

# Tax Landscape Mining

TAX - 2026





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## Executive summary

South Africa's mining sector continues to operate in a complex and evolving tax, regulatory and ESG environment. Mining companies must manage specialist income tax rules, mineral royalties, VAT, customs and excise obligations, carbon tax exposure, diesel refund compliance and broader governance expectations. For junior and emerging miners, these requirements can affect project feasibility, cash flow, funding structures and licence readiness.

Key areas requiring close attention include the ring-fencing of mining capital expenditure, the ordering of assessed loss and capital expenditure deductions, the classification of minerals for royalty purposes, the correct VAT treatment of agency and joint venture arrangements, and compliance with customs and excise requirements. Recent and proposed developments, including carbon tax increases and changes to the diesel refund system, further reinforce the need for proactive tax governance and robust record keeping.

SNG Grant Thornton can support mining companies by assessing tax risks, identifying available incentives and rebates, reviewing compliance processes, and designing practical tax governance frameworks that align with commercial priorities and ESG expectations.

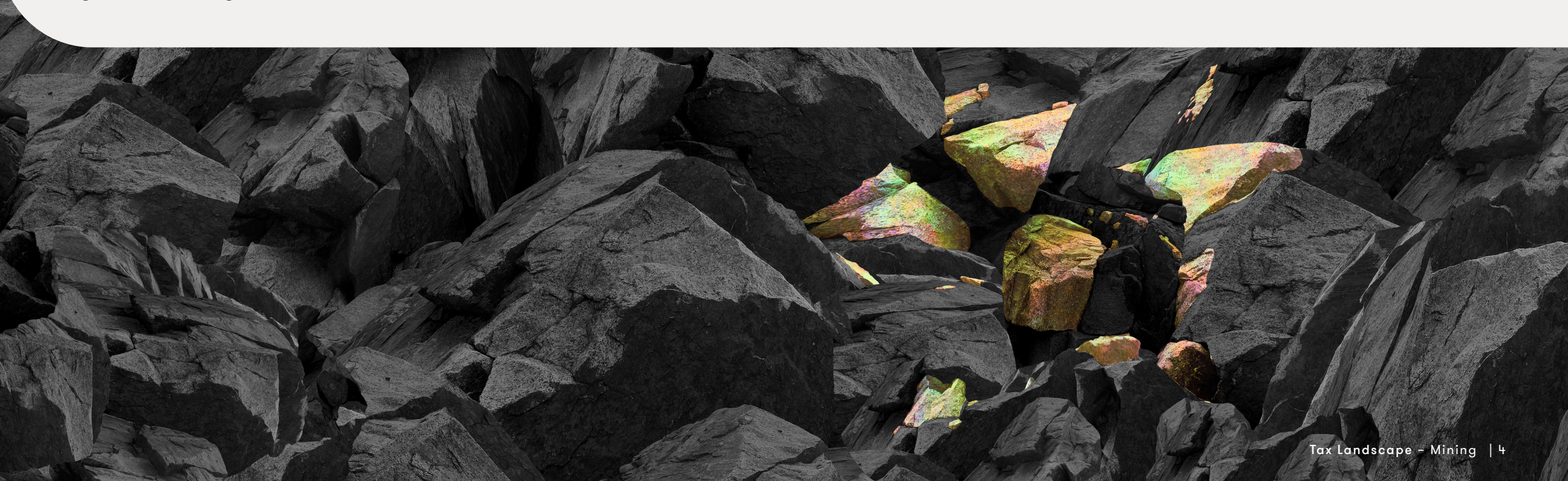


## Introduction

Grant Thornton offers a comprehensive range of tax services, through our team of dedicated tax specialists. Our team has a vast amount of expertise that enables us to bring practical, cost-effective tax solutions to our clients and to add value.

This document provides an overview of key tax considerations for the South African mining industry. It covers corporate income tax, mineral royalties, customs and excise, employment taxes, value-added tax, environmental taxes, international tax and transfer pricing. It also highlights selected Companies Act, B-BBEE and ESG considerations where they may affect tax outcomes.

Mining remains a significant contributor to South Africa's economy. The sector's direct Gross Domestic Product (GDP) contribution was approximately R439.2 billion, representing 5.8% of national GDP, while mineral exports increased to R813.6 billion. The sector also contributed materially to fiscal revenues through corporate income tax, royalties and employee taxes. South Africa's mineral resources therefore remain central to economic growth, export earnings and the global transition to greener technologies.





## Key industry trends



Major business risks in the mining industry include changing business models, digital transformation, commodity price volatility, regulatory and compliance obligations, environmental risk, economic downturns, climate change and rising production costs. The sections below summarise selected risks. For detailed guidance, clients should engage with our subject matter experts.

### Growth in predictive maintenance and data-driven technology

Miners are prioritising investment in predictive maintenance for mobile exploration equipment. An estimated 72.3% of South African miners report moderate to full-scale investment in these technologies. Key areas of focus include mine planning, scheduling software, communication systems and mine management platforms, all of which support greater efficiency in early-stage exploration.

Globally, the mining sector has increased its use of drones for geospatial mapping, tele-remote and fully autonomous vehicles, and digital twin technology to improve speed, data accuracy, cost management and productivity. In South Africa, adoption has been strongest in technologies that support exploration-site operations, including fatigue detection, collision avoidance systems and wearable safety devices. The use of artificial intelligence for mineral target prediction, resource mapping and real-time exploration data analysis is growing, although integration between mining systems remains a constraint. The table below summarises selected global mining trends and South African adoption highlights.



| Trend                       | Description                                                                       | South Africa Adoption Highlights                      |
|-----------------------------|-----------------------------------------------------------------------------------|-------------------------------------------------------|
| Predictive Maintenance      | Real-time monitoring & repair forecasting for equipment                           | 66.7% investing, highest global engagement            |
| Drones & Remote Sensing     | Advanced aerial and subsurface mapping, faster data gathering                     | High investment in drones and digital hardware        |
| AI & Digital Twin Modelling | Analytics for resource targeting, scenario simulation, and process digitalization | Rapid early-stage adoption, requires data integration |
| IoT & Wearables             | Monitoring for safety, collision, and fatigue                                     | Leaders in IoT adoption, regulatory push              |
| R&D and Custom Equipment    | Custom-built tech for site-specific exploration needs                             | Strategic M&A & partnerships, tech-driven R&D         |



### Environmental standards

Since the first edition of this document in 2024, environmental standards affecting junior miners have become more stringent. Before 2024, approvals were largely driven by the Mineral and Petroleum Resources Development Act and the National Environmental Management Act, supported by baseline environmental impact assessments and moderate post-operation rehabilitation requirements. Since then, thresholds for air quality, water quality, biodiversity and waste management have tightened. New developments now generally require more detailed environmental management and restoration plans, regular third-party monitoring and stronger post-closure financial provisioning. Changes to corporate reporting requirements have also increased ESG-related accountability and transparency.



### Social standards

Social standards have also become more demanding. Companies were previously required to prepare social plans and engage affected communities, but the level of detail and ongoing monitoring was often limited. Current expectations include broader and more detailed Social and Labour Plans, community impact and benefit plans at application stage, ongoing consultation, and enforceable commitments relating to community upliftment, local employment and preferential procurement. Mining licence applications may be delayed or rejected where applicants cannot demonstrate credible plans for skills transfer, small business support and local infrastructure development beyond basic employment commitments.



### Permitting

The 2025 Mineral Resources Development Bill includes significant reforms, including the rollout of a digital licensing system, stricter application evaluation, standardised procedures for environmental impact assessments and public consultation, and additional empowerment and beneficiation requirements for new permit applicants. Government may also be empowered to intervene where transparency or empowerment targets are not met.



## Understanding mining taxation laws

Mining tax laws are complex and often require specialist interpretation. Although mining-specific tax rules do not change frequently, broader tax legislation, returns, administrative practices and court decisions can affect mining companies. This creates additional compliance risk, particularly for mining companies that do not have in-house tax specialists to assess proposed legislative changes and impact thereof on the business.

We highlight below some of the unique tax provisions and their associated tax risks within the mining industry. In the main, we cover the following in respect to corporate income tax for mining companies (including Limitation and Ordering Rules):

- ✓ Capital expenditure regime for mining operation and unredeemed mining capital expenditure.
- ✓ Assessed loss restriction rules.
- ✓ One mine limitation



### Capital expenditure regime

Section 15 of the Income Tax Act No. 58 of 1962, read with section 36, allows a taxpayer that derives income from mining operations to accelerate the deduction of qualifying capital expenditure actually incurred during a year of assessment. This deduction is subject to limitations, ordering rules and ring-fencing provisions. In contrast, non-mining taxpayers generally deduct capital expenditure over time, depending on the nature and expected use of the asset.

Mining operations include a broad range of activities directly or indirectly connected to the extraction and production of minerals. Section 1 of the Income Tax Act defines “mining operations” and “mining” as including “every method or process by which any mineral is won from the soil or from any substance or constituent thereof”. It is therefore important to distinguish clearly between mining and non-mining activities when determining taxable income and applying mining-specific tax incentives. Mining companies should maintain a clear split between mining and non-mining income and expenditure, particularly where they purchase concentrates from another producer to blend, improve quality or resell “buy-in minerals”. This supports the appropriate limitation of redeemable capital expenditure to taxable income derived from mining activities.





### Pre-5 December 1984 mines

Section 36 allows mining operations that existed before the introduction of ring-fencing rules to preserve certain pre-1984 pooling treatment rules.

### Post-14 March 1990 mines: cross-mine relief

Where capital expenditure on one producing new mine is limited in a year because the capital expenditure exceeds taxable income, the miner may apply the disallowed amount across all qualifying operating mines. This relief is limited to 25% of the taxpayer's aggregate taxable income from mining activities.

Where capital expenditure previously allowed as a deduction under section 15A read with section 36 was funded by debt, and that debt is subsequently forgiven, compromised or restructured in a manner that gives rise to a debt benefit under the Income Tax Act, the debt benefit should either reduce the relevant capital expenditure or be accounted for as gross income in the year it arises. Miners should therefore maintain records of capital expenditure funded through debt on a per-mine basis.

### Definition of capital expenditure

Capital expenditure includes expenditure on shaft sinking and mine equipment, but excludes interest and other finance charges that are generally deductible under section 24J of the Income Tax Act. Pre-trade expenditure, such as development costs, general administration costs and management costs, may also be included. Interest finance charges payable after 31 December 1950 on loans used for mining purposes may form part of capital expenditure where the relevant requirements are met.

Miners should distinguish between pre-trade and post-trade interest. Post-trade interest expenditure must be determined under section 24J. Where an alternative method produces a materially different interest amount, taxpayers should use the amount determined under section 24J.

## Can the capital expenditure be claimed as deduction by contract miners?

The question that often arises is whether contract miners carrying on mining operations are entitled to deduct from their income the capital expenditure incurred in the year in which it is incurred. The Supreme Court of Appeal in *Benhaus Mining (Pty) Ltd v Commissioner for the South African Revenue Service* [165/2018] [2019] ZASCA 17 (Benhaus case) dealt with this question and provided clarity on whether the contract miners can be regarded as carrying on mining operations.



### One mine limitation

Subject to certain exceptions, section 36(7F) of the Income Tax Act provides for the ring-fencing of capital expenditure to a particular mine. The one-mine limitation does not apply where the taxpayer was carrying on mining operations at two or more mines on 5 December 1984. This exclusion is unlikely to apply to most junior miners.

The requirement to ring fence capital expenditure to one mine means that the expenditure of a particular mine is restricted to the taxable income of that mine and cannot be deducted from taxable income of other distinct mines owned by the same company. The Supreme Court of Appeal in *Armgold/Harmony Freegold Joint Venture (Pty) Ltd v Commissioner, South African Revenue Service* [2012] ZASCA 152; 2013 provided the correct approach to the ordering rules and held that the effect of section 36(7E) was to set a maximum cap for the total amount deductible as capital expenditure.

Where more than one separate and distinct mining operations is carried out, each mine must be treated as a separate trade (or unit) for purposes of calculating mining taxable income and applying capital expenditure deductions. A mine is generally regarded as “one mine” if its operations are geographically contiguous, operationally integrated, and share common infrastructure, ore bodies, and management. Where these factors are not present and operations are distinct, each mine must be treated separately, with capital expenditure and taxable income ring fenced in accordance with section 36(7F).



## Interaction between the application of the interest limitation rules and capital expenditure regime for mining operation

In terms of section 36(11)(b) of the Income Tax Act, mining companies that are not producing, are allowed to include any interest incurred during such period of non-production as part of their capital expenditure. At issue is the application of the provisions of section 23M of the Act to the interest of non-producing mining operations that forms part of capital expenditure of such mining operations. In brief, section 23M of the Income Tax Act is an anti-avoidance provision that limits the deductibility of interest on debt arising between parties where such interest is paid by a South African tax resident to a non-resident person not subject to tax.

The amended section 23M of the Income Tax Act provides that the interest limitation rules will not be applied to the interest incurred on a loan utilised for mining purposes during any period prior to the commencement of production or during any period of non-production, as contemplated in paragraph (b) of the definition of capital expenditure in section 36(11) of the Income Tax Act.

## Assessed loss restriction rules

Section 20 of the Income Tax Act limits the use of assessed losses by companies for years of assessment ending on or after 31 March 2023. The set-off of a balance of assessed loss is limited to the higher of R1 million and 80% of taxable income determined before applying section 20. For mining companies, this rule must be considered together with the section 36 mining capital expenditure regime and the relevant ordering rules. In broad terms, assessed losses carried forward are considered before the mining capital expenditure deduction is applied, and unredeemed capital expenditure is then deducted subject to the applicable section 36 limitations and ring-fencing rules.



**In broad terms, assessed losses carried forward are considered before the mining capital expenditure deduction is applied.**



Assessed loss restriction rules

**Renewable energy deduction:** Where a taxpayer incurs qualifying expenditure on a renewable energy project, a section 12B deduction may be available. The deduction generally offsets taxable income in the year of assessment, subject to the relevant requirements. The asset must be fully commissioned and used to generate electricity before the deduction can be claimed. Deposits and partially completed installation work do not qualify until the system is operational.

| Asset description                                                                                                                                                                                                                                                         | Applicable allowance                                              |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| Water pipes for production of electricity, lines transmitting electricity                                                                                                                                                                                                 | 5% of cash cost incurred                                          |
| Machinery/plant used in production of electricity through wind power, solar, hydropower no more than 30-megawatt, Biomass organic wastes, landfill gas or plant material.                                                                                                 | Cost written off over 3 years = 50%, 30% and 20% in the last year |
| Temporary measure> Machinery/plant used in production of electricity through wind power, solar, hydropower no more than 30-megawatt, Biomass organic wastes, landfill gas or plant material. Not applicable to assets that will be brought into use after 1 February 2025 | 125% of the cost in one year                                      |

Deposits and partially completed installation work do not qualify until the system is operational.



## International tax and transfer pricing considerations

When mining companies operate across borders or have a presence in multiple jurisdictions, complying with local tax laws and ensuring that they meet prescribed reporting requirements can prove to be a complicated and onerous task. The international tax landscape is evolving rapidly, with tax authorities increasing their focus on transparency, substance, transfer pricing, controlled foreign company (CFC) rules, and the implementation of the OECD's Global Anti-Base Erosion (GloBE) framework under Pillar Two. Local market knowledge from specialist advisors is therefore essential.

Recent developments, including the OECD's Global Anti-Base Erosion (GloBE) rules under Pillar Two and the growing scrutiny of controlled foreign company arrangements under section 9D of the Income Tax Act, have introduced additional complexities for mining groups operating across multiple jurisdictions. Mining companies are particularly affected due to their reliance on cross-border structures, financing arrangements, and investment incentives, which may have unintended tax consequences under these emerging rules. Navigating these developments requires a proactive approach to tax governance, compliance, and structuring to ensure that global operations remain both commercially effective and tax efficient.

**Potential risks:** non-compliance with local tax and exchange control laws in multiple jurisdictions. Incorrect pricing methodologies applied on transactions between related parties across borders. Cross-border disputes involving various revenue authorities. Adverse tax consequences arising from the application of south africa's section 9d controlled foreign company provisions.



### Agent versus principal principles

Mining companies may enter into agent-principal arrangements under which the entity holding the mining rights appoints an agent to carry out mining activities on its behalf. In such cases, activities performed by the agent may be deemed to be made by the principal. VAT declarations should therefore be made in the principal's VAT returns, rather than by the agent, where the VAT rules support that treatment.

**Potential risks:** processes should be implemented to ensure that expenses incurred by an agent are not incorrectly claimed by the principal, unless the vat rules support that treatment. There is also a risk that output tax may be under-declared by the principal if the agent incorrectly accounts for output tax on supplies made on behalf of the principal.

SNG Grant Thornton will assist in assessing the nature of the relationship between the parties involved to ensure that VAT declarations are correctly made.

### Joint ventures

Mining companies may enter into joint venture arrangements with other parties in the sector. A joint venture may make supplies to third parties, and one vendor within the joint venture may also make supplies to another vendor within the same arrangement.

It is important in such arrangements to assess whether such agreements create a separate person for VAT purposes.

**Potential risks:** failure to register a joint venture as a separate vat vendor may result in vat exposures for members of the joint venture. Vat may not be treated correctly on the supplies between the vendors within the joint ventures or by a joint venture to another vendor within the joint venture.

### Is your company involved in mining activities or contract mining activities?

If your company is involved in mining or contract mining activities and would like to benefit from the preferential tax treatment available to miners, SNG Grant Thornton's tax specialists can provide tailored advice to help you navigate mining tax complexities, evolving legislation and regulatory requirements while you focus on growing your business.

SNG Grant Thornton is well positioned to assist traders in regularising their customs and excise obligations in South Africa, the Southern African Customs Union and across the continent. We also assist with carbon tax compliance, the diesel rebate mechanism and related compliance requirements.

Our competitive advantage includes our use of software technology, experience in working with international clients and commitment to value and excellence.



## Royalty taxes

A royalty is payable on the transfer of refined and unrefined mineral resources extracted in South Africa. The royalty is formula-driven and based on the extractor's gross sales. The formulas use earnings before interest and tax divided by gross sales, with the royalty rate capped at 5% for refined minerals and 7% for unrefined minerals.

A key risk when determining the royalty is the classification of the mineral as refined or unrefined. Incorrect classification may result in the wrong formula being applied. Oil and gas are classified as refined resources, but a different formula applies from the formula generally used for refined minerals. Schedule 2 to the Mineral and Petroleum Resources Act No. 28 of 2008 provides guidance on the unrefined condition of mineral resources. For example, Interpretation Note 138 provides guidance on determining the calorific value of coal for royalty purposes, while Schedule 2 indicates that coal with a calorific value of 19.0 MJ/kg to 27 MJ/kg should be classified as unrefined.

Earnings before interest and tax used in the royalty formulas must be determined in terms of section 5 of the MPR Act, and not by reference to International Financial Reporting Standards or other accounting frameworks. Where a miner has both refined and unrefined mineral resources, earnings before interest and tax must be calculated separately for each group. Where allowable expenses are shared between mineral categories, apportionment may be required.

It is also important to ensure that gross sales reflect the market value of the mineral. Miners should maintain robust records and apply arm's length principles to connected-party charges such as freight, insurance and handling fees that may qualify for deduction from gross sales.

**Where allowable expenses are shared between mineral categories, apportionment may be required.**





## Royalty taxes (continue)

Certain small business extractors may qualify for a mineral royalty exemption where annual gross sales from all mineral resources transferred do not exceed R10 million, the royalty that would otherwise be imposed does not exceed R100,000, and the extractor is resident in South Africa. Even where the exemption applies, filing and administrative obligations should still be considered.

Earnings before interest and tax used in the royalty formulas must be determined in terms of section 5 of the MPR Act, and not by reference to International Financial Reporting Standards or other accounting frameworks. Where a miner has both refined and unrefined mineral resources, earnings before interest and tax must be calculated separately for each group. Where allowable expenses are shared between mineral categories, apportionment may be required. It is also important to ensure that gross sales reflect the market value of the mineral. Miners should maintain robust records and apply arm's length principles to connected-party charges such as freight, insurance and handling fees that may qualify for deduction from gross sales.





## Customs rebate of duty

Mining companies may, where applicable, use Rebate Item 470.03 to obtain a full customs duty rebate on imported goods specified in an ITAC permit. The rebate suspends customs duty on goods used in the manufacture, processing, finishing, equipping or packing of goods exclusively for export.



### Mining instruments and export considerations

#### Platinum group metals

South Africa is the world's largest producer of platinum and palladium. These metals are critical for catalytic converters, hydrogen fuel cells, and jewelry.

Export processes and key cost elements: China and India have strong demand for catalytic converters and industrial uses. Export costs are influenced by logistics and tariffs, and China often negotiates bulk contracts. Demand in the EU and USA is largely driven by the automotive and green energy sectors. The EU's strict environmental standards should be considered, as platinum group metals are treated as critical imports.

Demand for high-value platinum group metal exports remains strong, although prices are volatile. Customs duties may be rebated where metals are exported for further processing and the relevant requirements are met.

#### Coal

South Africa is a major coal exporter, particularly of thermal coal used for power generation.

China and India are significant importers due to energy demand, with freight costs and port logistics being important commercial considerations.

In contrast, demand in the EU and USA is declining due to climate policies, and South African coal exports may face carbon-related tariffs and restrictions.

Coal exports are increasingly risky due to global decarbonization trends. Rebate schedules for coal used in energy-intensive manufacturing may apply.

## Gold

Gold remains a cornerstone of South Africa's mining sector, used in finance, jewelry, and electronics.

China and India continue to show strong demand for jewelry and investment purposes. Export costs are relatively stable but remain subject to currency fluctuations.

The EU and USA also show strong demand for investment-grade bullion. Customs duties are generally low due to applicable trade arrangements, although excise registration may still be required.

Gold exports benefit from preferential duty treatment in some regions. Risks include incorrect rebate registration for gold destined for refining.

## Critical minerals

Critical minerals include lithium, cobalt, manganese, nickel and other minerals that are essential for batteries and renewable energy technologies.

Globally, China & India have heavy demand for battery production with export costs in line with long-term contracts and shipping. Demand in the EU and USA is driven by electric vehicles and renewable energy. Preferential trade agreements can play an important role in market access for South African commodities.

**Potential risks:** Customs and excise exposures may arise where entities fail to register, apply the incorrect rebate item, retain insufficient documentation, or misclassify imported or exported goods. Exporters should ensure that permits, rebate conditions, supporting documentation and reconciliation processes are aligned before goods are imported, processed or exported.





## Role of Tax in implementing Environmental, Social, and Governance (“ESG”)

Tax is a critical pillar of ESG in South Africa. If properly managed, it can serve as a strategic lever that demonstrates how a company contributes to sustainable development. South Africa’s socio-economic landscape and advanced corporate governance framework make tax a particularly important lens through which to assess ESG performance. South Africa introduced carbon tax through the Carbon Tax Act 15 of 2019, and the headline rate increased to R308 per tonne of carbon dioxide equivalent from 1 January 2026. Mining companies should therefore treat carbon tax, emissions reporting and related allowances as core components of tax governance and climate transition planning.







## Environment (E)

### South Africa Carbon Tax Overview

The Department of Forestry, Fisheries and the Environment sets the regulatory framework for South Africa's carbon emissions across sectors. Key documents include the National Greenhouse Gas Emission Reporting Regulations and the Carbon Tax Act. Mining operations that exceed the applicable activity thresholds may be required to report emissions and account for carbon tax, particularly where emissions arise from fuel combustion, industrial processes or fugitive emissions.



The rules clarify that installations below 10 MW thermal capacity are generally exempt.

The environmental levy calculation requires each licensee to determine the greenhouse gas emissions from its licensed VM for each tax period in accordance with Rule 54FD.03. These emissions are expressed as carbon dioxide equivalents and include fuel combustion, industrial process emissions and fugitive emissions.

To quantify these emissions, licensees must use an approved methodology under Section 4 of the Carbon Tax Act. This can either be one approved by the Department of Environment, Forestry and Fisheries (DEFF) or one based on statistical activity data and emission factors outlined in the IPCC Guidelines (2006). Country-specific emission factors may also be applied where available, ensuring accurate reflection of local conditions.

| Requirement              | Details                                                                                       |
|--------------------------|-----------------------------------------------------------------------------------------------|
| Liability threshold      | Thermal capacity above 10 MW, subject to applicable rules and proposed threshold changes      |
| Tax rate at introduction | R120 per tonne of CO <sub>2</sub> e                                                           |
| Current rate for 2026    | R308 per tonne of CO <sub>2</sub> e                                                           |
| Covered gases            | CO <sub>2</sub> , CH <sub>4</sub> , N <sub>2</sub> O, PFCs, HFCs and SF <sub>6</sub>          |
| Mining sector relevance  | Includes fuel combustion, industrial process emissions and fugitive emissions such as methane |
| Offsets                  | Carbon offsets may reduce the effective tax cost where all requirements are met               |

**Key documents include the National Greenhouse Gas Emission Reporting Regulations and the Carbon Tax Act.**





## Diesel Rebate

A diesel fuel refund may be claimed where the claimant satisfies the registration and eligibility requirements and the diesel is used in qualifying mining activities. SARS has announced that, from April 2026, qualifying on-land users in the farming, forestry and mining sectors may claim a refund on 100% of eligible diesel used in qualifying activities. Claimants should monitor implementation of the modernised diesel refund system and ensure that registrations, activity classifications and records are complete.

Record keeping remains critical. Claimants should retain invoices, delivery notes, storage records, usage logbooks and other supporting documentation that shows quantities purchased, stored and used for eligible and non-eligible activities. Claims must be supported by sufficient evidence to demonstrate that the diesel was used for qualifying activities within the relevant period.

**Potential risks:** Diesel refunds may be lost where the claimant is not properly registered, does not carry on qualifying activities, cannot demonstrate eligible diesel use, or fails to keep prescribed records. Incorrect claims for non-qualifying activities may result in disallowance, penalties and interest. Joint venture arrangements require particular care to ensure that the correct party registers, claims and retains the supporting documentation.

### Environmental Levies

Mining operations are generally energy-intensive and contribute significantly to greenhouse gas emissions. A strategic plan to reduce electricity levy exposure over time can demonstrate a mining company's commitment to reducing emissions. This requires tracking and reporting electricity levy exposure alongside plans to introduce renewable energy into mining operations.

**Diesel refunds may be lost where the claimant is not properly registered**





## Social Responsibility

From a social perspective, mining businesses often undertake activities that improve community infrastructure, such as constructing community roads and housing. Current tax legislation does not provide specific tax benefits for all such initiatives, and each case should be assessed on its facts.

Reporting and tracking the use of tax mechanisms intended to address social challenges, such as high unemployment and youth unemployment, can provide measurable evidence of social contribution. The Employment Tax Incentive Act, 2013 and the learnership allowance under section 12H of the Income Tax Act are useful levers for supporting youth employment and skills development.

### Employment Tax Incentive



#### What is it?

The Employment Tax Incentive is a wage subsidy designed to encourage employers to hire qualifying young employees and reduce youth unemployment.



#### Recommended tracking and reporting mechanism:

Track the number of qualifying employees, incentive amounts claimed, employment duration, training provided and the communities from which qualifying employees are sourced. This can support both tax compliance and social-impact reporting.



#### How does it work?

Employers may reduce employees' tax payable where the employee, remuneration and employer requirements are met. Mining companies should ensure that employee eligibility, payroll data and monthly claims are reviewed before submission.





## Learnership and Skills Development (s12H)



### What is it?

Section 12H provides an allowance for qualifying learnership agreements, supporting workplace-based training and skills development.



### How does it work?

A deduction may be available when a qualifying learnership agreement is entered into and, where applicable, completed. Mining companies should confirm that agreements, SETA registration and completion evidence are properly maintained.



### Recommended tracking and reporting mechanism:

Track learnership agreements, participant demographics, completion rates, skills categories, allowances claimed and post-learnership employment outcomes. These measures can support tax compliance, skills development and ESG reporting.





## Broad-Based Black Economic Empowerment Employee Scheme: Sections 8B and 11(IA)



### What is it?

Section 8B of the Income Tax Act provides relief for employees who acquire qualifying equity shares under a qualifying broad-based employee share plan. The provision is intended to support broad-based employee ownership and empowerment by allowing employees to receive qualifying shares without immediate adverse tax consequences, provided the statutory requirements are met.



### How does it work?

A qualifying broad-based employee share plan must generally be available to at least 80% of qualifying permanent employees who do not participate in another equity scheme of the employer or an associated institution. Employees must be entitled to dividends and voting rights, and the shares must be acquired for no consideration or only minimum consideration. If an employee disposes of a qualifying equity share within five years from the date of grant, any gain may be included in income unless an exception applies. Section 11(IA) allows the employer or person granting qualifying equity shares to claim a deduction, subject to the relevant requirements and limitations.



### Recommended tracking and reporting mechanism:

Track the number and percentage of eligible employees invited to participate, employee acceptance levels, share values at grant date, disposal restrictions, dividends paid, voting rights, five-year holding periods, section 11(IA) deductions claimed and B-BBEE ownership outcomes. These records can support tax compliance, B-BBEE verification, employee ownership reporting and ESG social-impact disclosures.







## Governance

King V states that the governing body should be responsible for a tax policy that complies with applicable laws, aligns with responsible corporate citizenship and takes reputational consequences into account.

Relevant King V guidance includes:

- ✓ Governing body being ultimately responsible for overseeing and approving the tax policy and strategy.
- ✓ A clear view of the organisation's threshold for tax risk.
- ✓ Consideration of the reputational risk. This requires reputational risk assessment on aggressive tax structures even if the structure is technically correct.
- ✓ Disclosure of the tax strategy and the governance structures.

### Tax Transparency and Reporting

Junior mining organisations may improve their ESG standing by adopting tax transparency and reporting measures commonly used by listed companies. This may include expanding integrated reporting to include tax disclosures.

Tax disclosures may include the following:

- ✓ Total taxes paid by tax type [ CIT, VAT, Employees' Tax, Dividends Tax, Withholding tax]
- ✓ Disclosure of material tax disputes with the revenue authorities



**King V states that the governing body should be responsible for a tax policy that complies with applicable laws**

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