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2026 Budget Analysis & Commentary

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On 25 February 2026, Minister of Finance Enoch Godongwana delivered the anticipated National Budget against a backdrop of slow economic growth, persistently high unemployment, rising living costs, infrastructure fragility, particularly evident in widespread water shortages across major cities, alongside mounting fiscal pressure. Below, we provide an analysis and commentary on some of the key budgetary measures.

2026 Projected tax revenue versus projected actual

The South African Revenue Service (SARS) is expected to collect tax revenue amounting to **R1.978 trillion** for 2025/26, which is **R28.8 billion** higher than the 2025 budgeted revenue (**R1.949 trillion**). The favourable variance is attributed to higher-than-expected net VAT, corporate income tax and dividends tax collections. Due to high platinum group metals and gold prices experienced recently, provisional tax collections in December 2025 from companies in the mining sector contributed significantly to the improved revenue performance.

This stronger-than-anticipated revenue performance provided fiscal space for selective relief measures without introducing broad-based tax increases.

2027 projected revenue

The main tax revenue for the 2026/27 fiscal year is projected at **R2.082 trillion**, representing **25.4%** of Gross Domestic Product (GDP). The attainment of this tax revenue target is based on a projected real economic growth of **1.6%**. The ability of National Treasury to accurately forecast economic performance has a direct bearing on whether these revenue targets will be realised.

The tax-to-GDP ratio is projected to reach an average of **26.4%** over the next three years. These levels remain comparatively low when measured against the Organisation for Economic Co-operation and Development (OECD) average tax-to-GDP of **34.1%**.

However, while South Africa's tax-to-GDP ratio remains below OECD averages, structural economic constraints continue to limit the scope for materially higher tax burdens without constraining growth.

Main tax proposals for businesses

Businesses are still experiencing financial hardships caused by slow economic growth. No significant tax increases were announced affecting businesses, a relief most welcomed within the corporate fraternity.

Corporate Income Tax (CIT)

The CIT rate is currently at **27%**. No proposed changes to this rate.

Capital Gain Tax (CGT)

CGT is triggered by a disposal or deemed disposal of an asset. The effective rate of CGT remains at **21.6%** for companies. No proposed changes.

Value Added Tax

VAT is levied at the rate of **15%** on the supply of goods and services (subject to exemption, zero-rating, and input tax deductions). No proposed changes to the VAT rate was announced.

The Budget proposes an increase in the VAT compulsory registration threshold, last adjusted in 2009, from **R1 million to R2.3 million**. The voluntary registration threshold is increased from R50 000 to R120 000. These changes will take effect from 1 April 2026. These adjustments are expected to relieve smaller businesses of certain administrative compliance obligations under VAT legislation, thereby allowing greater focus on the running of the business..

Dividends Tax

Dividends tax remains as a final tax on dividends at a rate of **20%**. No changes were proposed.

Donations Tax

Donations tax is levied at a flat rate of **20%** on the cumulative value of property donated not exceeding R30 million, and at a rate of **25%** on cumulative donations exceeding R30 million.

The budget proposes an increase in the exemption limit for casual gifts by entities from **R10 000 to R20 000** effective from 1 March 2026.

Carbon Tax

The carbon tax rate has increased from **R236 to R308** per tonne of carbon dioxide equivalent, effective from 1 January 2026.

The carbon fuel levy will increase to **19 cents** per litre for petrol and **23 cents** per litre for diesel from 1 April 2026, as required under the Carbon Tax Act (2019).



These increases reinforce government's commitment to environmental taxation as part of its broader climate transition strategy, with potential cost implications across carbon-intensive sectors.



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