



# Unlocking Potential: South Africa's Budget for Growth

Tax Budget Guide 2026/2027



# Income tax: Individuals and special trusts

## Tax rates (year of assessment ending 28 February 2027)

Taxable income	Rates of tax
R0 – R245 100	18% of each R1 of taxable income
R245 101 – R383 100	R44 118 + 26% of the amount above R245 100
R383 101 – R530 200	R79 998 + 31% of the amount above R383 100
R530 201 – R695 800	R125 599 + 36% of the amount above R530 200
R695 801 – R887 000	R185 215 + 39% of the amount above R695 800
R887 001 – R1 878 600	R259 783 + 41% of the amount above R887 000
R1 878 601 and above	R666 339 + 45% of the amount above R1 878 600

## Tax thresholds

Age	Threshold
Below age 65	R99 000
Age 65 to below 75	R153 250
Age 75 and older	R171 300

Trusts, other than special trusts, will be taxed at a flat rate of 45%.

## Tax rebates (natural persons)

- Primary rebate – R17 820
- Secondary rebate (age 65 to below 75) – R9 765
- Tertiary rebate (age 75 and older) – R3 249

### Individuals who must submit tax returns

The Commissioner gives annual public notice of the persons who are required to submit tax returns for normal tax purposes.

The relevant Government Gazette is expected to be issued in May/June/July 2026 in relation to the tax year ended 28 February 2026.

Tax relevant Government Gazette Public notices can be found here: [Public Notices | South African Revenue Service \(sars.gov.za\)](https://www.sars.gov.za/public-notices).



# Capital gains tax – Individuals



## Capital Gains Tax (CGT): Individuals

### Relevant rates

Inclusion rate: 40%

Statutory rate: 0% – 45%

Effective rate: 0% – 18%

### Exemptions / exclusions from CGT

- The annual exclusion for individuals and special trusts is R50 000.
- The exclusion granted to individuals during the year of death is R440 000.
- The first R3 million of the capital gain or capital loss in respect of the disposal of a primary residence must be disregarded.
- A capital gain in relation to the disposal of a primary residence, if the proceeds from the disposal of that primary residence does not exceed R3 million, must be disregarded.
- The exclusion on the disposal of a small business for persons 55 years and older is R2.7 million, provided that the market value of the business does not exceed R15 million.

# Allowances

## Subsistence allowances and advances

Where the recipient is obliged to spend at least one night away from his/her usual place of residence on business, and the accommodation to which that allowance or advance relates is in South Africa, and the allowance or advance is granted to pay for:

- meals and incidental costs, an amount of R595 per day is deemed to have been expended.
- incidental costs only, an amount of R184 for each day which falls within the period is deemed to have been expended.

These rates also apply where an employee is obliged to be away from the office on a day trip.

**Overseas costs:** The applicable rate per country is available on the SARS website at [Subsistence Allowances and Advances | South African Revenue Service \(sars.gov.za\)](#) or Legal Counsel / Secondary Legislation / Income Tax Notices on the SARS website.

## Travel allowance



A log book confirming business kilometres travelled and total kilometres travelled during the tax year must be maintained in order to claim a deduction against the travel allowance.

PAYE must be withheld by the employer on 80% of the allowance granted to the employee.

The withholding percentage may be 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 and/or maintenance costs may be claimed if the employee has not borne the full cost thereof (e.g. if the vehicle is covered by a maintenance plan).

The fixed cost must be reduced on a pro-rata basis if the vehicle is used for business purposes for less than a full year.

## Alternative simplified method:

No tax is payable on a reimbursement paid by an employer to an employee which does not exceed the SARS rate per kilometre, regardless of the value of the vehicle.

The SARS rate per kilometre for the 2027 tax year is 495 cents per kilometre. [Income Tax Notices 2026 | South African Revenue Service](#)

This alternative simplified method 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.

## Travel table

The actual distance travelled during the tax year and the distance travelled for business purposes, substantiated by a logbook, are used to determine the cost which may be claimed against a travelling allowance.

Rates per kilometre which may be used in determining the allowable deduction for business travel against an allowance or advance where actual costs are not claimed, are determined by using the table on SARS's website:

[Income Tax Notices 2026 | South African Revenue Service](#)



# Fringe benefits



## Employer-provided vehicles

The taxable value is 3,5% of the determined value (the cash cost including VAT) per month of each vehicle.

However, where the vehicle is:

- the 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 licence, 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.

## Employer-provided residential accommodation

In the case of employer-provided residential accommodation, where the employer-provided accommodation is leased by the employer from an unconnected third party, the value of the fringe benefit to be included in gross income is the lower of:

- the cost to the employer of providing the accommodation; and
- the amount calculated with reference to the formula.

"Remuneration proxy" is the remuneration derived by the employee in the previous year of assessment and is used in the formula mentioned above. The 2025 Taxation Laws Amendment Bill will amend the term "remuneration proxy" to include exempt foreign remuneration.

The formula will apply if the accommodation is owned by the employee, but it does not apply to holiday accommodation hired by the employer from non-associated institutions.

## Interest-free or low-interest loans

The fringe benefit to be included in gross income is the difference between interest charged on the loan at the official rate, and the actual amount of interest charged.

# Exemptions

## Interest and dividend income

*Under 65 years of age –*

The first R23 800 of interest income is exempt.

*65 years of age and over –*

The first R34 500 of interest income is exempt.

Interest is exempt if earned by a non-resident person who is an individual and who is physically absent from South Africa for at least 183 days during the 12 months before the interest accrues, or if the debt from which the interest arises is not effectively connected to a permanent establishment of that non-resident person in South Africa.

Interest exemptions are subject to apportionment in a tax year in which an individual ceases to be a South African tax resident.

South African dividends are generally exempt after the withholding of dividends tax (except to the extent that anti-avoidance provisions have been triggered).

## Foreign interest and dividends

There is no exemption in respect of foreign-sourced interest income.

Where an individual holds less than 10% of the equity share capital of a foreign company which distributes a dividend, the dividend will be taxed at a maximum effective rate of 20%, as determined by a formula.

No deductions are allowed for expenditure to produce foreign dividends.

## Foreign remuneration exemption

Where an employee works abroad for more than a certain amount of qualifying days (see below), that foreign remuneration is exempt from tax in South Africa. The exemption is limited to the first R1.25 million of foreign remuneration.

For the foreign remuneration exemption to be applied, an employee must be rendering services outside of South Africa for more than 183 days in a 12-month period and for more than 60 consecutive days in the same 12-month period.

In an effort to reduce the cash flow burden on the employee, the South African employer may apply to SARS for a tax directive allowing Foreign Tax Credits (FTCs) as a tax reduction in the South African payroll.

The legislation states that any person (e.g. an employee) who receives remuneration from an employer that is not registered for South African employees' tax, is a provisional taxpayer. Where relevant, that person will be required to claim the FTCs when filing their provisional and annual tax returns.

## Fringe benefit exemption for employer-provided bursaries

Employer-provided bursaries to employees are not subject to income eligibility thresholds or monetary limit criteria.

However, there are other criteria, such as repayment conditions, that must be met for the bursary to be exempt entirely.

The remuneration eligibility threshold applicable to employees in respect of bursaries granted to their relatives, is R900 000 (previously R600 000).

The monetary limits for bursaries to relatives are as follows:

- R30 000 (previously R20 000) for grade R to grade 12 or for qualifications up to and including NQF level 4; and
- R90 000 (previously R60 000) for qualifications from NQF level 5 and above.

The monetary limits for relatives with disabilities are as follows:

- R45 000 (previously R30 000) for grade R to grade 12 or for qualifications up to and including NQF level 4; and
- R130 000 (previously R90 000) for qualifications from NQF level 5 and above.

No exemption applies if the bursary is subject to an element of salary sacrifice.



# Deductions from income – Individuals

## Contributions to pension, provident and retirement annuity funds

Employer contributions to South African retirement funds for the benefit of employees are deemed to be taxable fringe benefits in the hands of employees. Depending on the nature of the fund, the fringe benefit is either the actual cash value of the contribution or determined by a formula. The employee will be deemed to have made contributions to the value of the fringe benefit (which, together with their own contributions, may be eligible for a deduction).

The annual tax deduction for contributions to all retirement funds is limited to the lower of R430 000 or 27,5% of the greater of taxable income before the inclusion of a taxable capital gain (excluding retirement and severance lump sums) or remuneration (excluding retirement and severance lump sums).

Any contributions in excess of the limitations will be rolled forward and will be available for deduction in future tax years, subject to the annual limitations applicable in those tax years. Any non-deductible contributions will be available for deduction against retirement lump sums or annuity income on withdrawal or retirement from the fund.

## Retirement reform

Effective 1 September 2024 (in terms of the two-pot system regime), persons who contribute to South African retirement funds will have limited pre-retirement access to some of their retirement savings. Marginal tax rates will apply to the savings accessed pre-retirement.

## Donations to certain PBOs

Deductions in respect of donations to certain Public Benefit Organisations (PBOs) 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 PBOs in the following tax year. Third-party reporting has been extended to tax deductible donations made, to enable SARS to pre-populate these on the relevant tax returns.

## Home office deduction

Employees who work from home for more than 50% of the time, and have set aside a room to be occupied for the purpose of “trade”, may be allowed to deduct certain expenses incurred in maintaining a home office. The deduction will be calculated on a pro-rata basis, provided that the requirements as set out in section 11(a) of the Income Tax Act, read in conjunction with sections 23(b) and 23(m), are met.



More details are available on the SARS website: [Home Office Expenses | South African Revenue Service \(sars.gov.za\)](#).





# Medical and disability expenses



## Taxpayers may deduct from their tax liability a tax credit (i.e. a rebate) of:

- R376 per month for each of the first two beneficiaries, and
- R254 per month for each additional beneficiary,

in respect of medical aid contributions.

*Taxpayers 65 years and older and those with disabilities under the age of 65 years or with disabled dependents may deduct an additional medical expenses tax credit (rebate) equal to 33,3% of the sum of:*

- qualifying medical expenses; and
- an amount by which the contributions paid exceed three times (3x) the medical tax credits for the year.

*Taxpayers under the age of 65 years may deduct an additional medical expenses tax credit (rebate) equal to 25% of the sum of:*

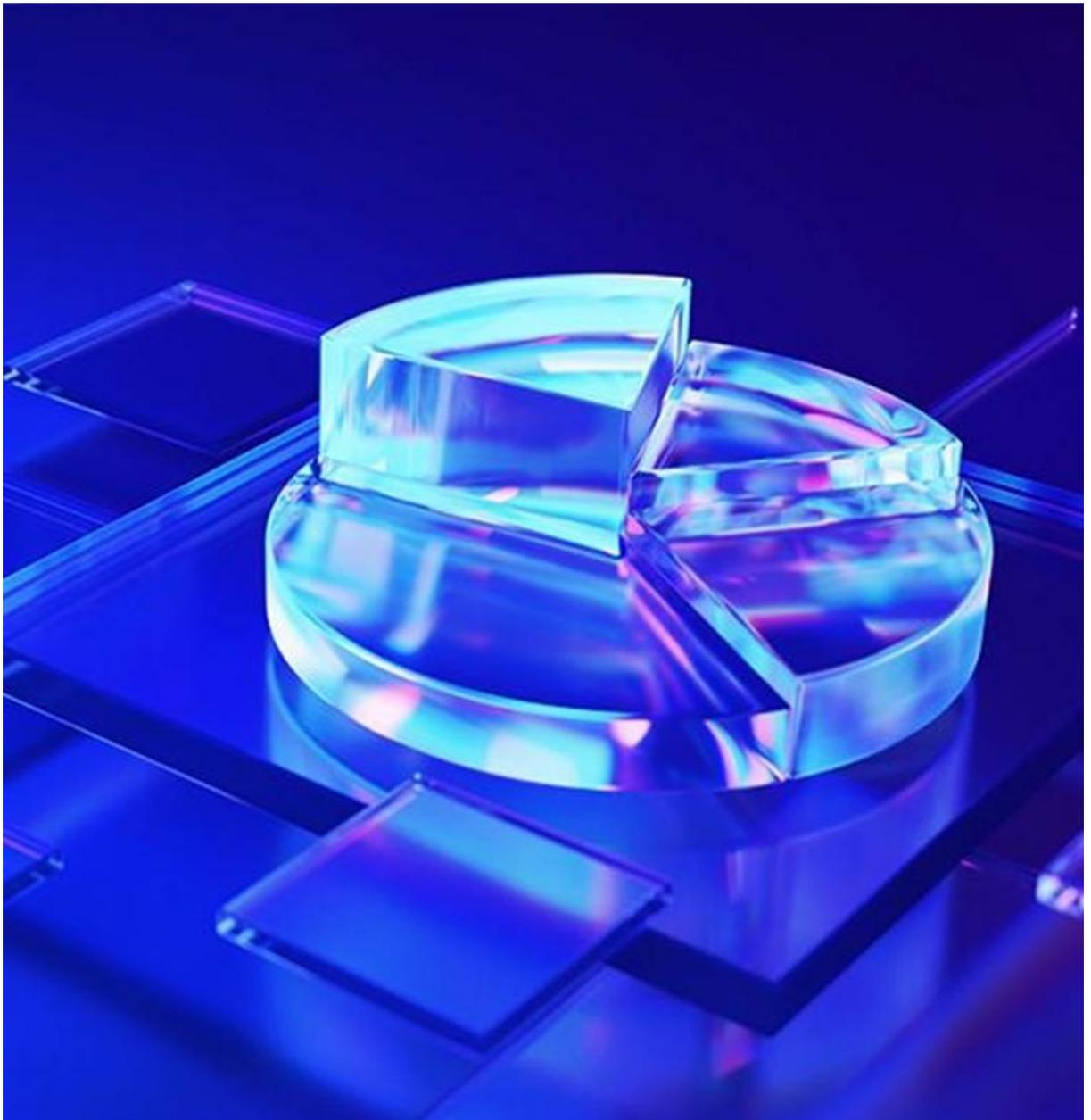
- qualifying medical expenses; and
- an amount by which the contributions paid exceeds four times (4x) the medical tax credits for the year, but limited to the amount which exceeds 7,5% of taxable income (excluding retirement lump sums and severance benefits).

# Tax-free savings and investment accounts

All returns received from tax-free savings and investment accounts, such as interest, dividends and capital gains, are 100% tax free.

The annual contribution limit is R46 000 (previously R36 000).

The lifetime contribution limit is R500 000.





# Taxation of lump sum benefits

## Retirement fund lump sum benefits (retirement or death) and severance lump sum benefits

The tax-free lump sum benefit upon death, retirement, withdrawal after reaching the age of 55, as well as illness, accident, injury, incapacity or in respect of severance benefits (as defined in the Income Tax Act), is R550 000. The tax rates are:

Taxable income	Rates of tax
R1 – R550 000	0% of taxable income
R550 001 – R770 000	18% of taxable income above R550 000
R770 001 – R1 155 000	R39 600 + 27% of taxable income above R770 000
R1 155 001 and above	R143 550 + 36% of taxable income above R1 155 000

## Retirement fund lump sum withdrawal benefits

Retirement fund lump sum withdrawal benefits refer to lump sums from a pension, pension preservation, provident, provident preservation or retirement annuity fund upon withdrawal from the fund, in circumstances that do not qualify for the above rates table. The tax rates are:

Taxable income	Rates of tax
R1 – R27 500	0% of taxable income
R27 501 – R726 000	18% of taxable income above R27 500
R726 001 – R1 089 000	R125 730 + 27% of taxable income above R726 000
R1 089 001 and above	R223 740 + 36% of taxable income above R1 089 000

These tax tables apply cumulatively to all lump sum benefits, and include:

- all other retirement fund lump sum withdrawal benefits accruing from March 2009;
- all retirement fund lump sum benefits accruing from October 2007; and
- all severance benefits accruing from March 2011.

# Companies and employers

## Corporate tax rates

Type	Rates of tax
<b>Companies</b>	
Resident company	27%
Non-resident company	27%
Personal service provider company	27%
Gold mining, oil & gas companies and long-term insurance companies are subject to special rules and tax rates.	
<b>Small business corporations (footnote 1)</b>	
R1 – R99 000	0% of taxable income
R99 001 – R365 000	7% of taxable income above R99 000
R365 001 – R550 000	R18 620 plus 21% of taxable income above R365 000
R550 001 and above	R57 470 plus 27% of taxable income above R550 000
<b>Micro businesses (footnote 2)</b>	
R1 – R600 000	0% of taxable turnover
R600 001 – R950 000	1% of taxable turnover above R600 000
R950 001 – R1 400 000	R3 500 plus 2% of taxable turnover above R950 000
R1 400 001 and above	R12 500 plus 3% of taxable turnover above R1 400 000
<b>Withholding taxes (footnote 3)</b>	
Dividends	20%
Interest paid to non-residents	15%
Royalties paid to non-residents	15%
Amounts paid to non-resident entertainers and sportspersons	15%
Disposal of fixed property by non-residents	Individuals: 7,5%, Companies: 10%, Trusts: 15%

<sup>1</sup> Applicable for years of assessment ending on any date between 1 April 2026 and 31 March 2027.

<sup>2</sup> Micro businesses have the option of making payments for turnover tax, VAT and employees' tax bi-annually. Applicable to individuals from 1 March 2026 to 28 February 2027 and in respect of companies for years of assessment that end on any date between 1 April 2026 and 31 March 2027.

<sup>3</sup> Subject to double tax agreement relief if paid to a non-resident.



## Withholding taxes

If the amount is paid to a non-resident, the applicable withholding tax rate may be reduced by the provisions of an applicable Double Tax Agreement (DTA). The foreign recipient of the royalty, dividend or the interest should provide a written declaration and undertaking to the payor, confirming that the requirements to qualify for a reduced rate under a DTA have been met. These written declarations and undertakings have to be renewed every five years.



# Which companies must submit returns

The Commissioner annually gives public notice of the persons who are required to furnish returns for the assessment of normal tax within the period prescribed in that notice (likely to be issued in May/June/July 2026).\*

The following entities are currently required to submit annual income tax returns:

- every company or other juristic person which is a resident and which derived gross income or capital gains or losses of more than R1 000, had assets or liabilities of more than R1 000 or had taxable income, taxable turnover, an assessed tax loss or an assessed capital loss;
- every trust which is a resident;
- every company, trust or other juristic person which is not a resident, and
  - which carried on a trade through a permanent establishment in South Africa;
  - which derived income from a source in South Africa; or
  - which derived any capital gain or capital loss from the disposal of an asset to which the Eighth Schedule to the Income Tax Act applies;
- every company incorporated, established or formed in South Africa, but which is not a resident as a result of the application of any DTA.

\*A KPMG Tax Alert setting out the category of persons required to submit a return and any changes in relation to the above requirements, will be issued at the time of publication of the public notice (once available on the SARS website).





# Capital gains tax – Companies and trusts



## Effective CGT rates

Type of taxpayer	Inclusion Rate	Statutory Rate	Effective Rate
Other trusts i.e. trusts other than 'special trusts' as defined	80%	45%	36%
Companies* (including personal service provider companies and branches of non-resident companies)	80%	27%	21,6%
Small business corporations	80%	0% – 27%	0% – 21,6%

# Payroll taxes and levies

## Employees' tax / Pay-As-You-Earn (PAYE)

Resident employers, representative employers and, with effect from 22 December 2023, non-resident employers who are conducting business through a permanent establishment in South Africa, are required to withhold PAYE from all remuneration paid to employees. It has been proposed that non-resident employers must register for South African employees' tax where (depending on specific arrangement), an employee is "effectively connected" to a permanent establishment in South Africa.

The PAYE must be paid to SARS by the 7th day of the month following the month in which the remuneration is received. If the 7th falls on a weekend or public holiday, the payment must be made by the last business day before the 7th.

Employees' tax and personal income tax administration reforms are expected. It has been proposed to review the employees' tax rules pertaining to employees' tax withholding and remittance obligations in group structures as these relate to equity schemes (shares, options, units, etc).

## Unemployment Insurance Fund (UIF)

UIF contributions are payable by both resident and non-resident employers to SARS on a monthly basis. Contributions are calculated at a rate of 2% of remuneration paid or payable (1% employee and 1% employer contribution, based on the employee's remuneration) to each employee during the month.

The monthly threshold increased to a maximum threshold of R17 712 per month (R212 544 per year) from 1 June 2021.

Employers (including non-resident employers) that are not registered for PAYE or SDL purposes must pay the contributions to the Unemployment Insurance Commissioner.

With effect from 1 March 2018, foreign nationals working in South Africa and employees undergoing learnership training are subject to UIF.

## Skills Development Levy (SDL)

Both resident and non-resident employers with a payroll of more than R500 000 per year must account for SDL at a rate of 1% of total remuneration paid to employees. This is an employer contribution only.





## Employment Tax Incentive (ETI)

The ETI was introduced with the objective of generating employment opportunities for young and less experienced work seekers.

The incentive reduces the cost of hiring young people to employers through a cost-sharing mechanism with government, while leaving the wage of the employee unaffected. Compliant employers are able to reduce their PAYE liabilities by claiming ETI.

The ETI was implemented with effect from 1 January 2014 and will end on 28 February 2029.

Eligible employers can claim ETI for a maximum period of 24 qualifying months in relation to qualifying employees.

Employers are able to claim ETI up to a maximum of:

- R1 500 per qualifying employee per month in the first twelve months, and up to
- R750 per qualifying employee per month in the second twelve months.

The incentive is nil for qualifying employees who earn R7 500 and more.

Effective from 1 March 2022 - 31 March 2025		
Monthly remuneration	First 12 months	Second 12 months
R0 to R1 999,99	75% of monthly remuneration	37,5% of monthly remuneration
R2 000 to R4 499,99	R1 500,00	R750
R4 500 to R6 499,99	$R1\ 500 - (0.75 \times (\text{monthly remuneration} - R4\ 500))$	$R750 - (0.375 \times (\text{monthly remuneration} - R4\ 500))$
Effective 1 April 2025		
Monthly remuneration	First 12 months	Second 12 months
R0 - R2 499,99	60% of monthly remuneration	30% of monthly remuneration
R2 500 - R5 499,99	R1 500	R750
R5 500 - R7 499,99	$R1\ 500 - (0.75 \times (\text{month remuneration} - R5\ 500))$	$R750 - (0.375 \times (\text{month remuneration} - R5\ 500))$

ETI reimbursements are classified as refunds for purposes of the Tax Administration Act and accordingly may be subject to the imposition of understatement penalties if claimed incorrectly.

To curb abuse of the ETI, punitive measures may apply.

# Value-Added Tax

- Standard rate: 15% (since 1 April 2018)
- Threshold for compulsory VAT registration:
  - Taxable supplies > R2.3 million during any 12-month period (from 1 April 2026)
  - Taxable supplies > R1 million during any 12-month period (until 31 March 2026)
- Voluntary VAT registration threshold:
  - Taxable supplies > R120 000 during any 12-month period (from 1 April 2026)
  - Taxable supplies > R50 000 during any 12-month period (until 31 March 2026)



# Corporate income tax



## Collective Investment Schemes

It is proposed that all investment returns generated by regular collective investment schemes (CISs) and retail investment hedge funds be taxed as capital. Qualified investment hedge funds will be excluded from the CIS tax regime. A response document containing these proposals will be released for further consultation.

## Interest limitation rules

The 2024 amendments to align the interest limitation formula in section 23N of the Income Tax Act with the formula in section 23M of the Income Tax Act, effective 1 January 2027, will be withdrawn.

## Extending the rehabilitation fund regime to nuclear facilities

The existing regime for the tax treatment of mining environmental rehabilitation funds will be extended to allow nuclear facilities to be eligible for the favourable tax regime.



# Other incentives

## Special Economic Zones (SEZ)

Qualifying companies located in qualifying SEZs are taxed at a corporate tax rate of 15% instead of 27%. It is proposed that the current exclusion, which disqualifies companies if more than 20% of their expenditure or income arises from transactions with connected parties outside the zone, be reconsidered and that companies be assessed on whether such transactions are at market-related prices. This is to limit profits being shifted to a low-tax zone.

## Urban Development Zone Tax Incentive

Government will explore targeting the incentive to better support affordable housing developments in areas that are close to jobs, public transport and essential services. A workshop will be held with relevant stakeholders during 2026, with the aim of tabling proposals in the 2027 Budget.





# Provisional tax

## Provisional tax – individuals / companies

- First payment: To be made within 6 months from the start of the tax year.
- Second payment: To be made by the last day of the tax year.
- Third payment: Voluntary payment to be made within 7 months after the tax year end (if tax year end is 28/29 February), or to be made within 6 months after year end (if tax year end falls on any other date).

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 not required to pay 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, and rental from the letting of fixed property 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.

Deceased estates are not provisional taxpayers.

## Provisional tax – penalties on late payment, late submission and underestimation

The following penalties may be imposed:

- A 10% penalty for the late payment of the amount of provisional tax due.
- A 20% penalty for the underestimation of the amount of provisional tax due. With effect from 25 February 2026, failure to pay the estimated amount timeously will attract the underestimation penalty.
- The 20% underestimation penalty is reduced by the amount of any late payment penalty imposed. Both of these penalties constitute percentage based penalties in terms of section 213 of the Tax Administration Act.



The 20% underestimation penalty will only be triggered in the following scenarios:

- When a taxpayer reports an estimate of taxable income of less than R1 million for the purposes of the second provisional tax return (form IRP6) and that estimate of taxable income is less than 90% of the final assessed taxable income per the assessment (form ITA34) **and** is less than the "basic amount" (i.e. the taxable income per the most recent previous assessment issued).
- When a taxpayer reports an estimate of taxable income of more than R1 million for the purposes of the second provisional tax return (form IRP6) and that estimate of taxable income is less than 80% of the taxable income per the final assessment (form ITA34).
- The R1 million cap for relying on historical assessments rather than current estimates will be increased to R1.8 million for years of assessment commencing on or after 1 March 2026.

# International Tax & Exchange Control



## International Tax

### Interaction between section 9D and section 25D currency rules

Section 9D(6) of the Income Tax Act states that the “net income” of a controlled foreign company (CFC) should be determined in its functional currency and thereafter translated into rands at the average exchange rate for the CFC’s foreign tax year. This is done when the income is proportionally included in a South African shareholder’s income.

Conversely, section 25D(5) applies to domestic treasury management companies (DTMCs) that use a foreign functional currency, and states that amounts received in another currency are to be translated into their functional currency and thereafter into rands.

Where a DTMC is the resident shareholder of a CFC, this interaction results in multiple currency translations, first at CFC level and again at DTMC level.

This may create distortions in taxable income and impose unnecessary compliance complications.

National Treasury proposes that legislation be amended so that, in cases where a DTMC holds the CFC, section 9D(6) will not require translation of the CFC’s “net income” into rands. This aims to align the currency translation rules, reduce the administrative burden and prevent artificial exchange rate gains or losses arising purely from legislative conversion rules.

## Exchange control

### Capital flows management framework

The rapid growth and increasing use of crypto assets for cross-border transactions have created regulatory gaps in monitoring and managing capital flows.

To avoid further gaps, National Treasury will publish amendments to the Exchange Control Regulations to explicitly include crypto assets within the capital flows management framework.

This will complement existing regulation by the Financial Sector Conduct Authority (FSCA) and the Financial Intelligence Centre, ensuring that crypto assets and service providers are subject to appropriate reporting, registration, and enforcement requirements.

### Reducing capital flows regulatory burden and improving competitiveness

To position South Africa as a leading financial and investment hub for the African continent, greater flexibility is needed for asset managers to operate in foreign currencies and manage foreign portfolios locally.

National Treasury will expand the HoldCo concept to allow asset managers to manage portfolios and trade foreign currency-denominated financial instruments locally, as corporations currently can. This will support the development of a synthetic financial centre, enabling asset managers to enable global capital flows and attract foreign savings for South African investors.



### Inward foreign loans: South African residents

Previously, South African exchange control regulations imposed a cap on the interest rates that residents could pay on inward foreign loans, with all such loans subject to approval and strict monitoring by the Financial Surveillance Department (FinSurv) of the South African Reserve Bank (SARB). These caps were intended to prevent excessive outflows through inflated interest payments and to protect the country's balance of payments.

However, these interest rate caps have become increasingly misaligned with global financial markets, potentially discouraging foreign investment and limiting access to competitive international funding.

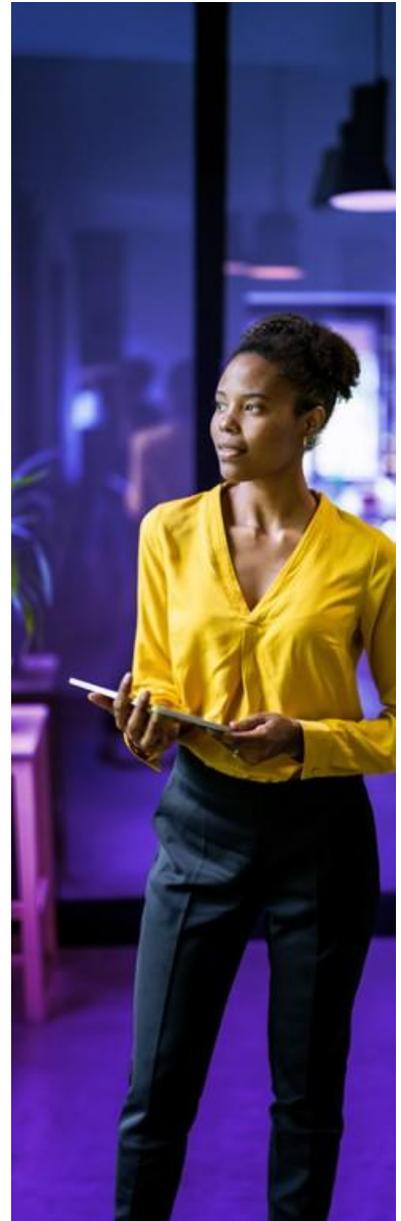
In response, National Treasury proposes removing the interest rate cap on inward foreign loans. South African residents will now be permitted to enter into foreign loan agreements at market-related interest rates, provided these loans are appropriately reported to the FinSurv of the SARB.

### Single discretionary allowance

South African private individuals were allowed a single discretionary allowance of up to R1 million per calendar year, which could be used for various purposes such as travel, gifts, remittances, investments, and donations. These transfers could be made through Authorised Dealers (ADs) without the need for additional approvals.

The R1 million limit has become less effective over time due to inflation and currency fluctuations, reducing its real value and limiting individuals' flexibility in managing their international financial needs. Increasing the limit is intended to better reflect current economic realities and to provide individuals with greater freedom in their cross-border transactions.

Therefore, National Treasury proposes to increase the single discretionary allowance for private individuals from R1 million to R2 million per calendar year, with the limit to be reviewed regularly to ensure it remains appropriate.



# Customs and excise

## Customs and excise rates increases

### Customs and excise rate increases:

- **Specific excise duties:** With effect from 25 February 2026, specific excise duties are increased. Alcoholic beverages increased by 3,39%, (while traditional African beer and beer powder remains unchanged). The rate of duty on tobacco products (cigarettes, cigarette tobacco, pipe tobacco and cigars) and electronic nicotine & non-nicotine delivery systems (HTPs sticks and ENDS/ENNDS) will increase by 3.39%.
- **General Fuel Levy and Road Accident Fund Levy:** The General Fuel Levy will increase to R4.10/litre for petrol and R3.93/litre for diesel, effective 1 April 2026. The Road Accident Fund (RAF) levy will increase to R2.25/litre from 1 April 2026.



- **Carbon tax:** With effect from 1 January 2026, the carbon tax rate increased to R308 per tonne of carbon dioxide equivalent (CO<sub>2</sub>e). The carbon fuel levy will increase to 19c/litre for petrol and 23c/litre for diesel with effect from 1 April 2026. The carbon tax cost recovery quantum for the liquid fuels sector will be increased from 0.99c/litre to 1.29c/litre, effective from 1 January 2026, to align with the increase of the headline carbon tax rate.

### Legislative amendment proposals:

- **Providing enabling provision relating to Temporary Admission Carnets:** The World Customs Organization and the International Chamber of Commerce have launched an electronic ATA Carnet Project, which mandates fully digitised ATA carnets. To ensure that South Africa can implement the new requirements of the international agreement, government proposes to amend the Customs and Excise Act to enable the Commissioner to issue rules relating to the issuing, use and submission of international carnets when goods are temporarily imported or exported.
- **Amendments to facilitate the administration of carbon tax refunds:** Government proposes to amend the Customs and Excise Act to facilitate the administration of carbon tax refunds claimed over a five-year period.
- **Discretion to exempt non-compliance in relation to rebates in Schedules No 3, 4 and 6:** Government proposes to amend the broad discretionary powers afforded to the Commissioner to exempt or condone non-compliant taxpayers who fail to meet the conditions or requirements prescribed by rule or in the notes to Schedules No 3, 4 and 6 in respect of any goods specified in an item of these Schedules. The proposed amendment will constitute a move away from the broad discretionary powers and provide criteria for the exercise of discretions, to enhance clarity and certainty.
- **Separating carbon fuel levy from general fuel levy:** Government proposes to separate the carbon fuel levy from the general fuel levy and include a new schedule to the Customs and Excise Act to specifically provide for the administration of the carbon fuel levy.
- **Amendments in relation to electronic heated tobacco products:** Government proposes to change the statistical unit of measure of electronic heated tobacco products from “per 10 sticks” to “per kilogram net”.



## Customs and excise rates increases (cont.)

### Legislative amendment proposals (cont.)

- **Men's Cricket World Cup 2027:** Government proposes that South Africa apply its customs duty rebates and temporary import exemptions during the tournament to be hosted in South Africa, Namibia and Zimbabwe. This proposal will provide clarity on the rules to facilitate the import of essential goods / temporary import of goods, equipment and machinery used during the tournament.
- **2027 Excise duty adjustments:** Government proposes that the excise duty adjustments announced in the Budget, beginning with the 2027 Budget, will take effect on 1 April.



# Environmental taxes

## Carbon tax

### *Carbon tax rate increase*

The carbon tax rate is increased with 30,51% from R236 to R308 per tonne of CO<sub>2</sub>e.

The amendment will take effect from 1 January 2026.

### *Carbon fuel levy and carbon tax cost recovery*

Effective 1 April 2026, the carbon fuel levy will increase to 19c/litre for petrol and 23c/litre for diesel.

The carbon tax cost recovery quantum for the liquid fuels sector will increase from 0.99c/litre to 1.29c/litre, effective 1 January 2026.

### *Carbon tax – Refunds for carbon budget compliance*

The 2025 Taxation Laws Amendment Bill allows companies to get refunds for taxes paid on greenhouse gas emissions exceeding their carbon budgets if they comply with the five-year carbon budget as allocated by the Department of Forestry, Fisheries and the Environment. The wording of the proposed section which made reference to "the immediately preceding tax period" created uncertainty regarding which tax period is referred to.

It is therefore proposed that the legislation is amended to clarify that refunds for carbon budget compliance can be claimed in year 3 for the first two tax periods, and in year 6 for years

3–5 of the carbon budgeting period. The changes will take effect on a date set by the Finance Minister. This is to provide policy certainty to taxpayers and remove any ambiguity in the proposed wording of section 17A(2) of the Carbon Tax Act.

### *Carbon tax thresholds for 1A4a activities*

It is proposed that from 1 January 2026, the carbon tax threshold for commercial/institutional activities (IPCC 1A4a) will change from a capacity-based threshold to a 25 000 tonnes of CO<sub>2</sub>e emissions threshold.

The change is proposed to ease the compliance burden on commercial and institutional entities who use backup diesel generators mainly for short electricity supply disruptions.

### *Amendments to facilitate the administration of carbon tax refunds*

In 2025, section 17A was introduced into the Carbon Tax Act, allowing entities to claim a refund if they comply with their carbon budgets over a five-year period. These refunds are administered under the Customs and Excise Act.

It is proposed to amend the Customs and Excise Act to allow carbon tax refunds over a longer period, as entities must comply with 5-year carbon budgets, but the Act currently limits refund claims to a 2-year prescription period.

### *Separating the carbon fuel levy from the general fuel levy*

Since the introduction of the carbon fuel levy, this levy was included as part of the general fuel levy provided for in the Customs and Excise Act. New tariff items attracting this levy have been introduced by the Taxation Laws Amendment Act, necessitating certain SARS system changes to integrate these new tariff items.

It is proposed that a new Part 5C be inserted into Schedule No 1 of the Customs and Excise Act, to provide for the administration of the carbon fuel levy separately from the general fuel levy.

### *Developing the South African Carbon Credit Market*

In October 2025, National Treasury published a consultation paper aimed at modernising the carbon credit infrastructure, clarifying legal and financial regulations, and encouraging investment in low-carbon projects.

It is proposed that in 2026 National Treasury will pilot, in two preliminary phases, the Common Carbon Credit Data Model. If successful, additional efforts to embed the model into the South Africa's domestic policy architecture could be considered.



# Transfer duty and Securities Transfer Tax

## Securities Transfer Tax (STT)

This tax is imposed at a rate of 0,25% on the transfer of listed or unlisted securities.



## Transfer duty

Payable on transactions that are not subject to VAT (including zero-rated VAT)

Value of property	Rates payable
R1 – R1 210 000	0% of the value
R1 210 001 – R1 663 800	3% of the value above R1 210 000
R1 663 801 – R2 329 300	R13 614 plus 6% of the value above R1 663 800
R2 329 301 – R2 994 800	R53 544 plus 8% of the value above R2 329 300
R2 994 801 – R13 310 000	R106 784 plus 11% of the value above R2 994 800
R13 310 001 and above	R1 241 456 plus 13% of the value above R13 310 000



# Estate duty and donations tax

## Estate duty

Estate duty is payable on:

- “Property” and “deemed property” (less allowable deductions) for persons who are “ordinarily tax resident” in South Africa.
- “Property” and “deemed property” (less allowable deductions) for persons who are not tax resident in South Africa.

### [Estate Duty | South African Revenue Service](#)

Estate duty is levied on the “dutable value” of an estate, at a rate of 20% on the first R30 million. A tax rate of 25% will apply where the dutiable value of an estate is above R30 million.

A basic deduction of R3.5 million is allowed in the determination of an estate’s liability for estate duty, as well as deductions for liabilities, bequests to Public Benefit Organisations (PBOs) and property accruing to surviving spouses.

## Donations tax

A rate of 20% will be payable on the value of property donated. Donations exceeding R30 million in value will be taxed at a rate of 25%.

The first R150 000 of property donated in each year by a natural person is exempt from donations tax. For taxpayers who are not natural persons, exempt donations are limited to casual gifts not exceeding a total of R20 000 per annum.

Donations tax is payable by tax resident donors.

Donations between spouses are exempt from donations tax. However, it has been proposed that, with effect from 25 February 2026, only donations between spouses where the recipient is tax resident in South Africa, will be exempt from donations tax.

Donations between South African group companies and to certain PBOs are exempt from donations tax.



# Administrative non-compliance penalties

## Fixed amount penalties

Taxable income for preceding year	Monthly penalty
Assessed loss	R 250
R 0 – R 250 000	R 250
R 250 001 – R 500 000	R 500
R 500 001 – R 1 000 000	R 1 000
R 1 000 001 – R 5 000 000	R 2 000
R 5 000 001 – R 10 000 000	R 4 000
R 10 000 001 – R 50 000 000	R 8 000
Above R 50 000 000	R 16 000

Maximum successive penalties: 36 months (SARS in possession of address) or 48 months (SARS not in possession of address)

Administrative non-compliance is the failure to comply with an obligation imposed by or under a tax Act and listed in a public notice by the Commissioner. Failures attracting fixed amount penalties currently include:

- The failure by a natural person to submit an income tax return (subject to further conditions).
- The failure by a reporting financial institution to submit returns in relation to the intergovernmental agreement to implement the United States of America's Foreign Account Tax Compliance Act.
- Certain incidences of non-compliance with the Common Reporting Standard (CRS) Regulations (e.g. failure by a reporting financial institution to submit a return as required, or to remedy the partial or non-implementation of a due diligence required under the CRS Regulations within 60 days, etc.).
- Failure by a company to submit an income tax return as required under the Income Tax Act for years of assessment ending during the 2009 and subsequent calendar years, where SARS has issued the company with a final demand and such company has failed to submit the return within 21 business days of the date of issue of the final demand.
- SARS has indicated that it plans to release a public notice extending the fixed amount penalty regime to trusts.





## Understatement percentage-based penalties

Behaviour	Standard case	Obstructive or repeat case	Voluntary disclosure after notification of audit	Voluntary disclosure before notification of audit
Substantial understatement	10%	20%	5%	0%
Reasonable care not taken in completing return	25%	50%	15%	0%
No reasonable grounds for tax position	50%	75%	25%	0%
Impermissible avoidance arrangement	75%	100%	35%	0%
Gross negligence	100%	125%	50%	5%
Intentional tax evasion	150%	200%	75%	10%

### “Understatement” means any prejudice to SARS or the fiscus as a result of:

- A failure to submit a return
- An omission from a return
- An incorrect statement in a return
- Failure to pay correct amount of tax if no return is required
- An impermissible avoidance arrangement

The burden of proving the facts on which SARS based the imposition of the understatement penalty, is on SARS.

# Voluntary Disclosure Programme

Provisions for a general Voluntary Disclosure Programme (VDP) are contained in the Tax Administration Act, in terms of which taxpayers (corporate entities, individuals, etc.), can approach SARS with a view to regularise their tax affairs, with the prospect of remittance of certain penalties.

It is proposed that provisions are made to allow VDP applicants to simultaneously apply for remission of interest under the provisions of the various tax acts. The effective date of the proposed amendment will be 1 March 2026.





# SARS interest rates

Effective 1 December 2025	
Fringe benefits – interest free or low interest loans	7,75% p.a.
Effective 1 March 2026	
Late or underpayments of tax	10,25% p.a.
Refund of overpayments of provisional and employees' tax	6,25% p.a.
Refund of tax on successful appeal, or where the appeal was conceded by SARS	10,25% p.a.
Refund of VAT after prescribed period	10,25% p.a.
Late payments of VAT	10,25% p.a.
Customs and Excise Duties	10,25% p.a.





# Future-ready Tax

## A changing landscape – Completing the economic jigsaw

### **Tax is no longer (only) a compliance function of business, but has become a Strategic Asset**

There is no shortage of challenges and opportunities facing today's tax functions. Carrying on as in the past is no longer a viable option. The traditional tax function is undergoing a transformation. This is a response to the constantly evolving business, economic and technological developments happening as we speak.

Tax authorities around the world are moving towards digitised reporting requirements and seeking to collect tax information directly from your company's accounting system (ERP) in real-time. Even locally there is a fundamental shift in how data is being collected and exchanged. We are moving away from information being "pushed" to tax authorities towards a position where data is "pulled" by them.

From SARS's 2024 Vision Statement it is clear that they are moving towards risk-based reviews, that is not return driven, using data (from ERP systems and other third parties) and a stronger technological backbone. Hiring and upskilling resources with data analytical and data management skills are a priority for SARS. Having a technologically inclined workforce that can rely on factual insight directly from data in real time, requiring limited interaction with business on tax, will bring significant efficiency and growth opportunities for tax authorities.

### **KPMG's response:**

**Tax Reimagined** – KPMG's framework where we have combined our technology, transformation and compliance capabilities to meet your unique tax business needs.

- Deploying our solution architects and leveraging this framework, we assist businesses to develop a strategy for your tax function and design a "future-ready" technology-enabled target operating model (TOM) to reduce costs, improve quality and unlock value from your tax and statutory function.
- Every company is unique. Every tax function is too. A bespoke KPMG Tax Reimagined workshop gives you the opportunity to imagine the model that works for you, then brings it to life. Our rapid diagnostics and wealth of benchmarking data can take you from dreaming of the possible to the foundations of a tangible business case in less time than you think.

# A changing landscape - Harnessing the power of technology and unlocking the value of a company's data

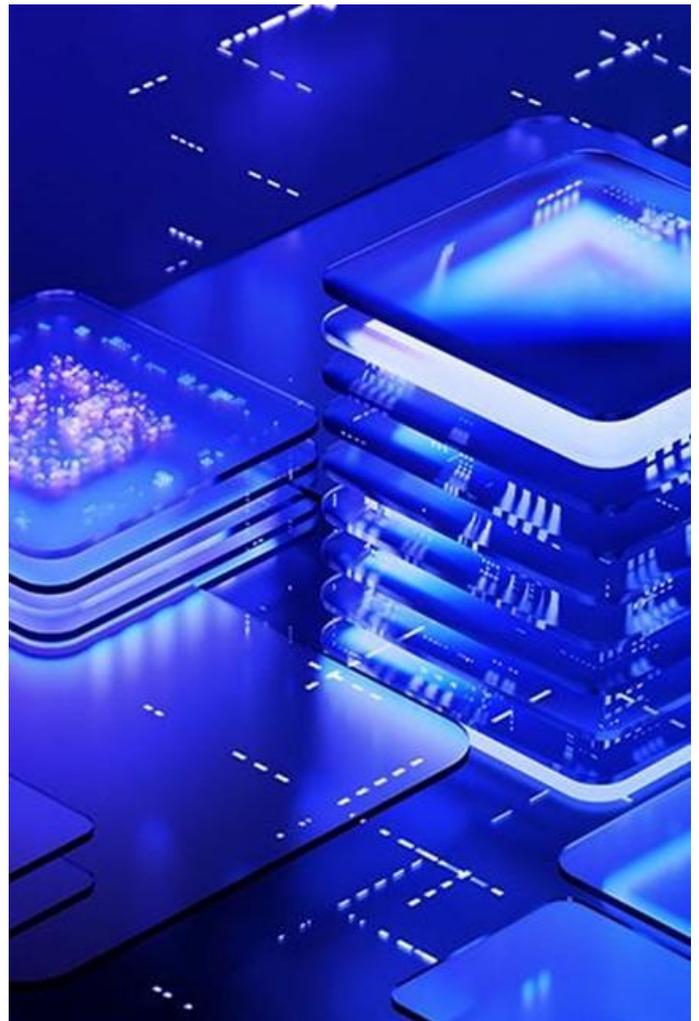
## Data has become a core asset of the 21<sup>st</sup> century tax function

Tax executives need to look beyond the implementation of a specific compliance tool or technology solution, also considering accessibility, accuracy and completeness of tax data. The concept of "compliance-by-design", whereby tax data is ready for reporting in real-time, has become a critical success factor in today's tax world.

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