2024/2025

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Our experienced team is well equipped to provide up to date practical solutions to suit our client's needs. Therefore, whether you are seeking advice on the tax implications of a merger or acquisition, our tax specialists have the know-how and the extensive experience to meet your specific needs.

We specialise in:

- **Corporate Tax services:** Tax compliance, mergers and acquisitions, taxation of share incentive schemes, dividends tax, cross border transactions, tax dispute resolution and litigation.
- **Global Mobility and Employees' Tax:** Review and advise on tax treatment of international assignments, review of design, implementation and disclosure of cost-to-company, evaluating HR polices amongst others.
- **Value-Added-Tax (VAT) services:** Assistance with the compilation of procedures manuals, the design and implementation of appropriate internal controls to facilitate the proper management of all indirect tax compliance issues and the training of staff. Offer advice on the impact on the proposed VAT modernization.
- **Transfer Pricing services:** Compliance services that include drafting of transfer pricing policies that are compliant with local legislation and the regulations of the organization for Economic Co-operation and Development (OECD) where applicable.
- **International tax services:** Advising on tax implications of financing agreements entered into by related entities and non-related entities in different countries. Advising on and reviewing of effective management risks, cross-border transactions, controlled foreign company risks, new group structures, efficiency of existing group structures and tax nexus risks, amongst others.
- **Customs and Excise:** Assistance with registration, licensing and accreditation, imports and exports planning, performing supply chain reviews, customs and excise reviews and assessments, customs and excise duty reliefs, disputes and training.
- **Tax TechnlogyTechnology and Data Analytics:** serve as the lynchpin of our tax approach. Recognizing the substantial volume of tax data transactions, any strategy neglecting the incorporation of technology and data analytics/science techniques is certain to lack rigor. In alignment with this principle, we have devised an approach that extensively utilizes the development of tools for Tax Computation, Transfer Pricing Risk Assessment and data analytics solutions or VAT Analytics, Fixed Assets and PAYE.

In this regard for further details on our service offerings, vist our website **www.sng-grantthornton.co.za**

Use of this guide:

All the information contained in this guide is correct as at the time of publication, i.e. on 21 February 2024. The information used was obtained from the Budget Speech delivered by the Minister of Finance on 21 February 2024 and the Rates and Monetary Amount and Amendment of Revenue Laws Act No 19 of 2023.

The information contained in this guide is for general guidance only and is not intended as a substitute for specific advice in considering the tax effects of particular transactions.

Whilst every care was taken in drafting this guide, we accept no liability for the consequences of any actions taken by readers based on the contents hereof.

Individuals and special trusts

Tax rates for the year of assessment: 2024/2025 Tax rates
(year of assessment ending 28 February 2025)

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

Tax rates for the year of assessment: 2023/2024
Tax rates (year of assessment ending 29 February 2024)

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

Tax rebates and thresholds 2024/2025

Age	Rebates (R)	Thresholds (R)
Primary (below 65)	R17 235	R95 750
Secondary (65 and older)	R9 444	R148 217
Tertiary (75 and older)	R3 145	R165 689

Tax Rebates and Thresholds 2023/2024

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Primary (below 65)	R17 235	R95 750
Secondary (65 and older)	R9 444	R148 217
Tertiary (75 and older)	R3 145	R165 689

Trusts other than special trusts

Tax rates for the year of assessment: 2024/2025
Tax rate (year of assessment ending 28 February 2025) – 45%

Tax rates for the year of assessment: 2023/2024
Tax rate (year of assessment ending 29 February 2024) – 45%

Exemptions

Interest

- Interest from a South African source earned by any natural person under 65 years of age, up to R23 800 (2024: R23 800) per annum, and persons 65 and older, up to R34 500 (2024: R34 500) per annum, is exempt from taxation.
- Interest is exempt where earned by non-residents who are physically absent from South Africa for at least 182 days during the 12-month period before the interest and the debt from which the interest arises in not effectively connected to a fixed place of business in South Africa.

Foreign Dividends

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

Local Dividends

Dividends received by individuals from South African companies are generally exempt from income tax, but dividends tax, at a rate of 20%, is withheld by the entities paying the dividends to the individuals. Dividends earned from equity instruments issued by the employer in terms of the employment agreement including share incentive trust distributions are not exempt, subject to certain exclusions.

Dividends from REIT

Dividends paid by a real estate investment trust (REIT) to a resident are subject to income tax. Non-residents in receipt of those dividends are only subject to dividends tax.

Tax free savings account

Tax free savings accounts were introduced from 1 March 2015 as a measure to encourage household/ individual savings. Individuals will be allowed to open multiple tax-free savings accounts, however, they may only contribute up to a maximum of R 36 000 into these accounts within any given year. A lifetime contribution limit of R500 000 will apply. The returns accruing to these accounts will not be subject to income or dividends tax. Amounts within the tax-free savings accounts may be withdrawn at any time. Where an individual contributes in excess of the prevailing annual or lifetime contribution limit in any year, a "penalty" (additional income tax) of 40 per cent on the amount of excess contribution will be levied by SARS on the individual.

Dividends from REIT

Dividends paid by a real estate investment trust (REIT) to a resident are subject to income tax. Non-residents in receipt of those dividends are only subject to dividends tax.

Restricted Deductions (Employees)

Employees or holders of office are restricted to deducting the following expenditure from their remuneration:

Employees or holders of office are restricted to deducting the following expenditure from their remuneration.

- Bad debts
- Deductions in respect of contributions to a pension fund or retirement annuity fund
- Donations to certain Public Benefit Organizations
- Doubtful debts allowance

- Home office expense, subject to requirements
- Legal expense
- Medical expense in respect of qualifying expenses
- Refunded awards for services rendered and refunded restraint of trade awards as from 1 March 2008
- Wear and tear allowance

Deductions (Individuals)

Retirement fund contributions

Amounts contributed to pension, provident and retirement annuity funds during a tax year are deductible by members of those funds.
Amounts contributed by employers and taxed as fringe benefits are treated as contributions by the individual employee.
The deduction is limited to 27.5% of the greater of:

- Remuneration for PAYE purposes, or
- Taxable income (both excluding retirement funds lump sum and severance benefits)

Furthermore, the deduction is limited to a lower of R350 000 or 27.5%. Any contributions exceeding the limitations are carried forward to the next tax year and deemed to be contributed in that following year.

Medical and disability expenses

In determining tax payable, individuals are allowed to deduct–

- Monthly contributions to medical schemes (a tax rebate referred to as a medical scheme fees tax credit) up to R364 (2024: R347) for the individual who paid the contributions and the first dependent on the medical scheme and R246 (2024: R234) for each additional dependent; and in the case of–
  - An individual who is 65 and older, or if that person, his or her spouse or child is a person with a disability, 33.3% of qualifying medical expenses paid and borne by the individual and an amount by which medical scheme contributions paid by the individual exceed 3 times the medical scheme fees tax credits for the tax year.
  - Any other individual, 25% of an amount equal to qualifying medical expenses paid and borne by the individual and an amount by which medical scheme contributions paid by the individual exceed 4 times the medical scheme fees tax credits for the tax year, limited to the amount which exceeds 7.5% of taxable income (excluding retirement fund lump sums and severance benefits).

Donations

Deductions in respect of donations to certain public benefit organisations are limited to 10% of taxable income (excluding retirement fund lump sums and severance benefits).

The amount of donations exceeding 10% of the taxable income is treated as a donation to qualifying

Allowances

Subsistence allowances and advances

Where recipients are obliged to spend at least one night away from their usual place of residence on business and the accommodation to which that allowance or advance relates is in the Republic and the allowance or advance is granted to pay for—

- Meals and incidental costs, an amount of R548 (2024: R522) per day is deemed to have been expended;
- Incidental costs only, an amount of R169 (2024: R161) for each day which falls within the period is deemed to have been expended.

Where the accommodation to which that allowance or advance relates is outside the Republic, a specific amount per country is deemed to have been expended. Details of these amounts are published on the SARS website under Legal Counsel / Secondary Legislation / Income Tax Notices.

Travelling allowance

Rates per kilometre which may be used in determining the allowable deduction for business travel, where no records of actual costs are kept are determined by using the following table.

Value of the Vehicle (including VAT)	Fixed Cost (R p.a)	Fuel Cost (c/km)	Maintenance Cost (c/km)
0 – 100 000	33 760	141.5	43.8
100 000 – 200 000	60 329	158.0	54.8
200 000 – 300 000	86 958	171.7	60.4
300 000 – 400 000	110 554	184.6	65.9
400 000 – 500 000	134 150	197.6	77.5
500 000 – 600 000	158 856	226.6	91.0
600 000 – 700 000	183 611	230.5	102.1
700 000- 800 000	209 685	234.3	113.1
Exceeding 800 000	209 685	234.3	113.1

Note: 80% of the travelling allowance must be included in the employee's remuneration for the purposes of calculating PAYE. The percentage is reduced to 20% if the employer is satisfied that at least 80% of the use of the motor vehicle for the tax year will be for business purposes. No fuel cost may be claimed if the employee has not borne the full cost of fuel used in the vehicle and no maintenance cost may be claimed if the employee has not borne the full cost of maintaining the vehicle (e.g. if the vehicle is the subject of a maintenance plan).

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

- Where the distance travelled for business purposes does not exceed 12 000 kilometres per annum, no tax is payable on an allowance paid by an employer to an employee up to the rate of 464 cents per kilometre, regardless of the value of the vehicle.
- This alternative is not available if other compensation in the form of an allowance or reimbursement (other than for parking or toll fees) is received from the employer in respect of the vehicle.

Fringe Benefits

Employer-owned vehicles

- The taxable value is 3,5% of the determined value (the cash cost including VAT) per month of each vehicle.
- Where the vehicle is subject of a maintenance plan when the employer acquired the vehicle the taxable value is 3,25% of the determined value; or
- Acquired by the employer under an operating lease the taxable value is the cost incurred by the employer under the operating lease plus the cost of fuel.
- 80% of the fringe benefit must be included in the employee's remuneration for the purposes of calculating PAYE. The percentage is reduced to 20% if the employer is satisfied that at least 80% of the use of the motor vehicle for the tax year will be for business purposes.

- On assessment the fringe benefit for the tax year is reduced by the ratio of the distance travelled for business purposes substantiated by a logbook divided by the actual distance travelled during the tax year.
- On assessment further relief is available for the cost of license, insurance, maintenance, and fuel for private travel if the full cost thereof has been borne by the employee and if the distance travelled for private purposes is substantiated by a logbook.

Interest-free or low-interest loans

The difference between interest charged at the official rate and the actual amount of interest charged, is to be included in gross income. Residential accommodation

Residential accommodation

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

Solar Panel Tax Incentive for Individuals

Individuals can claim a rebate of 25% of the cost of solar PV panels. The cost of the solar PV panels on which the rebate can be claimed is limited to R15 000 and the claim period is also limited from 1 March 2023 to 29 February 2024. Only new and unused solar panel with minimum capacity of 275W per panel can qualify for rebates with certain conditions.

Retirement fund lump sum withdrawal benefits

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

Retirement fund lump sum withdrawal benefits consist of lump sums from a pension, pension preservation, provident, provident preservation or retirement annuity fund on withdrawal (including assignment in terms of divorce order). Tax on a specific retirement fund lump sum withdrawal benefit (x) is equal to:

Tax determined by applying the tax table to the aggregate of that lump sum X plus all other retirement lum sum withdrawal benefits accruing from March 2009, all retirement fund lump sum benefits accruing from October 2007 and all severance benefits received or accruing from March 2011; less tax determined by applying the tax table to the aggregate of all retirement fund lump sum withdrawal benefits accruing before lump sum X from 2009, all retirement lump sum benefits accruing from October 2007 and all severance benefits received accruing from March 2011.

Retirement fund lump sum benefits or severance benefits

Taxable Income (R)	Rate of Tax (R)
1 – 550 000	0% of taxable income
550 001 - 770 000	18% of taxable income above 550 000
770 001 – 1 155 000	39 600 + 27% of taxable income above 770 000
1 050 001 and above	143 550 + 36% of taxable income above 1 155 000

Retirement fund lump sum benefits consists of lump sums from a pension, pension preservation, provident, provident preservation or retirement annuity fund on death, retirement or termination of employment due to attaining the age of 55 years, sickness, accident, injury, incapacity, redundancy or termination of employer's trade. Severance benefits consist of lump sums from or by arrangement with an employer due to relinquishment, termination, loss, repudiation, cancellation or variation of a person's office or employment. Tax on a specific retirement fund lump sum benefit or a severance benefit (Y) is equal to:

- Tax determined by applying the tax table to the aggregate of that lump sum or severance benefit Y plus all other retirement fund lump sum benefits accruing from October 2007, and all retirement fund lump sum withdrawal benefits accruing from March 2009 and all other severance benefits received or accruing from March 2011; less
- Tax determined by applying the tax table to the aggregate of all retirement fund lump sum benefits accruing before lump sum Y from October 2007, all retirement fund lump sum withdrawal benefits accruing from March 2009 and all severance benefits received or accruing before severance benefit Y from March 2011

Provisional Tax

A provisional taxpayer is any person who earns income by way of remuneration from an unregistered employer, or income that is not remuneration, or an allowance or advance payable by the person's principal.
An individual is exempt from the payment of provisional tax if the individual does not carry on any business and the individual's taxable income–

- Will not exceed the tax threshold for the tax year; or
- From interest, dividends, foreign dividends, rental from the letting of fixed property, and remuneration from an unregistered employer will be R30 000 or less for the tax year

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

In additional to the annual tax return, as a provisional taxpayer you need to file the following:

First provisional tax return

The first provisional tax return and payment thereof (if any) are due within six months of the beginning of the year of assessment. The payment is one half of the total tax in respect of the estimated taxable income for the tax year is payable.

Second provisional tax return

The second provisional tax return and payment hereof (if any) are due on the last day of the year of assessment. The payment is the total tax in respect of the estimated taxable income for the tax year's payable.

A two-tier model applies depending on the taxpayer's taxable income:

- Actual taxable income of R1 million or less - To avoid any penalty the basic amount may be used. If a lower estimate is used, this must be within 90% of the taxable income finally assessed.
- Actual taxable income exceeds R1 million - To avoid any penalty the estimate must be within 80% of the taxable income, excluding retirement fund lump sums, finally assessed.

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

Third provisional payment

Third provisional payments must be made before 30 September in the case of a taxpayer with a February year end and within seven months of other year ends to avoid interest being charged.

Deceased estates are not provisional taxpayers.
Provisional tax returns showing estimation of total taxable income for the year of assessment are required from provisional taxpayers.

Dividends Tax

Dividends tax is a final tax on dividends at a rate of 20%, paid by resident companies and non-resident companies in respect of shares listed on the JSE.

Dividends are tax exempt if the beneficial owner of the dividend is a South African company, retirement fund or other exempt person. Non-resident beneficial owners of dividends may benefit from reduced tax rates in limited circumstances.
The tax is to be withheld by companies paying the taxable dividends, or by regulated intermediaries in the case of dividends on listed shares. The tax on dividends in kind (other than in cash) is payable and is borne by the company that declares and pays the dividend. Under Dividends Tax, dividend payments to foreign residents may be subject to a reduced rate where the relevant Double Taxation Agreement (DTA) between South Africa and their country of residence provides for such.

This normally requires the foreign beneficial owner to be a company and to hold a specified percentage of the share capital of the South African company paying the dividend. With reference to Oil and Gas companies, the tax rate of dividends on any dividend that is paid by an oil and gas company out of amounts attributable to its oil and gas income is nil.

In order to qualify, the foreign resident needs to declare their status (by way of a "declaration" and "undertaking") to the company declaring the dividend or the regulated intermediary involved – if they do not the withholding agent is required to withhold tax at the full rate.

Other Withholding Taxes

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

Royalties

A final tax at a rate of 15% (2024: 15%) is imposed on the gross amount of royalties from a South African source payable to non-residents.

Interest

A final tax at a rate of 15% (2024: 15%) is imposed on interest from a South African source payable to non-residents. Interest is exempt if payable by any sphere of the South African government, a bank or if the debt is listed on a recognized exchange. Paragraph 3(2) of the Tenth Schedule provides that notwithstanding Part IVB of Chapter 2 of the Act, the rate of withholding tax on interest as contemplated in that Part may not exceed zero per cent of the amount of any interest that is paid by an oil and gas company, with regard to loans applied to fund capital expenditure relating to exploration and post exploration in terms of an oil and gas right.

Foreign entertainers and sports-persons

A final tax at the rate of 15% (2024: 15%) is imposed on gross amounts payable to non-residents for activities exercised by them in South Africa as entertainers or sportspersons.

Disposal of immovable property

A provisional tax is withheld on behalf of non-resident sellers of immovable property in South Africa, to be set off against the normal tax liability of the non-residents.

The tax to be withheld from payments to the non-residents are at a rate of 7.5% for a non-resident individual, 10% for a non-resident company, and 15% for a non-resident trust that is selling the immovable property.

Residence Basis of Taxation

Residents are taxed on their worldwide income, subject to certain exclusions. The general principle is that foreign taxes on foreign sourced income are allowed as a credit against South African tax payable. This is applicable to individuals, companies, close corporations, trusts and estates.

Corporate Tax

Income tax: Companies

For years of assessment ending before 31 March 2023

Type	Rate of Tax
Companies	28% of taxable income

For years of assessment ending on or after 31 March 2023

Type	Rate of Tax
Companies	27% of taxable income

Income tax: Small Business Corporations

Financial years ending on any date between 1 April 2024 and 31 March 2025

Taxable Income (R)	Rate of Tax (R)
1 – 95 750	0% of taxable income
95 750 – 365 000	7% of taxable income above 95 750
365 001 – 550 000	18 848+ 21% of taxable income above 365 000
550 001 and above	57 698 + 27% of the amount above 550 000

Financial years ending on any date between 1 April 2023 and 31 March 2024

Taxable Income (R)	Rate of Tax (R)
1 – 95 750	0% of taxable income
95 750 – 365 000	7% of taxable income above 95 750
365 001 – 550 000	18 848+ 21% of taxable income above 365 000
550 001 and above	57 698 + 27% of the amount above 550 000

Currently gross income threshold for small business corporation is limited to R20 million effective from 1 April 2013.

Turnover Tax for Micro Businesses

Financial years ending on any date between 1 March 2024 and 28 February 2025

Taxable Income (R)	Rate of Tax (R)
0 – 335 000	0% of taxable turnover
335 001 – 500 000	1% of taxable turnover above 335 000
500 001 – 750 000	1 650 + 2% of taxable turnover above 500 000
750 001 and above	6 650 + 3% of taxable turnover above 750 000

Financial years ending on any date between 1 March 2023 and 29 February 2024

Taxable Income (R)	Rate of Tax (R)
0 – 335 000	0% of taxable turnover
335 001 – 500 000	1% of taxable turnover above 335 000
500 001 – 750 000	1 650 + 2% of taxable turnover above 500 000
750 001 and above	6 650 + 3% of taxable turnover above 750 000

Capital Allowances /Incentives

Description	Allowance rate
Machinery and Equipment	
Farming or production of renewable energy - s12B	50%/30%/20%
Enhanced allowance for machinery/equipment used in production of renewable energy - S12BA	125% (once off)
Plant and Machinery S12E - small business.	
Manufacturing asset acquired new	100%
Non-manufacturing asset- allowance claimed under section 11(e) or Over period of 3 years	50%, 30% and 20%
Manufacturing Equipment	
New and unused manufacturing equipment acquired on or after 1 March 2002	40%/20%20%/20%
Used manufacturing equipment	20%
Manufacturing equipment brought into use for the first time on or after 1 April 2001, and used directly in the process of manufacturing (Small businesses only)	100%
Manufacturing Equipment	
Expenditure of a capital nature actually incurred in that year of assessment in respect of exploration in terms of an oil and gas right	100%
Expenditure of a capital nature actually incurred in that year of assessment in respect of post exploration in respect of an oil and gas right	50%
Research and Development	
Plant and equipment acquired on or after 1 January 2012	50%/30%/20%
A deduction equal to 150% of expenditure incurred directly for Research & Development	
The section has been extended until 31 December 2033	
Buildings	
Industrial (manufacture or similar process)	
- Commenced 1/7/96 – 30/9/99	10%
- After 1 January 1989	5%
Other	2%
New and unused commercial buildings (and improvements) on or after 1 April 2007	5%
Computers	
Personal	33%
Mainframe servers	20%

Software	
Purchased software	33%
Self-developed software	100%
Vehicles	25%
Furniture and Fittings	16.7%
Learnership allowances	
The sunset date for learnership allowances provided for in section 12H was extended to 31 March 2027.	
Special economic zones	

As from 9 February 2016, certain companies trading in a special economic zone will qualify for:

- a lower company tax rate of 15%
- an enhanced new and unused building allowance at a rate of 10%
- an enhanced employment incentive for all employees, without an age restriction, earning below
- R60 000 per annum.

In order to qualify the company must be formed and effectively managed in South Africa and generate at least 90% of its income within the zone. This incentive ceases to apply to any year of assessment commencing the later of 1 January 2031 or ten years after the commencement of trading in the special economic zone.

South Africa's Industrial Development Zones- Customs Control Area

Compliance and benefits

The three main IDZ in South Africa is Coega (in Eastern Cape), East London (in Eastern Cape) and Dube (in KwaZulu-Natal). Below a short summary of the three zones. Why does SA have IDZ? According to the Department of Trade and Industry (DTI), 'the South African government, in an effort to reposition itself in the world economy, established the Industrial Development Zones (IDZ) Programme. The Programme's main focus was to attract Foreign Direct Investment (FDI) and export of value-added commodities.'

Customs controlled areas: An SEZ or any part thereof may be designated as a Customs controlled area. There may be more than one (1) Customs controlled area within a single SEZ. These areas are controlled by Customs to the extent for those activities that require registration or licensing in terms of the Customs and Excise Act, 1964 and only the premises where these activities are executed will be controlled by Customs.

Customs Rebate provisions Applicable:

- Any imported goods by a registered Customs controlled area Enterprise into the Customs controlled area may be imported under rebate item 498.01 of Schedule No. 1.
- Such imported goods by a registered SEZ Operator for use in the construction and maintenance of the infrastructure of a Customs controlled area in an SEZ may be imported under rebate item 498.02 of Schedule No. 1. However, Infrastructure is limited to the basic structural elements permanently installed in a Customs controlled area, e.g. sanitation, electricity, roads, bridges and buildings.

- Goods may be entered under any Schedule 3 rebate item by a Customs controlled area Enterprise as contemplated in rule 21A.01 of the Customs and Excise Rules, However,
  - The Customs controlled area Enterprise complies with:
  - Any notes to that item and notes to Schedule No. 3;
  - Section 75 of the Customs and Excise Act; and
  - VAT is paid on goods imported by the Customs controlled area Enterprise under any item in Schedule No. 3.

International Tax

Clarifying the translation for hyperinflationary currencies

The net income of a controlled foreign company (CFC) is determined in the currency used by that CFC for financial reporting (the functional currency) and is translated into rand at the average exchange rate for that foreign tax year. An "exchange item" is treated as not attributable to any permanent establishment of the CFC if the currency used for financial reporting is that of a country with an official rate of inflation of 100 per cent or more throughout the foreign tax year. However, in contrast to the intention that a hyperinflationary functional currency not be used for translation purposes, section 9D(2A)(k) of the Income Tax Act requires the local currency to be used. It is proposed that the rules be changed so that this section does not allow the use of a hyperinflationary functional currency for translation purposes.

Clarifying the 18-month period in relation to shareholdings by group entities

In 2023, tax legislation was amended to require an 18-month holding requirement for the participation exemption on the foreign return of capital similar to the participation exemption relating to the disposal of shares in a foreign company. However, the test for the holding period for a foreign return of capital does not cover the situation where more than one company in a group of companies was holding the shares during the 18-month period. It is proposed that the holding period rules be amended to cater for this situation.

Clarifying the rebate for foreign taxes on income in respect of capital gains

Section 6quat of the Income Tax Act provides that a taxpayer should get credit for the taxes paid in the relevant foreign jurisdiction but limits this to the South African tax on the amount taxed in South Africa. According to the foreign tax credit rules dealing with foreign dividends, the tax-exempt portion must not be taken into account when determining the allowable foreign tax credit. However, the rules dealing with capital gains have no corresponding provision for the non-taxable portion of the capital gain. It is proposed that section 6quat be amended to explicitly allow for a full foreign tax credit against tax payable in South Africa on a capital gain for taxes payable in the relevant foreign jurisdiction on the disposal of an asset.

Aligning the section 6quat rebate and translation of net income rule for CFCs

Foreign taxes payable by a CFC must be translated to rand at the average exchange rate for the year of assessment, of the resident having an interest in the CFC, in which an amount of net income of the CFC is included in the income of that resident. However, the net income of the CFC must be translated by applying the average exchange rate for the foreign tax year of the CFC. A mismatch arises when the year of assessment of the resident and the foreign tax year of the CFC are different. To address this anomaly, it is proposed that the Income Tax Act align the years used to translate net income and foreign tax payable by referring to the foreign tax year of the CFC.

Refining the definition of "exchange item" for determining exchange differences

Certain financial arrangements that include preference shares are eroding the tax base due to a mismatch because some elements of the arrangement result in an exchange loss for tax purposes, while gains on the preference shares are not being taken into account for tax purposes. Government proposes to address the tax leakage associated with these financial arrangements by extending the definition of "exchange item" to include shares that are disclosed as financial assets for purposes of financial reporting in terms of IFRS.

Reviewing the interaction of the set-off of assessed loss rules and rules on exchange differences on foreign exchange transactions

When determining taxable income, the Income Tax Act enables taxpayers to set off their balance of assessed losses carried forward from the preceding tax year against their income, provided that the taxpayer continues trading. The interaction between the assessed loss set-off and exchange differences rules mean that a foreign exchange loss on an exchange item may not be set off in future years against gains from the same exchange item if the trading requirement is not met. It is proposed that consideration be given to ring-fencing all foreign exchange losses on exchange items from a future year of assessment.

Implementing the global minimum corporate tax

Implementation of the global minimum tax is forecasted to bolster the corporate tax base. The introduction of global minimum tax rules in line with the Organisation for Economic Co-operation and Development's base erosion and profit-shifting framework is expected to increase corporate tax collection by R8 billion in 2026/27. The income inclusion rule will enable South Africa to apply a top-up tax on profits reported by qualifying South African multinationals operating in other countries with effective tax rates below 15 per cent. The domestic minimum top-up tax will enable SARS to collect a topup tax for qualifying multinationals paying an effective tax rate of less than 15 per cent in South Africa. The Explanatory Memorandum and Draft Global Minimum Tax Bill will contain more details on these proposals as well as a request for public input.

Taxation of Capital Gains

Capital gains on the disposal of assets are included in taxable income.

Financial years ending on any date between 1 March 2024 and 28 February 2025

Category of taxpayer	Inclusion rate %	Effective Rate %
Individuals, special trusts and individual policy holder funds.	40.0	18
Other trusts	80.0	36
Companies	80.0	21.6

Financial years ending on any date between 1 March 2023 and 29 February 2024

Category of taxpayer	Inclusion rate %	
Individuals, special trusts and individual policy holder funds.	40.0	18
Other trusts	80.0	36
Companies	80.0	22.6

Events that trigger a disposal include a sale, donation, exchange, loss, death and emigration. The following are some of the specific exclusions:

- R2 million gain/loss on the disposal of a primary residence
- Personal use assets (Certain exclusions apply)
- Retirement benefits
- Payments in respect of original long-term insurance policies.

An annual (non-cumulative) exclusion of R40 000 capital gain/loss is granted to individuals and special trusts. The exclusion granted to individuals is R300 000 in the year of death.

Small business exclusions of capital gains for individuals (at least 55 years of age) of R1.8 million when a small business with a market value not exceeding R10 million is disposed of.

Other Taxes, Duties and Levies

Value Added Tax (VAT)

VAT is imposed on the supply of goods or services made by a vendor in the course or furtherance of its enterprise carried on it. It imposes VAT at the standard rate of 15%. Certain items that are supply by a vendor are exempt for VAT purpose and other items are charged with VAT at zero percentage.

A vendor making taxable supplies of more than R1 million per annum is obliged to register for VAT. A vendor making taxable supplies of more than R50 000, but not more than R1 million per annum, may apply for voluntary registration.

Transfer Duty

Transfer duty is payable by all persons and entities on the acquisition of property on transactions, which are not subject to VAT at the following rates:

Value of property (R)	Rate (R)
1 – 1000 000	0%
1000 001 – 1 375 000	3% of the value above R1000 000
1 375 001 – 1 925 000	R11 250 + 6% of the value above R1 375 000
1 925 001 – 2 475 000	R44 250 + 8% of the value above R1 925 000
2 475 001 – 11 000 000	R88 250 + 11% of the value above R2 475 000
11 000 001 and above	R1 026 000 + 13% of the value exceeding 11 000 000

Customs and Excise

The levying and collection of customs and excise duties is subject to the Customs and Excise Act 91 of 1964 (the CEA). The CEA includes the Schedules to the CEA (commonly referred to as the Tariff Book) and the Customs and Excise Rules, 1995 (as amended). Customs duties are levied on goods imported into South Africa and, in the case of scrap metals, scrap metals exported from South Africa. Excise duties are levied on high-volume consumables such as alcoholic beverages, tobacco (Sin Taxes), petroleum products and other non-essential/luxury goods (e.g., motorcycles, yachts, cosmetics, electronics etc.).

Excise Duties

Excise duties include specific excise duties and ad valorem excise duties. Specific excise duties are levied on certain locally manufactured products and ad valorem excise duties are levied on imported goods of the same class or kind. Excise duties are based on the specific quantity or volume of the product concerned. Effective 23 February 2022, the excise duties on the below table, alcohol and tobacco products will be increased by 4.9 percent. The impact of this increase is as follows:

	Old excise	New excise
Product	**Duty rate**	**Duty rate**
Malt beer	127,26 / litre of absolute alcohol (216.51 / average 340ml can	141,26 / litre of absolute alcohol (230,51/ average 340ml can)
Traditional African beer	8,20c / litre	8,34c / litre
Traditional African beer powder	36,40c / kg	36,540c / kg
Unfortified wine	R4,96 / litre	R5,24 / litre
Fortified wine	R8,36 / litre	R8,77 / litre
Sparkling wine	R17,33 / litre	R18,22 / litre
Ciders and alcoholic fruit beverages	R127,36 / litre of absolute alcohol (216,51c / average 340ml can)	R127,50 / litre of absolute alcohol (216,65c / average 340ml can)
Spirits	R257,16 / litre of absolute alcohol (R82,93/ 750ml bottle)	R262.69 / litre of absolute alcohol (R88,46 / 750ml bottle)
Cigarettes	R20,79 / 20 cigarettes	R21,76 / 20 cigarettes
HTPs sticks	R15,60 / 20 sticks	R16,57 / 20 sticks
Cigarette tobacco	R23,37 / 50g	R24,34 / 50g
Pipe tobacco	R6,96 / 25g	R7,53 / 25g
Cigars	R116,37 / 23g	R125,88 / 23g

Fuel Levy

The fuel levy is levied on any petroleum products manufactured in and imported into South Africa. The levy is paid in addition to any customs and excise duties that are due. The levy rates for fuel are listed under Part 5A of the Schedules to the CEA. The fuel levy rate is the sum of the general fuel levy and the carbon fuel levy combined, there will be no increases for the 2024/2025

The result is a rate remaining for the fuel levy at 395 cents per litre of Petrol and 381 cents per litre of Diesel.

Diesel Rebate on RAF

As a result of the electricity crisis and its impact on.
The Carbon Tax Act, Act No 15 of 2019 (the CTA) came into law on 01 June 2019. In terms of the CTA, any person who performs an activity above a specified threshold resulting in greenhouse gas (GHG) emissions is a taxpayer and may be liable for carbon tax in South Africa. Since carbon taxes are administered as environmental levies under the CEA, a taxpayer must license as an excise client with SARS, submit an environmental levy account annually and make payment for carbon tax dues via e-filing. The carbon tax liability shall be calculated at the rate of carbon tax listed under Part 3F of Schedule 1 of the CEA.

The previous carbon tax rate is R144 per tonne of carbon dioxide equivalent has been revised. Effective 01 January 2024, the carbon tax rate will be R190 per tonne, any new rate will apply on GHG emissions conducted during the period 01 January 2024 to 31 December 2024 (the 2023 tax period).

The submission of the 2023 carbon tax return and payment will be due not later than the penultimate working day of July 2024. Effective 3 April 2024 the carbon fuel levy will increase to 11 cents per litre for petrol and 14 cents per litre for diesel. The carbon tax cost recovery quantum for the liquid fuels sector increased from 0.66c/litre to 0.69c/litre, as from 1 January 2024

The first phase of the carbon tax remains as31 December 2025 (initially 31 December 2022) and the second phase will start from 2026 onwards. Taxpayers are warned that the large allowances currently enjoyed in the first phase will begin to fall away in the second phase. Moreover, export- ers and taxpayers who export carbon-intensive goods can expect to face border-taxes in export markets like the European Union. South African companies are encouraged to develop plans
to reduce their emissions in the next 10 years to avoid steep taxes

The Health Promotion Levy (Sugary Beverages Levy)

The Health Promotion Levy (HPL) came into law on 01 April 2018. HPL is a levy applicable on the import and manufacture of sugary beverages and their preparations(concentrates), when used in the process of manufacture of sugary drinks, in South Africa. The levy applies to sugary drinks containing 4 grams per 100ml. Therefore, the first 4 grams of sugar is free. Sugary drinks and concentrates liable to carbon tax are listed under Part 7A of Schedule 1 of the CEA. Since inception of the HPL, the applicable levy rate has been 2.21 cents per grams of sugar in excess of 4 grams per 100 ml contained in a finally mixed sugary drink. Today the Minister announced that there will be no increase in the levy due to the difficult operating environment for the sugary industry from the impact of flooding and social unrest.

Conclusion :

It is expected that individually these increases will contribute to a tune as per below.

- Customs and excise duties R141.8 bn
- Fuel levies R95.8 bn

Electricity:

- To promote further investments in renewable energy, this budget proposes an increase in the limit for renewable energy projects that can qualify for the carbon offsets regime, from 15 megawatts to 30 megawatts.

Donations Tax

Donations tax is levied at a flat rate of 20% on the value of property not exceeding R20 million disposed through a donation. However, the amount of donations exceeding R30 million is taxed at a rate of 25%. Donations tax applies to any individual, company or trust that is a resident as defined in Section 1 of the Income Tax Act, 1962. A donation tax is not payable if the total value of donations for a year of assessment does not exceed R10 000 for companies, trusts and R100 000 for individuals.

Securities Transfers Tax

Securities tax is levied at a rate of 0.25% on the transfer of listed or unlisted securities. Securities consist of shares in companies or members' interests in close corporations.

Tax on International Air Travel

R190 per passenger departing on international flights excluding flights to Botswana, Lesotho, Namibia and Swaziland, in which case the tax is R100.

Skills Development Levy

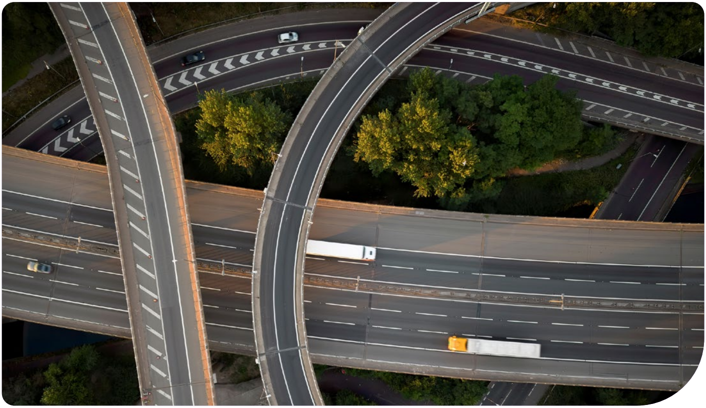
A skills development levy is payable by employers at a rate of 1% of the total remuneration paid to employees. Employers paying annual remuneration of less than R500 000 are exempt from the payment of Skills Development Levies.

Unemployment Insurance Fund Contributions

Unemployment insurance contributions are payable monthly by employers on the basis of a contribution of 1% by employers and 1% by employees, based on employees' remuneration below a certain amount. Employers not registered for PAYE or SDL purposes must pay the contributions to the Unemployment Insurance Commissioner.

SARS Interest Rates

Rate of interest (from 1 June 2023)	Rate
Fringe benefits - interest-free or low-interest loan (official rate)	9.25% p.a.
Rates of interest (from 1 September 2023)	**Rate**
Late or underpayment of tax	11.75% p.a.
Refund of overpayment of provisional tax	7.75% p.a.
Refund of tax on successful appeal or where the appeal was conceded by SARS	11.75% p.a.
Refund of VAT after prescribed period	11.75% p.a.
Late payment of VAT	11.75% p.a.
Customs and Excise	11.75% p.a.



Summary of penalties and interests imposed by the Tax Administration Act (TAA)

Fixed Penalty – non compliance

The table below contains fixed monthly penalties imposed by the TAA for non-compliance. Where SARS is in possession of the taxpayers current address, the penalty is limited to 35 months and 47 months in any other case. The amount of penalty is based on the taxpayer's taxable income or assessed loss for the preceding year of assessment.

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

Understatement Penalty

The TAA provides for a tax penalty to be imposed on the taxpayer where tax has been understated. The tax penalty is based on the behaviour and the conduct of the taxpayer per the table below:

Item	Behaviour	Standard case	If obstructive, or if it is a 'repeat case'	Voluntary disclosure after notification of audit	Voluntary disclosure before notification of audit
(i)	'Substantial understatement'	10%	20%	5%	0%
(ii)	Reasonable care not taken in completing return	25%	50%	15%	0%
(iii)	No reasonable grounds for ' tax position' taken	50%	75%	25%	0%
(iv)	Impermissible avoidance	75%	100%	35%	0%
(v)	Gross negligence	100%	125%	50%	5%
(vi)	Intentional tax evasion	150%	200%	75%	10%

Percentage-based penalty

Tax	Incident	Penalty
Income Tax	When a South African resident buys immovable property from a nonresident seller and does not withhold and pay the fixed percentage to SARS	10%
Provisional Tax	Actual taxable income more than R1 million and estimate below 80%	20% of the difference between normal tax calculated on the 80% of actual taxable income and the employees tax and provisional tax paid by the end of the year of assessment
	Actual taxable income is R1 million rands or less and the estimate is less than 90% and the basic amount	(i) 20% of the difference between the lesser of-(aa) the normal tax calculated at 90% of the actual taxable income and (bb) the normal tax calculated in respect of the taxable income equal to the basic amount and; (ii) the employees tax and provisional tax paid by the end of the year of assessment
	Late or non-payment of provisional tax	10% of amount not paid tax
	Taxpayer fails to file an estimate	20%
Employers & employees' tax	Employees tax not paid, the employer will be liable for a penalty	10%
	UIF contributions not paid by the employer will attract a compulsory penalty	10%
VAT	Failing to pay by the 25th (for e-filers, last business day of the month for non-efilers)	10%

Budget Highlights

- No change to personal income tax brackets, rebates and medical credit.
- Excise duties on alcohol will increase between 6.7 and 7.2 per cent, while duties on tobacco products will increase between 4.7 and 8.2 per cent.
- No changes to the general fuel levy and road accident fund levy.
- Producers of electric vehicles in South Africa will be able to claim 150 per cent of qualifying investment spending as an incentive to aid the transition to new energy vehicles.
- Plastic bag levy to increase to 32 cents per bag from 1 April 2024.
- Two-pot retirement reform to be implemented on 1 September 2024.
- Government proposes tax increases totalling R15 billion in 2024/25 to alleviate immediate fiscal pressures.
- South Africa will implement a global minimum corporate tax, with multinational corporations subject to an effective tax rate of at least 15 per cent, regardless of where its profits are located.
- Gross debt requirement will increase from R5.21 trillion in 2023/24 to R6.29 trillion in 2026/27. The debt is expected to stabilize at 75.3% of the GDP in 2025/26.
- Debt-service costs have been revised from R15.7 billion to R356 billion in 2023/24 due to the higher budget deficit. The debt-service costs will account for over 20% of the revenue.
- Total consolidated government spending will amount to R6.62 trillion over the next three years, and the social wage will take up 59.4 per cent of total non-interest spending over this period.
- The bulk of the spending is allocated to general services (R747.7 billion trillion), learning and culture (R480.6 billion) and social development (R387.3 billion).
- The majority of funding for new and urgent priorities is provided through reprioritization and reallocation of existing baselines.

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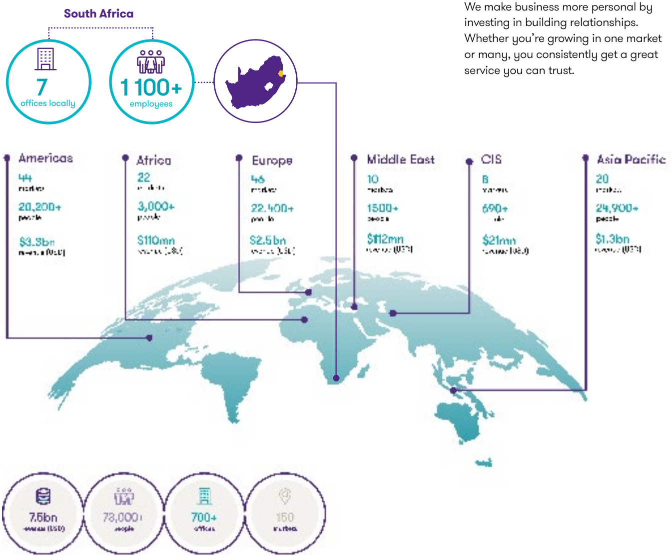

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