

A journalist or sportsman bringing goods into the country, such as photographic or sports equipment, must declare these items in the Customs red channel after arriving in South Africa.

Professional equipment must be cleared under Rebate Item 480.15 or through the ATA Carnet system.

Conference organisers

A traveller who brings goods into the country for a conference, such as pamphlets, brochures and banners needs to comply with the following requirements:

- If these goods are accompanying the traveller, the same process followed by normal travellers must be followed.
- If the goods constitute unaccompanied baggage, the traveller must declare the items on a DA 306 form. This form must be completed before arrival in South Africa and must be submitted to the nearest Customs office upon arrival in the country. This is a simplified clearance procedure for goods with no commercial value, that is, goods which will not be sold in the country.[175]

12.7.1 Goods imported without the payment of customs duty and which are exempt from value-added tax

(a) Children under 18 years of age

Children under 18 years may also claim duty-free allowances and exemption from VAT (referred to above) on goods imported by them with the exception of alcohol and tobacco products, whether or not they are accompanied by their parents or guardians and provided the goods are for their personal use.

[175] See *Traveller's Guide – Customs Requirements when Entering and Leaving South Africa* for more information.

Parents or guardians may make customs declarations on behalf of minors.

(b) Crew members

A member of the crew of a ship or aircraft (including the master or pilot) is entitled to a rebate of duty and exemption from VAT if such member returns to South Africa permanently and provided the total value of new or used goods declared for personal use does not exceed R700. With additional goods, new or used, the rebate of duty and exemption from VAT applies provided the total value of such goods declared for personal use does not exceed R2 000.

The allowances in paragraphs **a)** and **b)** may only be claimed at the time of entry into South Africa, thus at the place where those persons disembark or enter the country, and under the conditions prescribed.

The allowances will also only be allowed once per person during a period of 30 days and shall not apply to goods imported by persons returning after an absence of less than 48 hours.

12.8 Declarations on single administrative document

Namibia, Botswana and South Africa entered into a Memorandum of Understanding (MOU), with the key objective of fostering trade facilitation with a pivotal component being the rationalisation of procedures and forms by the three customs administrations.

The Single Administrative Document (SAD) was permanently introduced as the document to be used for the clearance of goods removed through the border posts.

International best practice, culminating in the rationalisation of customs information requirements in the World Customs Organisation's (WCO) Data Model, is the key driving force for a single clearance document. The adoption of the SAD is moreover in line with SARS's Service Charter, to make customs clearance easier and more convenient for importers, exporters and cross-border traders.

12.9 Goods accepted at appointed places of entry

Goods imported into South Africa are accepted at places of entry appointed as such by the Commissioner under section 6 of the Customs and Excise Act, which include –

- customs-appointed harbours under Rule 200.01;
- commercial ports of entry for the import and export of goods between South Africa and BELN under Rule 120A.03;
- customs-appointed airports are listed in Rule 200.05; and
- goods imported or exported by post is dealt with in section 13 of the Customs and Excise Act.

12.10 Cargo entering South Africa

Under section 8 of the Customs and Excise Act, a cargo manifest relating to those goods must be produced when cargo enters South Africa. These manifests reflect all the goods imported. All the goods must be accounted for by means of bills of entry. If importers or owners of imported goods fail to enter their cargo for customs purposes the goods may be detained and removed to the state warehouse.

12.11 State warehouses

State warehouses are regulated by section 17 of the Customs and Excise Act for the security of goods. The main purpose of the state warehouses is to protect duty and VAT which may be due. The reason for such safekeeping may include goods not entered for customs purposes, abandoned goods, seized goods or goods detained provisionally for specific reasons subject to compliance with requirements for import or export. When the importer or owner of goods has complied with all customs or other requirements, release of the goods may be granted upon payment of the applicable state warehouse rent. Unclaimed goods may be sold on public auction after a prescribed period from the date on which the goods were taken up in the state warehouse and the proceeds are applied in discharge of any duties, VAT or other expenses relating to those goods.

12.12 Importation of household effects by immigrants or returning residents

Bona fide household effects may be imported, free of duty and exempt from the VAT normally levied on importation, provided that the importer's residence is changed to South Africa and the goods are not disposed of within 6 months from the date of entry.

Importers such as contract workers and students may also import their *bona fide* household effects under rebate of duty and exempt from VAT. The requirement would, however, be that household effects are re-exported or sold locally once the work contract or studies are concluded. This is subject to the household effects not been sold, lent, hired or disposed of in any manner within six months from importation. Importers taking up temporary residence in South Africa on a continual basis, for example, people with holiday homes, do not qualify for this rebate.

12.13 Motor vehicles

Natural persons changing their residence on a permanent basis to South Africa may import one motor vehicle into South Africa, free of duty and exempt from VAT. Such person would need to qualify and comply with the provisions of Rebate Item 407.04.

12.14 Motor vehicles imported on a temporary basis

Motor vehicles used in South Africa by tourists may be imported under rebate of duty and are exempt from VAT for three months which may be extended to six months. A deposit may be called for to cover the VAT on importation either in part or in full, which is refundable when such goods are exported. After six months the motor vehicles must be re-exported.

13. Excise duties and levies

13.1 Specific excise duties (Part 2A of Schedule 1 to the Customs and Excise Act)

Specific excise duties are levied on certain locally-manufactured products and their imported equivalents consumed locally. The duties are assessed on the specific quantity or volume of excisable products as manufactured or imported. Such products include alcoholic beverages, tobacco products and petroleum products.

The following are some of the excisable products and their respective specific duty rates with effect from 12 March 2025:[176]

Alcoholic Beverages	**Rate of duty**
Malt beer	R145.07/li of absolute alcohol

Alcohol	**Rate of duty**
Traditional African beer	7.82 c/l
Spirits and spirituous beverages	R292.91/li of absolute alcohol
Sparkling wine	R19.03/li
Fortified wine	R10.04/li
Unfortified wine	R5.95/li
Traditional African beer powder	34.7 c/kg

Tobacco	**Rate of duty**
Cigarettes	R11.40/10 cigarettes
Pipe tobacco	R321.37/kg net
Cigarette tobacco	R512.62/kg
Cigars	R5843.68/kg net
Heated tobacco products	R8.55/10 sticks
Other tobacco products	R1069.17/kg

[176] See the *Guide for Tax Rates/ Duties/ Levies* for previous duty rates.

13.2 Ad valorem excise duties (Part 2B of Schedule 1 to the Customs and Excise Act)

Ad valorem excise duties are levied on certain locally manufactured non-essential or luxury products and imported goods of the same class or kind that are consumed locally. The duty is assessed on the value of such excisable products upon manufacture or importation. Such products include, amongst others, motor vehicles, cell phones, gaming and vending machines, cosmetics and television receivers.

The following are some of the excisable products and their respective *ad valorem* duty rates with effect from 1 April 2019 to date.

Ad valorem products

Products	**Rate of duty**
Perfumes and toilet waters	9%
Beauty or make-up preparations and preparations for care of the skin	7%
Fireworks	9%
Apparel or clothing accessories of fur skin or artificial fur skin	9%
Air conditioning machines for buildings	9%
Line telephones with cordless handsets, loudspeakers and amplifiers, sound and video recording or reproducing apparatus and cellular telephones	9%
Cellular telephones, still image video cameras, other video camera recorders and digital cameras	9%
Domestic radio-broadcast receivers, reception apparatus for television, video monitors and video projectors	9%
Motor vehicles (sliding scale)	Max 30%
Motorcycles (200 – 800cc)	7%
Motorcycles exceeding 800cc	9%
Water scooters	9%
Firearms	9%
Golf balls	9%

Note: The list is not exhaustive.

Manufacturers and holders of both these specific excise duty and *ad valorem* excise duty products, on which duty has not yet been assessed or paid, must license warehouses with the local controller of customs and excise before the start of such manufacturing or holding.

13.3 Fuel levy and Road Accident Fund levy (Parts 5A and 5B of Schedule 1 to the Customs and Excise Act)

These levies are imposed on distillate fuel (diesel), aviation kerosene, illuminating kerosene, petrol and hydrocarbon solvents manufactured in or imported into South Africa.

In SACU, the fuel levy and the Road Accident Fund levy are charged only in South Africa and are over and above the specific excise duty charged on certain petroleum products.

The following are some of the fuel levy products and their respective levy rates with effect from 4 June 2025:[177]

Fuel levy products	Rate of levy
Petrol (leaded and unleaded)	401c/li
Aviation kerosene	Free
Illuminating kerosene (marked)	Free
Illuminating kerosene (unmarked)	402c/li
Distillate fuel (diesel)	402c/li
Road accident fund levy on petrol and diesel	218c/li

The fuel levy comprises of the general fuel levy plus the carbon fuel levy. The rates thereof on petrol versus diesel, unmarked kerosene and unmarked hydrocarbon solvents with effect from 3 April 2024 are:

- The general fuel levy at a rate of 385c/l and 370c/l respectively
- The carbon fuel levy at a rate of 14c/l and 17c/l respectively.

13.4 Environmental levy

An environmental levy is collected on specific products to encourage more environmentally sustainable business and consumer practices.

(a) Plastic bags (Part 3A of Schedule 1 to the Customs and Excise Act)

A levy is charged on certain plastic carrier bags and flat bags (bags generally regarded as “grocery bags” or “shopping bags”).

Local manufacturers of such bags must license their premises as manufacturing warehouses with their local Customs and Excise Office and submit quarterly excise accounts to such Controller.

Payment of this levy is additional to any customs or excise duty payable under Part 1 or Part 2 of Schedule 1 to the Customs and Excise Act. The current levy is 32 cents per bag.

Plastic bags used for immediate wrapping or packaging, zip-lock bags and household bags including refuse bags and refuse bin liners are excluded from paying this levy.

[177] See the *Guide for Tax Rates/ Duties/ Levies* for previous levy rates.

(b) Non-renewable electricity generation (Part 3B of Schedule 1 to the Customs and Excise Act)

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

Electricity must be generated in a licensed customs and excise manufacturing warehouse in accordance with the provisions of Chapter VA and the rules to the Customs and Excise Act.

Renewable electricity generated under certain circumstances as outlined in Note 2 in Part 3B of Schedule 1 to the Customs and Excise Act will not be liable for this levy.

The current levy is 3,5 cents per kWh.

(c) Electric filament lamps (Part 3C of Schedule 1 to the Customs and Excise Act)

A levy is charged on electric filament lamps to promote energy efficiency and to reduce the demand on electricity.

This levy is additional to any customs or excise duty payable under Part 1 or Part 2 of Schedule 1 to the Customs and Excise Act. The current levy is R20 per lamp.

(d) Carbon dioxide emissions of motor vehicles (Part 3D of Schedule 1 to the Customs and Excise Act)

A carbon dioxide (CO_2) emissions levy is charged on new passenger motor vehicles and double-cab vehicles. The main objective of this tax is to influence the composition of South Africa's vehicle fleet to become more energy-efficient and environmentally-friendly.

The emissions levy is in addition to the current *ad valorem* luxury tax on new vehicles. The levy is based on certification provided by the vehicle manufacturer, or in the absence thereof according to the set methods of calculation as described in Note 5 in Part 3D of Schedule 1 to the Customs and Excise Act.

The current levy on new passenger vehicles is R146 per g/km CO_2 on emissions exceeding the threshold of 95g/km and the levy on double-cab vehicles is R195 per g/km CO_2 on emissions exceeding the threshold of 175g/km. The tax is included in the price of the vehicle before calculating the VAT payable on the sale of the vehicle.

Example: If the certified CO_2 emissions of a new passenger vehicle are 140 g/km CO_2, the tax payable will be calculated as follows:

(140g/km CO_2 – 95g/km) × R146

= 45g/km CO_2 × R146

= R6 570

In this example, R6 570 will be added to the price of the vehicle before calculating the VAT-inclusive price.

Guides on environmental levy (such as on vehicle emissions tax and plastic bags) are available on the **SARS website**.

(e) Tyre environmental levy (Part 3E of Schedule 1 to the Customs and Excise Act)

An environmental levy on new tyres is applicable since 1 February 2017 on those pneumatic tyres listed in Part 3E to Schedule 1 of the Customs and Excise Act at a rate of R2.30 per kilogram of the nett mass of the tyre.

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

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

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

The tyre levy is payable in addition to any customs duty of Part 1 of Schedule 1 of the Customs and Excise Act.[178]

(f) Carbon emissions (Part 3F of Schedule 1 to the Customs and Excise Act)

A carbon tax on greenhouse gas emissions generated domestically was implemented with effect from 1 June 2019 in terms of the Carbon Tax Act, 2019. The carbon tax is administered as an environmental levy under the Customs and Excise Act.

The policy objective is to influence industry practices and consumer choices in support of South Africa's international commitments to reduce its greenhouse gas emissions in terms of the Paris Agreement under the United Nations Framework Convention on Climate Change.

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

Licensees must submit their annual carbon tax accounts and payments in July of the year following the annual tax periods. The current rate with effect from 11 April 2025 is R236 per tonne of carbon dioxide equivalent.

A separate carbon fuel levy in terms of the Customs and Excise Act was implemented with effect from 5 June 2019. The current rates with effect from 2 April 2025 are 14c per litre on petrol and 17c per litre on diesel. The carbon fuel levy and general fuel levy form the two constituent components of the fuel levy since 5 June 2019. See **13.3** for more information on the fuel levy.

[178] See External Standard – Environmental Levy on Tyres for more information.

13.5 Health promotion levy

13.5.1 Sugary beverages levy (Part 7A of Schedule 1 of the Customs and Excise Act)

The sugary beverages levy applies to specific sugary drinks, as well as preparations and concentrates used in the manufacture of sugary drinks. The policy objective with the levy is to combat obesity and promote healthier consumer beverage choices.

The levy rate as of 1 April 2019 is 2.21 cents per gram of the sugar content of the finally mixed beverage that exceeds 4 grams per 100 millilitres and applies to locally manufactured and imported products that are consumed locally.

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

14. Diamond export levy

A diamond export levy on unpolished diamonds exported from South Africa was introduced, effective from 1 November 2008 at a rate of 5% of the value of such diamonds.

The aim of the diamond export levy as imposed in the Diamond Export Levy Act 15 of 2007 and the Diamond Export Levy (Administration) Act 14 of 2007 is to –

- promote the development of the local economy by encouraging the local diamond industry to process diamonds locally;
- develop skills; and
- create employment.

A person who is a producer, dealer, diamond beneficiator or holder of a permit to export unpolished diamonds must register as such.

A registered person must submit a return and payment within a period of 30 days after the ending date of each assessment period, which –

- for a natural person begins on –
  - 1 March and ends on 31 August; and
  - 1 September and ends on the last day of February; and
- for any other person begins on –
  - the first day of the financial year for which financial accounts are prepared and ends six calendar months after that day; and
  - the day immediately after the period described above and ends on the last day of that financial year.

15. Transfer duty

Transfer duty is payable on transactions constituting “property” as defined in section 1(1) of the Transfer Duty Act, subject to certain exemptions and exceptions.

Transfer duty is levied on –

- the value of any property acquired by any person by way of a transaction or in any other manner; and

- the amount by which the value of any property is enhanced by the renunciation of an interest in or restriction upon the use or disposal of that property.

The most common forms of property on which transfer duty is levied include –

- land and any fixtures thereto, including sectional title units;
- real rights in land but excluding rights under mortgage bonds or leases (other than the leases mentioned below); and
- rights to minerals or rights to mine for minerals (including any lease or sub-lease of such a right).

The definition of "property" also specifically includes –

- certain shares, contingent rights and other interests in entities such as companies, close corporations and discretionary trusts that own residential property;
- fractional ownership timeshare schemes; and
- shares in a share block company.

(Transfers of these specific rights and interests in property are not recorded in a Deeds Registry.)

Transfer duty is based on the "fair value"[179] of the property. In a transaction between persons transacting at arm's length, the fair value is usually equal to the consideration paid or payable for the property.

If the property is acquired for no consideration, or if the consideration is not market related, transfer duty is payable on the "declared value",[180] or the "fair value" of the property, whichever value is the higher amount.

Transfer duty must be paid within six months of the "date of acquisition" of the property. The date of acquisition will depend on the type of transaction. In the case of an acquisition of property, the person who is liable to pay the duty is the person who acquires the property. In the case of a renunciation of property, the person who is liable to pay the duty is the person in whose favour, or for whose benefit, any interest in, or restriction upon the use or disposal of property has been renounced.

If the tax has not been paid within the prescribed period, interest is payable at the rate of 10% a year,[181] on the amount of duty which remains unpaid for each completed month calculated from the effective date until the date of payment. The effective date is determined as the day immediately after the six-month period allowed for payment to be made, which is determined from the "date of acquisition".

[179] The term "fair value" is basically the price which could be obtained from the sale of the property between a willing buyer and a willing seller dealing at arm's length in an open market.

[180] The declared value is the value placed upon the property by the parties when there is no consideration in money to be paid. Examples include the acquisition of rights in property by way of donation, exchange, prescription or renunciation.

[181] Interest is currently charged at 10% per month or part thereof. However, interest will be charged at the "prescribed rate" under the TA Act from a future date once the effective date of a Presidential Proclamation on interest for all taxes comes into effect. As at the date of publication of this guide, the Proclamation had not yet come into effect.

The general rule is that transfer duty is payable on the acquisition of all forms of property unless –

- the transaction is subject to VAT and therefore qualifies for exemption under section 9(15) of the Transfer Duty Act;
- the transaction is exempt under any other specific exemption provided under section 9 of the Transfer Duty Act;
- the transaction is exempt from transfer duty under any other Act of Parliament; or
- the consideration or the fair value of the property is R1 210 000 million or less (R1.1 million or less before 1 March 2030).

Transfer duty is levied on a progressive sliding scale. This means that the higher the value of the property, the higher the rate of tax that will apply.[182] The rates are also based on the date of acquisition which applies to the transaction concerned.

The following rates apply from 1 March 2024 to 31 March 2025:

Fair market value or consideration	**Rate of duty**
Not exceeding R1 100 000	0%
Between R1 100 001 – R1 512 500	3% of the value exceeding R1 100 000
Between R1 512 501 – R2 117 500	R12 375 + 6% of the value above R1 512 500
Between R2 117 501 – R2 722 500	R48 675 + 8% of the value above R2 117 500
Between R2 722 501 – R12 100 000	R97 075 +11% of the value above R2 722 500
Exceeding R12 100 001	R1 128 600 + 13% of the value exceeding R12 100 000

The above rates apply to all persons regardless of whether the person acquiring the property is a natural person, trust, company or other juristic person.[183]

To ensure that the sale of fixed property is not subject to both VAT and transfer duty, the Transfer Duty Act contains an exemption from transfer duty if the supply is subject to VAT. The provisions of the VAT Act will, therefore, normally take precedence over the Transfer Duty Act if the supplier is a vendor. Sometimes the supply of fixed property may be subject to transfer duty even if the seller is a vendor. For example, the sale of a vendor's private residence, or the sale of property used by a vendor for the purposes of employee housing will be subject to transfer duty as these supplies are not made in the course or furtherance of the vendor's enterprise.

182 It is important to note that when less than a 100% share in a property is acquired, section 2(5) of the Transfer Duty Act is applicable. The effect of that provision is that transfer duty is calculated on the full property and then transfer duty is only paid on the extent (proportion) of the property acquired. The provision is explained in detail in the *Transfer Duty Guide.*

183 See the *Transfer Duty Guide* for the rates that apply when the date of acquisition of the property is before 1 April 2025.

Upon the sale of fixed property which is part of the supply of an entire enterprise to another VAT vendor, which meets the requirements of a going concern under section 11(1)(*e*) of the VAT Act, VAT will be charged at the zero rate on all the enterprise assets (including the fixed property). In this case, no transfer duty will be payable on the property.

All payments of transfer duty and any TDC01 returns which may be required for the processing of transactions must be submitted to SARS via eFiling as the manual submission of forms or payments is no longer accepted. SARS issues a transfer duty receipt on payment of the tax, or an exemption receipt is issued if the transaction is exempt from transfer duty. Note, however, that a transaction falling under the threshold does not mean it is exempt from transfer duty. It simply means that the receipt will be issued at 0% and no transfer duty will be charged.

In most cases, the property transaction will have to be lodged in the Deeds Registry to effect transfer of the property into the transferee's name. In these cases, the receipt or exemption receipt must be lodged together with the transfer documents prepared by the conveyancer attending to the transfer. In cases involving the acquisition of shares, rights and other interests in entities that own residential property, no transfer of property is registered in the Deeds Registry. However, any changes to the shareholding of a company or to the membership of a close corporation or changes in a trust deed which are necessary as a result of the transaction will need to be submitted to the Companies and Intellectual Property Commission (CIPC) or the office of the Master of the High Court (as the case may be).

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

16. Estate duty

The estate of a deceased person who was ordinarily resident in South Africa, will, for estate duty purposes, consist of all property wherever situated, including deemed property (for example, life insurance policies). However, property physically situated outside South Africa will be excluded from the deceased's estate if the deceased was not ordinarily resident in South Africa at the time of death. A deduction against the net value of an estate will also be allowed on the value of the property situated outside South Africa which was acquired before the deceased person became ordinarily resident in South Africa for the first time, or after this person became ordinarily resident in South Africa for the first time and had acquired the property by way of donation or inheritance from a person who was not ordinarily resident in South Africa at the date of such donation or inheritance. The deduction also applies to property situated outside South Africa which was acquired by the deceased out of profits and proceeds of any such property.[184]

The estate of a person who was not a resident of South Africa is subject to estate duty only to the extent that it consists of certain property of the deceased in South Africa.

The Estate Duty Act 45 of 1955, unlike the Act, does not define "resident" and only refers to persons who are "ordinarily resident" or "not ordinarily resident". It follows, therefore, that any natural person, who was not ordinarily resident in South Africa but who may have become a resident of South Africa because of the physical presence test for income tax purposes, will be regarded as a non-resident for estate duty purposes.

[184] Section 4(*e*) of the Estate Duty Act 45 of 1955.

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

- The value of property in the estate that accrues to the surviving spouse (section 4(q) of the Estate Duty Act).
- All debts due by the deceased to persons ordinarily resident within South Africa which is proved to the satisfaction of the Commissioner have been discharged from property included in the estate. This includes the deceased's final income tax assessment up to the date of death (section 4(*b*) of the Estate Duty Act).
- The value of property that accrues to an approved public benefit organisation (section 4(*h*) of the Estate Duty Act)

The net value of the estate is reduced by a R3,5 million general deduction to arrive at the dutiable amount of the estate (section 4A(1) of the Estate Duty Act).

If a person was a spouse at the time of death of one or more previously deceased persons, the dutiable amount of the estate of that person will be determined by deducting from the net value of that estate an amount equal to R3,5 million multiplied by two which equals R7 million, less so much already allowed as a deduction from the net value of the estate of any one of the previously deceased persons (Section 4A(2) of the Estate Duty Act).

If a person was one of the spouses at the time of death of a previously deceased person, the dutiable amount of the estate of that person will be determined by deducting from the net value of that estate, an amount equal to the sum of –

- R3,5 million; and
- [(R3,5 million, reduced by so much already allowed as a deduction from the net value of the estate of the previously deceased person), divided by the number of spouses of that previously deceased person] (section 4A(3) of the Estate Duty Act).

Rates of estate duty

Estate duty is charged at a rate of 20% on the first R30 million of the dutiable amount of the estate and 25% on any dutiable amount of the estate exceeding R30 million. This applies in respect of the estate of a person who dies on or after 1 March 2018.

Example – Estate duty calculation

Scenario 1

The estate of X who passed away was bequeathed to Z. X was previously the spouse at the time of death of a previously deceased person, Y. No amount was previously allowed as a deduction against the net value of Y's estate.

	R
Net value of X's estate	7 100 000
Less: General deduction – section 4A(2) (2 × R3,5 million)	(7 000 000)
Dutiable amount	100 000
Duty payable on R100 000 at 20%	20 000

Scenario 2

Z passed away on 1 April 2021 with an estate with a net value of R45 million. Z did not have a spouse at the date of death.

	R
Net value of Z's estate	45 000 000
Less: General deduction – section 4A(1)	(3 500 000)
Dutiable amount	41 500 000
Estate duty payable:	
First R30 000 000 of dutiable amount @ 20%	6 000 000
Amount exceeding R30 000 000: R41 500 000 – R30 000 000	
= R11 500 000 @ 25%	2 875 000
Total estate duty payable	8 875 000

Estate duty is due within one year from the date of death or 30 days from the date of assessment if the assessment is issued within one year from the date of death. Interest at 6% per year is charged on unpaid estate duty under section 10 of the Estate Duty Act.

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

17. Securities transfer tax

Securities transfer tax (STT) is a tax levied under the Securities Transfer Tax Act 25 of 2007 and is payable on the transfer of any security issued by a close corporation or company incorporated in South Africa as well as foreign companies listed on the South African stock exchange.

For purposes of STT a "security" means –

- any share or depository receipt in a company; or
- any member's interest in a close corporation.

The STT rate is 0.25% of the taxable amount on any transfer of a security which in effect is the higher of the consideration paid for or the market value of the security concerned.

Securities transfer tax is payable by –

- the transferee (purchaser), if securities are transferred; or
- the company or close corporation cancelling or redeeming the share, if the securities are cancelled or redeemed.

The person who is liable to pay the STT may, however, recover the tax from the person to whom the securities are transferred.

Securities transfer tax on the transfer of securities must be paid as follows:

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

Payment of STT must be made electronically through the SARS e-STT system. If any tax remains unpaid after the due date, a penalty of 10% of the unpaid tax will be imposed. The Commissioner may, however, remit the penalty (or any portion of it) under Chapter 15 of the TA Act.[185]

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

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

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

18. Skills development levy

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

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

Skills development levy is payable by employers at a rate of 1% of the payroll. Employers providing training to employees will generally receive grants from the Sector Education and Training Authorities (SETAs) under this initiative, to be used for, amongst other things, developing the skills of the South African workforce. The Minister of Higher Education and Training in conjunction with the various SETAs is responsible for the administration of the Skills Development Act 97 of 1998. Any enquiries regarding the levy grant scheme must therefore be referred to the relevant SETA or the Minister of Higher Education and Training.

The application form to register for SDL is the same form that is used to register for PAYE (EMP101). The monthly return for SDL is combined with the monthly return for PAYE (EMP201) which means that the same provisions apply for submission and payment.[186]

[185] Section 6A of the Securities Transfer Administration Act 26 of 2007.

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

19. Unemployment Insurance Fund contributions

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

SARS administers the collection of the bulk of UIF contributions. UIF contributions, which are equal to 2% of the remuneration (subject to specified exclusions) paid or payable by an employer to its employees, are collected from employers on a monthly basis. The total amount of contributions so collected consists of –

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

Unemployment Insurance Fund contributions are calculated on so much of the remuneration paid or payable by the employer to an employee as does not exceed –

- R17 712 per month[187] (R212 544 a year); or
- R4 087,38 per week.

Employers must pay the total UIF contribution of 2% over to SARS within seven days after the end of the month following the month during which the amount was deducted from the remuneration of its employees.[188]

20. Air passenger tax (section 47(B) of Customs and Excise Act)

From 1 October 2011 to date –

- passengers departing to Botswana, Lesotho, Namibia and Eswatini pay R100 per passenger; and
- passengers departing to other international destinations pay R190 per passenger.

21. Mineral and petroleum resources royalties

Section 3(2)(*b*) of the Mineral and Petroleum Resources Development Act 28 of 2002 (MPRDA) states that the State, as the custodian of the nation's mineral and petroleum resources, may prescribe and levy any fee payable under the MPRDA.

The subsequent enactment of the Mineral and Petroleum Resources Royalty Act 28 of 2008 and the Mineral and Petroleum Resources Royalty (Administration) Act 29 of 2008 (the Administration Act) means that the exploitation of all mineral and petroleum resources in

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187 See Government Notice 475 in *Government Gazette* 44641 of 28 May 2021.

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

South Africa will require the payment of a consideration in the form of a mineral and petroleum royalty, payable to the State through SARS.

Section 2(1) of the Administration Act prescribes the criteria relating to the entities that must register for purposes of paying this royalty. Any person required to register must do so within 60 days after meeting such criteria.

More information, and the application form to register (*MPR 1*), is available on the **SARS website**.

22. Interest, administrative non-compliance and understatement penalties and criminal offences for non-compliance with tax legislation (excluding customs and excise legislation)

The TA Act provides for, amongst other things –

- the imposition of interest (Chapter 12 of the TA Act);
- the imposition of non-compliance administrative penalties, that is, fixed amount penalties and percentage based penalties (Chapter 15 of the TA Act); and
- the imposition of an understatement penalty in the case of prejudice to SARS or the *fiscus* as a result of the failure to submit a tax return required under a tax Act or by the Commissioner, an omission from a return, an incorrect statement in a return, or if no return is required, the failure to pay the correct amount of tax, or an "impermissible avoidance arrangement" (Chapter 16 of the TA Act).

A person may also be liable upon conviction of criminal offences relating to non-compliance with tax Acts, to a fine or to imprisonment for a period not exceeding two years, due to matters such as non-payment of taxes, failure to submit tax returns, failure to disclose income, false statements, assisting any person to evade tax or claiming a refund to which the person is not entitled. The criminal offences mentioned here are not exhaustive (Chapter 17 of the TA Act).

23. Request for correction

A taxpayer who makes an error in a return submitted and wishes to correct this mistake, must submit a request for correction which is available through eFiling or at a SARS service centre. This allows the taxpayer to correct a previously submitted return or declaration for income tax and in certain circumstances for VAT. If the request for correction function is not available to the taxpayer through eFiling an objection must be lodged.[189]

24. Objection against an assessment or decision

A taxpayer, who is not –

- able to submit a request for correction; or
- satisfied with an assessment, decision or determination received from SARS,

may lodge an objection in writing stating fully, and in detail the grounds on which the objection is lodged.

[189] See the **SARS website** for more information.

The objection must be submitted within 80 business days from –

- the date of the assessment; or
- the date that written reasons (decision or determination) for the assessment were provided by SARS.

If the taxpayer's objection is disallowed (in part or in full), the taxpayer has the right to note an appeal (see **25**).[190]

25. Alternative dispute resolution

As part of a process of reducing the costs associated with dispute resolution, the formal dispute resolution process (the appeal process) has been supplemented by an alternative dispute resolution (ADR) process. A dispute which is subject to ADR may be resolved by agreement whereby the taxpayer or SARS accepts, either in whole or in part, the other party's interpretation of the facts or the law applicable to those facts or both.[191]

The Customs and Excise Act contains its own provisions relating to dispute resolution.

26. Advance tax rulings (Chapter 7 of the Tax Administration Act)

Advance rulings promote clarity, consistency and certainty regarding the interpretation and application of a tax Act. SARS may make an advance ruling on any provision of a tax Act. Generally, a BPR and a BCR apply to proposed transactions.

Under section 75 of the TA Act, there are three types of advance ruling, namely –

- binding class rulings (BCRs);
- binding private rulings (BPRs); and
- binding general rulings (BGRs).

SARS may issue a BCR or a BPR upon application by a person in accordance with section 79 of the TA Act.

Binding class rulings and BPRs are not designed to provide answers to taxpayers' general tax queries regarding their current tax affairs or general questions about tax laws, for example, administrative or procedural matters.

If an advance ruling applies to a person in accordance with section 83 of the TA Act, SARS must interpret or apply the applicable tax Act to the person in accordance with the ruling. A BPR or BCR applies to a person only if, amongst other things, the person's set of facts or transaction is the same as the particular set of facts or transaction specified in the ruling.

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[190] For more information see Interpretation Note 15 "Exercise of Discretion in Case of Late Objection or Appeal" and the Rules Promulgated under section 103 of the TA Act in Government Notice 3146 in *Government Gazette* 48188 of 10 March 2023.

[191] For more information see Interpretation Note 15 "Exercise of Discretion in Case of Late Objection or Appeal", *Dispute Resolution Guide: Guide on the Rules Promulgated in terms of section 103 of the Tax Administration Act, 2011 (Rules under s. 103)* and *Alternative Dispute Resolution: Quick Guide*.

All applications for advance rulings must be filed online on **www.sarsefiling.co.za** which can also be accessed via the **SARS website**.[192]

27. South African Reserve Bank – Exchange control

Exchange control regulations, restricting the in and out flow of capital in South Africa, exist.

The administration of exchange control is performed by the South African Reserve Bank. The Reserve Bank has delegated some of its powers to deal with exchange control related matters to commercial banks. These banks are known as "authorised dealers" in foreign exchange.

Residents of South Africa wishing to remit, invest or lend amounts abroad are, as a general rule, subject to exchange control restrictions and will need to approach these authorised dealers.

A person in good standing and over the age of 18 years can invest up to R10 million outside the Common Monetary Area (Lesotho, Eswatini and Namibia) per calendar year. A Tax Clearance Certificate (TCC) or a Tax Compliance Status (TCS) must be obtained in respect of foreign investments. These funds may not be reinvested into the Common Monetary Area countries thereby creating a loop structure or be re-introduced as a loan to a resident of these countries. In addition, up to R1 million within the single discretionary allowance facility can be transferred abroad per calendar year without the requirement to obtain a TCC or a TCS. As of the end of 2019, TCCs are no longer issued by SARS. Instead, taxpayers must request their TCS online via eFiling or at a SARS service centre. Once the request has been approved, taxpayers will be issued with an overall tax compliance status and a PIN. A unique PIN will be issued for each request that is made by a taxpayer. When this PIN is used by a third party, it effectively grants such person access to the taxpayer's TCS. The taxpayer's overall compliance status as at the date and time that the status is checked is presented and not as at the date that the PIN was issued. In order to protect the confidentiality of taxpayer information, no other information will be accessible apart from the TCS.[193]

South African companies (excluding Close Corporations) can make *bona fide* new outward foreign direct investments into companies outside the Common Monetary Area up to R1 billion per company per calendar year through any bank.[194]

Further information is available on the Reserve Bank website at **www.reservebank.co.za**.

28. Automatic exchange of information

Automatic exchange of information (AEOI) involves the systematic and periodic transmission of bulk taxpayer information by the source country to the residence country. An effective model for AEOI requires a common standard on the information to be reported by financial institutions and exchanged with residence jurisdictions to establish a global approach to combating offshore tax evasion.

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192 For more information see the *Comprehensive Guide to Advance Tax Rulings*.

193 See **www.sars.gov.za/individuals/manage-your-tax-compliance-status/how-to-access-my-compliance-profile/** for more information on TCS [Accessed 26 August 2025].

194 For more information visit **www.resbank.co.za**.

Specified statutory obligations are placed on South African Financial Institutions under the Agreement between South Africa and the Government of the United States of America. This Agreement came into force on 28 October 2014.

The US Foreign Account Tax Compliance Act applies to an entity which is a "financial institution", as defined in Article 1(1) of that Act, which maintains financial accounts of account holders who are specified US persons or passive entities with controlling persons who are specified US persons. An "entity" is defined in the agreement as a legal person or a legal arrangement such as a trust, partnership or an association.[195]

29. Voluntary Disclosure Programme

The Voluntary Disclosure Programme (VDP) was introduced as a permanent measure to increase voluntary compliance in the interest of enhanced tax compliance, good management of the tax system and the best use of the SARS resources.[196] The VDP is intended to encourage taxpayers to voluntarily disclose tax defaults. The VDP is administered under Part B of Chapter 16 of the TA Act and contains the requirements for a valid voluntary disclosure and available relief.[197]

The VDP is applicable to all taxes[198] administered by SARS except for the customs and excise legislation.[199] Taxpayers qualifying for the VDP will (on the conclusion of a valid voluntary disclosure agreement) be granted relief on applicable understatement penalties, qualifying administrative penalties, criminal prosecution in relation to a valid voluntary disclosure, and the conclusion of the voluntary disclosure agreement.[200]

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195 For more information see the *Guide on the U.S. Foreign Account Tax Compliance Act (FATCA)*.

196 See the Memorandum on the Objects of the Tax Administration Bill, 2011.

197 Section 225 to 233 of the TA Act.

198 Section 1 defines "tax", for purposes of administration of the TA Act, to include "a tax, duty, levy, royalty, fee, contribution, penalty, interest and any other moneys imposed under a tax Act".

199 See definition of "tax Act" in section 1. The provisions of the TA Act apply to the customs and excise legislation in specified scenarios only. Chapter 16 does not specifically specify that it applies to the customs and excise legislation. Section 1 defines "customs and excise legislation" to mean "the Customs and Excise Act, 1964 (Act 91 of 1964), the Customs Duty Act, 2014 (Act 30 of 2014), or the Customs Control Act, 2014 (Act 31 of 2014)".

200 For more information on VDP, see the *Guide to the Voluntary Disclosure Programme*.

Annexure A – Examples of the calculation of income tax for natural persons for the 2025 year of assessment

Example 1 – Natural person under 65 years of age

Facts:

X is not married and is 60 years of age on 29 February 2024. X's income and expenses were as follows for the 2023 year of assessment:

	R
Salary income (remuneration)	450 000
Pension fund contributions (as per IRP5 certificate)	34 000
Retirement annuity fund contributions (as per IRP5 certificate)	6 000
Qualifying medical expenses not recovered from the medical fund	30 000
Medical scheme fees (R1 900 per month for 1 person for 12 months)	22 800
PAYE	68 143

Result:

Determination of taxable income

Total income (remuneration) 450 000

Less: Retirement fund contributions (R34 000 + R6 000 = R40 000)

Limited to the *lesser of* –

- R350 000; or
- 27,5% of the *higher of* the person's –
  - (i) remuneration (other than any retirement fund lump sum benefit, retirement fund lump sum withdrawal benefit and severance benefit); or
  - (ii) taxable income (other than for any retirement fund lump sum benefit, retirement fund lump sum withdrawal benefit and severance benefit) as determined before allowing any deduction for pension, provident and retirement annuity fund contributions as well as certain foreign tax credits and *bona fide* donations to approved organisations; or
- taxable income (other than for any retirement fund lump sum benefit, retirement fund lump sum withdrawal benefit and severance benefit), before the addition of any taxable capital gain and before any deduction for pension, provident and retirement annuity fund contributions as well as certain foreign tax credits and *bona fide* donations to approved organisations.

X's remuneration is the same as the taxable income before allowing any deduction for pension, provident and retirement annuity fund contributions as well as certain foreign tax credits and *bona fide* donations to approved organisations. Therefore, the limitation is as follows:

	R
The *lesser* of –	
- R350 000;	
- 27,5% of R450 000 = R123 750; or	
- taxable income = R450 000, limited to actual contributions	(40 000)
Taxable income	**410 000**

Determination of normal tax

	R	R
Normal tax on R410 000 [R77 362 + (31% × R39 500)]		89 607
Less: Primary rebate		(17 235)
		72 372
Less: Rebate for medical scheme fees tax credit = (R364 × 12)		(4 368)
		68 004
Less: Additional medical expenses tax credit = (25% × R4 578)		(1 144,50)
Medical Scheme Fees	22 800	
Less: 4 × Medical scheme fees tax credit (4 × R4 368)	(17 472)	
	5 328	
Add: Qualifying medical expenses	30 000	
	35 328	
Less: 7,5% × R410 000	(30 750)	
	4 578	
		66 859,50
Less: PAYE		(68 143,00)
Normal tax refundable by SARS		**(1 283,50)**

Example 2 – Natural persons aged 66 years and 59 years respectively

Facts:

Y is married in community of property. Y is 66 years of age and Y's spouse (Z) is 59 years of age. The following income was received by or accrued to Y and Z and they incurred the following expenses during the 2025 year of assessment:

Income	**Y**	**Spouse (Z)**
	R	R
Remuneration	140 000	Nil
Net income from business R100 000 (1)	40 000	60 000
Net rental income R12 000 (3) + R8 000 (2)	12 000	8 000
Gross interest R24 000 (4)	12 000	12 000
Expenses		
Qualifying medical expenses – not a member of a medical scheme	13 800	Nil
Retirement annuity fund contributions	Nil	8 000
PAYE	Nil	Nil
Provisional tax	4 700,00	Nil

Notes:

(1) The spouses carry on a trade in partnership. According to the agreement the profit-sharing ratio is 40:60 – Y 40%, Z 60%. Total net income and taxable income from business was R100 000.

(2) Z owns a property inherited from a parent. The parent's will stipulates that the income derived from the property of R8 000 may not form part of Y's estate.

(3) Y's rental income of R12 000 forms part of the joint estate.

(4) The total interest of R24 000 forms part of the joint estate.

Result:

Determination of taxable income and normal tax payable by Y

Determination of taxable income

Income	R
Remuneration	140 000
Taxable income from business (R100 000× 40%)(1)	40 000
Net rental income [Nil(2) + (R12 000 × 50%)(3)]	6 000
Taxable interest [(R24 000 × 50%)(4)– R12 000 exemption]	nil
Taxable income	**186 000**

Notes:

(1) The profit-sharing ratio is 40:60 – Y 40% and Z 60%.

(2) The parent's will stipulates that the income derived from the property may not form part of Y's estate, therefore, no portion of the R8 000 is included in Y's taxable income.

(3) The rental income of the joint estate is split equally between the spouses since they are married in community of property.

(4) The total interest of R24 000 is part of the joint estate and is split equally between each spouse since they are married in community of property. Both spouses are each entitled to an exemption against gross interest income. Y, who is over 65 years of age, qualifies for an interest exemption of up to R34 500 which is limited to the actual interest of R12 000.

Determination of normal tax liability

	R	R
Normal tax on R186 000 at 18%		33 480,00
Less: Primary rebate	17 235,00	
Secondary rebate (age 65 years and older)	9 444,00	(26 679,00)
		6 801,00
Less: Additional medical expenses tax credit (33,3% × R13 800)		(4 595,40)
		2 205,60
Less: Income tax		(4 700,00)
PAYE	(nil)	
Provisional tax	(4 700,00)	
Normal tax refundable by SARS		**(2 494,40)**

Determination of taxable income and normal tax payable by Z

Determination of taxable income:

Income	
Business income (R100 000× 60%)(1)	60 000
Net rental income [R8 000(2) + (R12 000 × 50%)(3)]	14 000
Taxable interest [(R24 000 × 50%)(4) – R12 000 exemption]	nil
	74 000

Less: **Allowable deductions**

Retirement fund contributions of R8 000

Limited to the *lesser* of –

- R350 000; or
- 27,5% of the *higher* of the person's –
  - (i) remuneration (other than any retirement fund lump sum benefit, retirement fund lump sum withdrawal benefit and severance benefit); or
  - (ii) taxable income (other than any retirement fund lump sum benefit, retirement fund lump sum withdrawal benefit and severance benefit) as determined before allowing any deduction for pension, provident and retirement annuity fund contributions as well as certain foreign tax credits and *bona fide* donations to approved organisations; or
- the taxable income (other than any retirement fund lump sum benefit, retirement fund lump sum withdrawal benefit and severance benefit), before the addition of any taxable capital gain and before any deduction for pension, provident and retirement annuity fund contributions as well as certain foreign tax credits and *bona fide* donations to approved organisations.

Z does not have remuneration. The taxable income before allowing any deduction for pension, provident and retirement annuity fund contributions as well as certain foreign tax credits and *bona fide* donations to approved organisations, is R74 000. The limitation is as follows:

	R
The *lesser* of –	
- R350 000;	
- 27,5% of R74 000 = R20 350; or	
- taxable income = R74 000, limited to actual contributions	(8 000)
Taxable income	**66 000**

Notes:

(1) The profit-sharing ratio is 40:60 – Y 40% and Z 60%.

(2) The parent's will stipulates that the income derived from the property may not form part of Y's estate, therefore the full amount of R8 000 is included in Z's taxable income.

(3) The rental income of the joint estate is split equally between the spouses since they are married in community of property.

(4) The total interest of R24 000 is part of the joint estate and is split equally between each spouse since they are married in community of property. Both spouses are each entitled to an exemption against gross interest income. Z is under 65 years of age and thus qualifies for an interest exemption of up to R23 800 which is limited to the actual interest of R12 000.

Determination of normal tax liability

	R
Normal tax on R66 000 × 18%	11 880,00
Less: Primary rebate (R17 235, limited to normal tax of R11 880)	(11 880,00)
Normal tax payable to SARS	**Nil**

Example 3 – Natural person over the age of 75 years

Facts:

Z, who is a widow, is 77 years of age. Z has qualifying medical expenses amounting to R3 800 and was not a member of a medical scheme during the 2025 year of assessment. Income and expenses were as follows:

	R
Income	
Pension	150 000
Interest	85 000
PAYE	0,00
Provisional tax	9 500,00

Result:

Determination of taxable income:

	R	R
Pension		150 000
Interest	85 000	
Less: Interest exemption	(34 500)	50 500
Taxable income		**200 500**

Determination of normal tax liability

		R
Normal tax on R200 500 x 18%		36 090,00
Less: Rebates		(29 824,00)
Primary rebate	17 235,00	
Secondary rebate (65 years or older)	9 444,00	
Tertiary rebate (75 years or older)	3 145,00	
		6 266,00
Less: Additional medical expenses tax credit (33,3% × R3 800)		(1 265,40)
		5 000,60
Less: Income tax		(9 500,00)
PAYE	(0,00)	
Provisional tax	(9 500,00)	
Income tax refundable by SARS		**(**6 266**)**

Annexure B – Example of the determination of the monthly value of a taxable benefit regarding accommodation and a company car

Example – Determination of the value of taxable benefits of an employee

Facts:

An employee receives from the employer, for the first eight months of the 2025 year of assessment, residential accommodation in the form of a three-room house, and for the full year of assessment, the right of use of a motor vehicle with a determined value of R180 000. The vehicle did not have a maintenance plan when it was acquired by the employer. The employee's remuneration proxy for the preceding year of assessment amounts to R350 000.

The employee pays –

- R3 000 per month for the use of the accommodation; and
- R2 500 per month for the use of the motor vehicle.

Result:

Residential Accommodation – paragraph 9(3) of the Seventh Schedule

= (A – B) x C/100 × D/12
= [(R350 000 – R95 750) × 17/100 × 8/12] – (R3 000 × 8)
= R28 815 – R24 000
= R<u>4 815</u>

Right of use of motor vehicle – paragraph 7(1) of the Seventh Schedule

= [(R180 000 × 3,5%) – R2 500] × 12
= [R6 300 – R2 500] ×12
= R3 800 × 12
= R45 600

The total value of the taxable benefits for the 2025 year of assessment amounts to <u>R50 415</u> (R4 815 + R45 600)