

JIBAR Reform:

A Final Call to Action for Financial Institutions and Corporations



February 2026

The transition from the Johannesburg Interbank Average Rate (JIBAR) to the South African Rand Overnight Index Average (ZARONIA) has moved decisively from planning to execution. The South African Reserve Bank (SARB) has formally announced that JIBAR will cease publication after 31 December 2026. Critically, the market is expected to stop originating new JIBAR-linked contracts by 31 March 2026, making immediate action essential.

This shift, driven by global benchmark reforms to adopt more robust, transaction-based rates, impacts an estimated R43 trillion in domestic financial contracts. For all entities, from large asset managers and banks to corporations with debt or leases, understanding the interconnected accounting and tax consequences is vital to avoid financial misstatement, tax disputes, and operational disruption.

For financial institutions, treasury-intensive corporates, and asset managers, the transition is not merely a documentation exercise. It requires coordinated action across treasury, accounting, tax, risk, systems, and governance functions to ensure economic neutrality and regulatory defensibility.

At SNG Grant Thornton, we are supporting clients in structuring and implementing transition programmes that are technically robust, commercially sound, and aligned with evolving regulatory expectations.

Latest Market and Regulatory Developments

The formal regulatory framework and market conventions are now in place, providing the necessary certainty for structured transition planning.

The clarity provided by regulators shifts the focus from interpretation to execution. Institutions that act early will reduce operational risk, avoid valuation uncertainty, and preserve stakeholder confidence.



Official Cessation Date Announced:

On 3 December 2025, the SARB confirmed 31 December 2026 as the final JIBAR publication date. This “trigger event” also fixed the Credit Adjustment Spread (CAS), which is now publicly available (e.g., on Bloomberg) for use in amending legacy contracts.



“No New JIBAR” Deadline:

The Market Practitioners Group (MPG) timeline indicates that financial institutions should cease originating new JIBAR-linked loans, bonds, and derivatives by 31 March 2026. All new contracts should reference ZARONIA.



Legislative Backstop Proposed:

An amendment to the Financial Sector Regulation Act has been proposed to provide a legal framework for transitioning “tough legacy” contracts that lack adequate fallback provisions. However, active amendment of contracts remains the primary and recommended route.



Term ZARONIA in Development:

Recognising that some products require forward-looking rates, the SARB is progressing a Term ZARONIA benchmark. This will cater to specific use cases but is not required for most transitions.

Understanding the Core Change: JIBAR vs. ZARONIA



The fundamental differences between the rates drive the need for a Credit Adjustment Spread.

Key Characteristics

JIBAR: A forward-looking term rate with a built-in credit and term premium. It is based on indicative quotes from a panel of banks.

ZARONIA: A backward-looking overnight near-risk-free rate. It is based on actual transactions in the wholesale overnight deposit market.

Implication: Because ZARONIA lacks the credit and term premium inherent in JIBAR, a Credit Adjustment Spread (CAS) must be added when transitioning legacy contracts to maintain economic equivalence and prevent unintended value transfer between counterparties. The proposed legislation indicates that the CAS will be designated by the SARB. This SARB-endorsed CAS is central to the accounting and tax conclusions that follow.

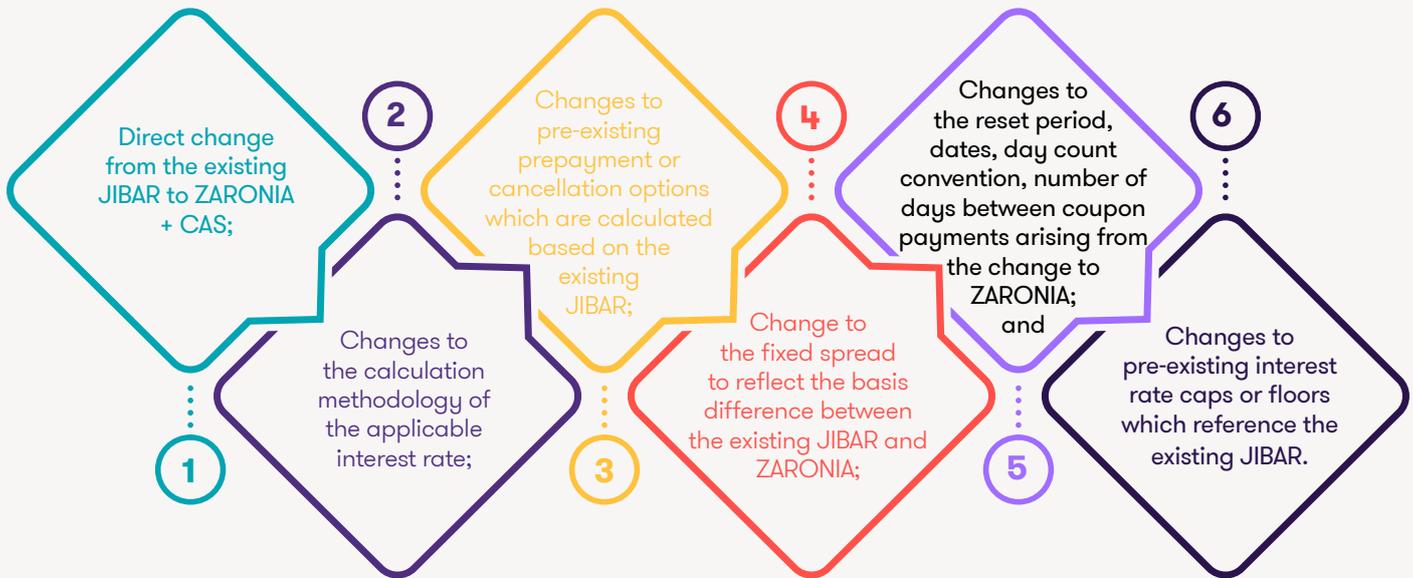
Accounting Treatment Under IFRS 9

The International Accounting Standards Board (IASB) provided practical expedients for benchmark reform which is applied to rate transitions.

The General Rule (Modification Accounting): Normally, changing a contract's fundamental terms could be a "substantial modification" under IFRS 9, requiring derecognition of the old instrument and recognition of a new one, potentially triggering gain or loss on derecognition or modification.

The Practical Expedient (Phase 2 Relief): If the change is directly consequential to the reform and results in economically equivalent cash flows, an entity can simply update the effective interest rate without derecognising the instrument.

Examples of such changes include:



Conclusion for transition: A well-executed transition from JIBAR to ZARONIA + CAS is designed to be economically equivalent. Entities can therefore apply the relief, avoid derecognition, and adjust the effective interest rate over the remaining life of the instrument.

However, the availability of relief does not eliminate execution risk. Careful documentation, alignment with legal amendments, and coordination with auditors remain critical to avoid unintended accounting volatility.



Comprehensive Tax Implications

1 Capital Gains Tax (CGT) – Is There a Disposal?

The core question is whether amending the interest rate clause constitutes a “variation” leading to a disposal under the Eighth Schedule to the Income Tax Act NO.58 of 1962.

The lender’s right to receive interest is an “asset”. A disposal occurs if the amendment is so substantial that it extinguishes the old right and creates a new one.

SARS Expected View: Where the change is limited to adopting ZARONIA + the official CAS to maintain economic equivalence, it should not be viewed as a disposal. The substantive right remains unchanged. This aligns with the IFRS accounting treatment.

Risk Area: Modifications that go beyond the rate change (e.g., altering principal or term) risk being recharacterised as a disposal. Taxpayers are advised to engage their tax advisor prior to concluding agreements that include variations beyond change from JIBAR to ZARONIA + the official CAS.

2 Income Tax and Interest Deductions/Accruals (Section 24J of the Income Tax Act No.58 of 1962)

Section 24J governs the tax treatment of interest-bearing instruments.

Yield-to-Maturity Recalculation: The change in future cash flows necessitates a redetermination of the instrument’s yield-to-maturity. The official CAS is treated as part of the interest stream.

No Immediate Tax Gain/Loss: Like accounting, this recalculation adjusts future interest accruals/ deductions. It does not trigger an immediate taxable gain or loss.

Alternative Method: Taxpayers using an IFRS-based alternative method under section 24J will see the change flow through their effective interest rate calculation. Risk-averse clients may wish to calculate the interest applying section 24J to determine that it is not materially different from the interest calculated using IFRS rules. The calculation will be particularly important for taxpayers whose interest calculated using alternative methods i.e IFRS where the interest calculated under IFRS was close to being materially different prior to the change from JIBAR to ZARONIA + the official CAS.

3 VAT Apportionment Considerations

This is a critical and complex operational impact, especially for financial services vendors other than the banking sector.

BGR 16 (Issue 3) reference: The SARS Binding General Ruling for VAT apportionment currently references JIBAR in its standard formula, but includes a note that ZARONIA may be used if JIBAR is unavailable.

The problem: JIBAR includes a credit premium; ZARONIA does not. Using raw ZARONIA in the apportionment formula could artificially alter the ratio, changing deductible input tax amounts. The definition of JIBAR in BGR 16 does not include a reference to the official CAS. With draft legislation published by the National Treasury, including the designated adjustment spread (referred to as the official CAS in this publication), we expect SARS to update BGR16 to refer to ZARONIA + the official CAS.

What should vendors do prior to the adjustment of BGR16? Vendors must assess their exposure. The industry has requested SARS to clarify that an economically equivalent ZARONIA-based rate (i.e., ZARONIA + an adjustment) should be used in the formula to ensure fairness. Proactive engagement with SARS or a tax advisor is recommended. Where private rulings entered into with SARS include a reference to JIBAR, vendors are advised to assess the impact of the change and apply for new private rulings prior to cessation, as industry engagements with SARS do not extend to private rulings.

4 Other Tax Considerations

Interest Limitation Rules (Sections 23M & 23N): The definition of “interest” for these rules relies on section 24J. The transition affects the quantum of interest incurred/accrued, which flows into these limitation calculations. When considering the section 24J implications, taxpayers should also assess the impact of any changes to interest on section 23M and 23N.

Transition Costs: Legal and consulting fees incurred to amend contracts are likely deductible under section 11 (c) and (a) read with section 23 as expenses incurred in the production of income, provided they are not of a capital nature. Taxpayers can also consider legal precedent; where change or expenditure is required by legislation, such expenditure may be deductible under the tax law.

Actionable Roadmap for Impacted Entities

Immediate Priority (Q1 2026)



Complete Portfolio Audit:

Identify all JIBAR-linked exposures: loans, bonds, derivatives, and leases.



Review Contract Fallbacks:

Determine which contracts have robust fallback language and which require active amendment. This assessment should be linked to the definitions contained within the General Finance Laws Amendment Bill.



Engage with Counterparties:

Begin structured discussions on amending legacy contracts to incorporate ZARONIA + CAS, with clearly defined transition dates.

Strategic and Operational Preparation (Throughout 2026)

Update systems and models: Ensure treasury, accounting, and tax systems can process backward-looking, compounded ZARONIA + CAS.

Document tax position: Formalise your analysis on why the transition does not trigger CGT, supported by the use of the official CAS and market standards.

Plan for VAT impact: Model the effect of using different rates in your VAT apportionment formula and prepare to engage SARS if necessary.

Communicate with stakeholders: Inform investors, auditors, and boards about the transition strategy and its expected financial and tax impacts.

JIBAR cessation is no longer a future event; it is an execution deadline. Institutions that act early will transition with confidence; those that delay risk complexity and disruption.

Contributors to this article



Khanyisa Cingo - Ngandu

Head of Tax Advisory Services
khanyisa.cingo@sng.gt.com



Madelie Olivey

Head of Technical Services
Madelie.Olivey@sng.gt.com



Mabutho Mthembu

Associate Director - TAX
Mabutho.Mthembu@sng.gt.com



Thule Hlophe

Head of Digitech Assurance
Thule.Hlophe@sng.gt.com

For general enquiries please contact us at info@sng.gt.com



© 2026 SNG Grant Thornton - All rights reserved.

“Grant Thornton” refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. SNG Grant Thornton is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another’s acts or omissions.