SURVEY REPORT

RENEWABLE ENERGY TAX INCENTIVES

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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1. BACKGROUND

South Africa has been experiencing a loadshedding crisis since 2007 due to ageing infrastructure and insufficient generation capacity to meet the country's electricity demand[1]. In July 2022, President Ramaphosa as part of Operation Vulindlela[2] announced a range of measures to tackle the energy crisis in five areas. One of these was aimed at encouraging businesses and households to invest in renewable energy. In the 2023 Budget, National Treasury introduced two temporary renewable energy tax incentives designed to encourage individuals and businesses to invest in alternative energy sources to add electricity supply to the grid in response to the worsening power supply crisis.

The incentives were part of a package of measures, including the Energy Bounce Back Loan Guarantee Scheme, that were designed to encourage investors to add electricity supply to the grid. Individuals installing new rooftop solar panels between March 2023 and February 2024 became eligible for a 25 per cent solar tax credit, a rebate against personal income tax, capped at R15 000 (section 6C of the Income Tax Act[3]). Businesses investing in renewable energy generation assets (solar, wind, hydro, biomass, etc.) between March 2023 and February 2025 could claim an enhanced deduction of 125 per cent of the asset cost in the year it was brought into use (section 12BA of the Income Tax Act[4]). These initiatives were designed to stimulate private sector investment in renewable energy capacity, thereby supplementing electricity supply and mitigating the loadshedding crisis.

To gather preliminary results on the effectiveness of the renewable tax incentive schemes in achieving their intended objectives and assess taxpayers' experiences with the incentives, National Treasury published an online survey on 4 December 2024[5]. It is envisaged that the survey results will feed into a more detailed analysis of these incentives once administrative data from the South African Revenue Services (SARS) becomes available[6]. The results will also be used to inform future tax policies.

The National Treasury wishes to thank all those who participated in this survey.

[1] https://www.eskom.co.za/heritage/wp-content/uploads/2023/08/2007-Annual-Report.pdf
[2] https://www.gov.za/sites/default/files/progress_on_EAP.pdf.pdf
[3] 2023 Budget FAQs - Solar Panel Tax Incentive.pdf
[4] 2023112001 FAQ Enhanced renewable energy incentive for businesses.pdf
[5] 2024120401 Media Statement - Invitation To Participate in the Renewable Energy Tax Incentive Review Online Survey.pdf
[6] There is a lag between the time a taxpayer purchases a qualifying asset; files their tax return for the relevant year of assessment; the tax return being assessed by SARS; and receiving of the data.

2. EXECUTIVE SUMMARY

This report presents the findings of the renewable energy tax incentive review survey, which gathered feedback from a diverse group of taxpayers (individuals, sole proprietors, businesses, tax practitioners and installers) to evaluate the public's experience with and perceptions of the renewable energy tax incentives. An online-based questionnaire developed by the National Treasury was selected as the tool for research. The survey published on 4 December 2024 collected 462 valid responses. No sample was selected; the entire population was used.

The survey respondents represent a small number of taxpayers relative to the total number of taxpayers in South Africa, so the results cannot be generalised to all taxpayers. Even so, the responses are valued and will assist in understanding taxpayers' perspectives on this policy measure. The results will also complement an analysis of these incentives once the assessed SARS data becomes available. All responses were anonymised. The confidentiality and/or anonymity of respondents was assured as the respondents were not requested to provide information that can be used to identify them. Each respondent is identified by a respondent number only.

Based on the 462 valid responses, individual respondents (41 per cent) formed part of the largest group, followed by businesses (29 per cent). Tax practitioners (16 per cent), installers/suppliers (10 per cent), and sole proprietors (4 per cent) also contributed, reflecting diverse stakeholder participation. Of the 189 individual respondents, 27 per cent claimed the solar panel rebate, while 73 per cent did not. Among those who claimed, 78 per cent (40) of individual claimants indicated they would have invested regardless, whereas the remaining 22 per cent (11) were motivated by the incentive. This suggests the solar rebate had a limited influence on the decision to invest as most respondents claim they would have invested anyway. Results also show that most respondents that claimed the solar energy tax credit are high income earners, predominantly falling within the top two income tax brackets with 80 per cent of respondents based in Gauteng (47 per cent) and the Western Cape (33 per cent).

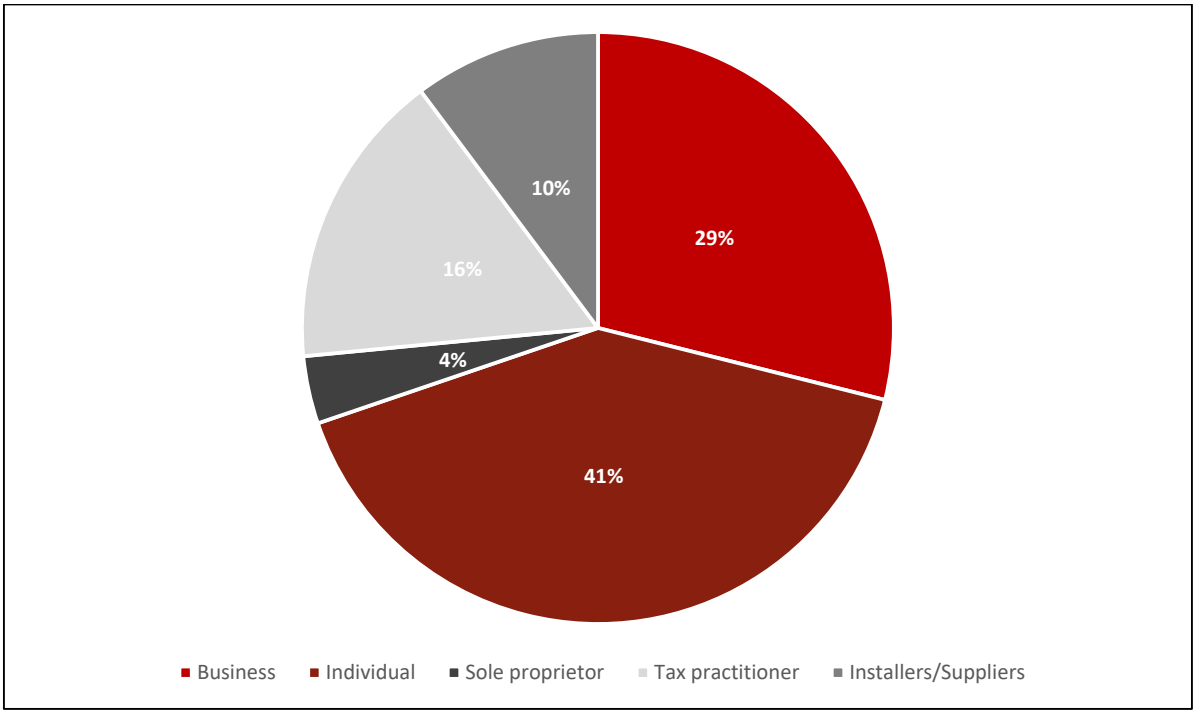
49 per cent of the 134 business respondents claimed the enhanced renewable energy incentive. 57 per cent of claimants indicated they would have invested regardless, whereas 43 per cent invested due to the incentive. This highlights the incentive's partial but meaningful role in driving renewable energy investments among respondents. Results from the small survey population suggest that the tax incentive induced a larger behavioural response from business respondents that claimed relative to individual respondents. Of those that would have invested anyway, 65 per cent of businesses indicated that the incentives influenced their decision to install larger systems than initially planned. 94 per cent of businesses invested in photovoltaic solar energy, with 56 per cent of claims reported in Gauteng (29 per cent) and Western Cape (27 per cent).

Respondents that did not claim felt that high upfront costs, prior investment, time constraints, and lack of awareness are some of the challenges and limitations of the current incentive design.

3. SURVEY RESULTS AND ANALYSIS

Figure 1 shows that most of the survey respondents were individuals who were eligible for the solar energy tax credit for rooftop solar panels installed between 1 March 2023 and 29 February 2024. Almost one third of respondents were larger companies eligible for the enhanced renewable energy tax allowance which covered assets brought into use between 1 March 2023 and 28 February 2025.

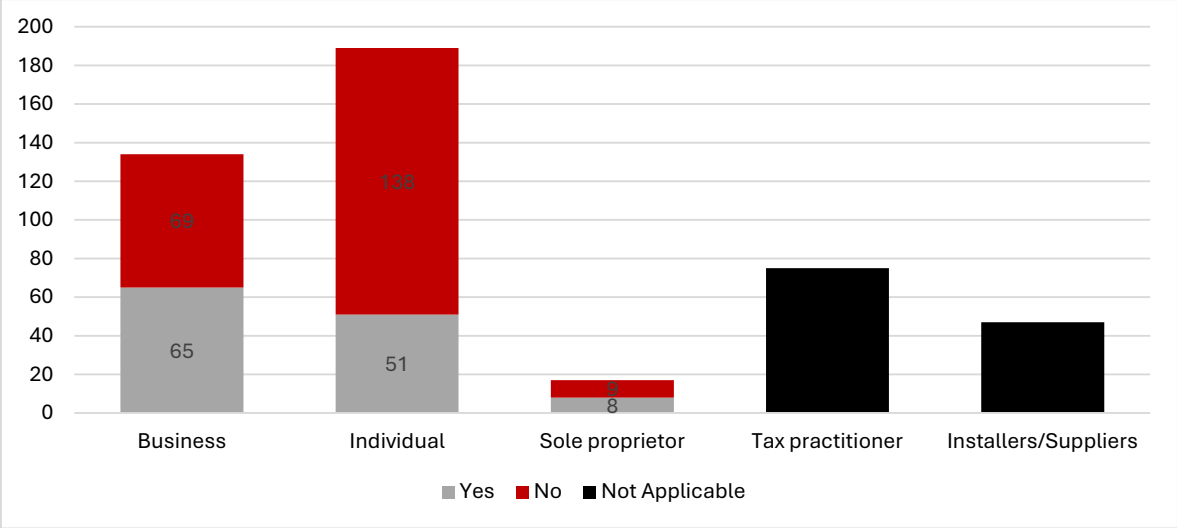
Figure 1: Breakdown of responses by taxpayer type



Tax practitioners made up 16 per cent of the respondents, offering valuable insights based on their advisory role and interactions with both individual and corporate taxpayers. Installers and suppliers, who play a key role in the installation of renewable energy systems, represented 10 per cent of the sample. The smallest group, sole proprietors (4 per cent), still provided useful feedback, particularly in relation to administrative and accessibility aspects of the incentive. This distribution highlights that while individuals and businesses are the primary claimants and beneficiaries of the incentive, the perspectives of intermediaries and service providers also play a critical role in shaping the effectiveness and accessibility of the incentives.

Among individual respondents, 27 per cent reported successfully claiming the solar energy tax credit with 48 per cent of businesses successfully claiming the enhanced renewable energy tax allowance. Results from the survey suggest that the renewable energy tax incentives induced a larger behavioural response from business respondents relative to individual respondents that claimed. 22 per cent of individual claimants and 43 per cent of business claimants stated that they invested because of the incentive.

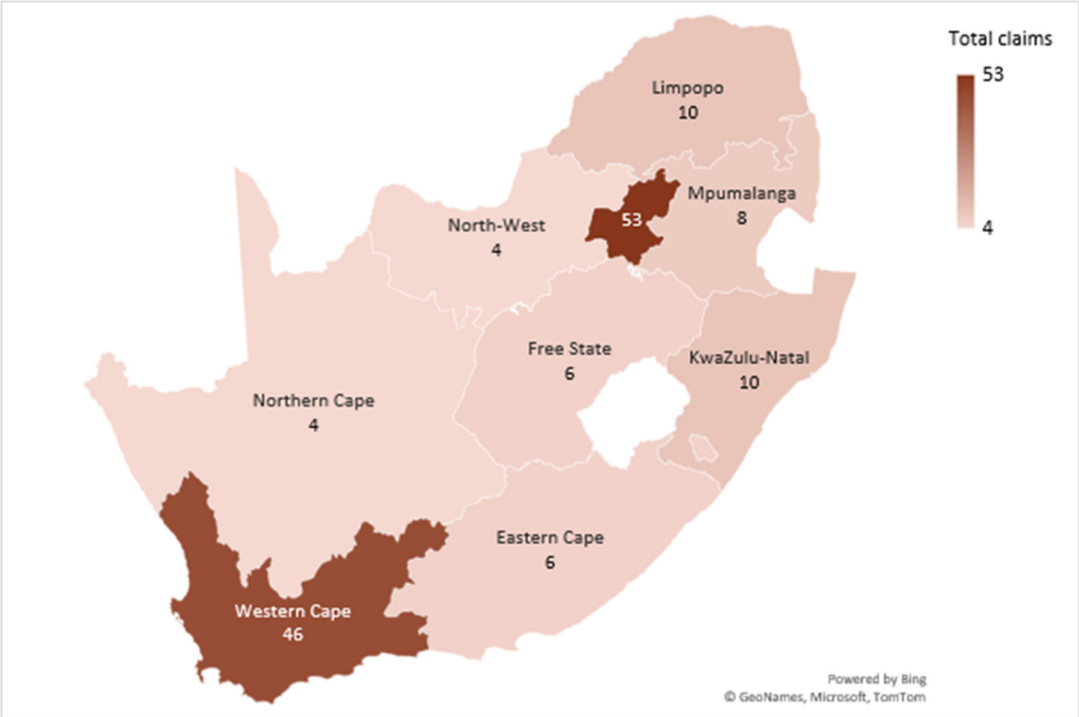
Figure 2: Breakdown of claims by taxpayer type



3.1 BREAKDOWN OF RESPONDENTS THAT CLAIMED BY PROVINCE

The solar tax credit claims breakdown by province shows that incentive claims were recorded in 7 out of 9 provinces. As seen from Figure 3, most claims originated from Gauteng (47 per cent per cent) and Western Cape (33 per cent) whilst Limpopo (8 per cent) and Eastern Cape (6 per cent) have a moderate number of claims. Free State, Kwazulu-Natal, and Northern Cape recorded a much lower uptake among respondents with only 1 claim each.

Figure 3: Breakdown of incentive claims by province[7]



The enhanced renewable energy tax incentive claims were recorded across all nine provinces, with

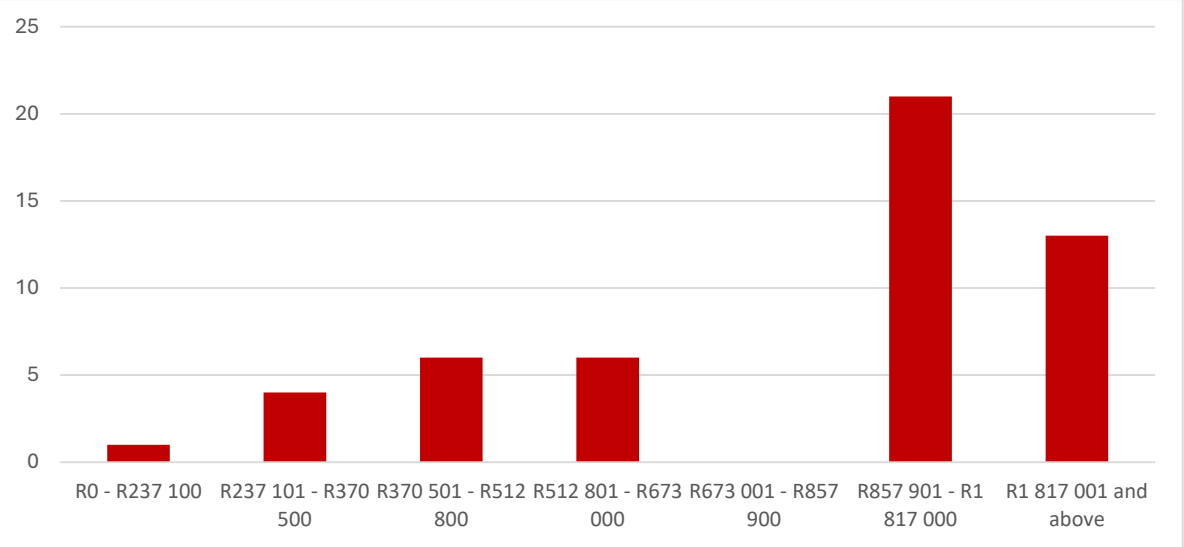
[7] The map represents combined claims from both the solar tax credit and the enhanced renewable energy tax incentive.

some business owners submitting claims in multiple provinces. Gauteng and the Western Cape each accounted for 30.8 per cent of the total claims, jointly making up 62 per cent of all claims received. The remaining 38 per cent was spread across the other seven provinces as follows: KwaZulu Natal (9.6 per cent), Mpumalanga (8.5 per cent), Limpopo (6.4 per cent), Northwest (4.3 per cent), Eastern Cape, Northern Cape and Free State each having 3.2 per cent. This national spread suggests broad awareness and uptake of the enhanced renewable energy tax incentive, although the concentration of claims in Gauteng and the Western Cape indicates stronger implementation or capacity in these economic hubs. Furthermore, once the tax administrative data becomes available, a clearer picture of the geographic distribution will emerge.

3.2 BREAKDOWN OF INCENTIVE CLAIMS BY INCOME TAX BRACKET

Analysing the number of individual taxpayers (solar tax credit respondents) per tax bracket shows that the top two taxable income brackets have a higher number of individuals that claimed, as shown in Figure 4. About 74 per cent of those who claimed in the top two taxable income brackets are from Gauteng and the Western Cape. No respondents in the R673 001- R857 900 taxable income bracket claimed. It is not possible to draw conclusions in this regard due to the small number of respondents. The lack of participation may be attributable to insufficient awareness of the survey and/or the incentive amongst individuals in that income category.

Figure 4:Breakdown of solar tax credit incentive claims by Tax Bracket



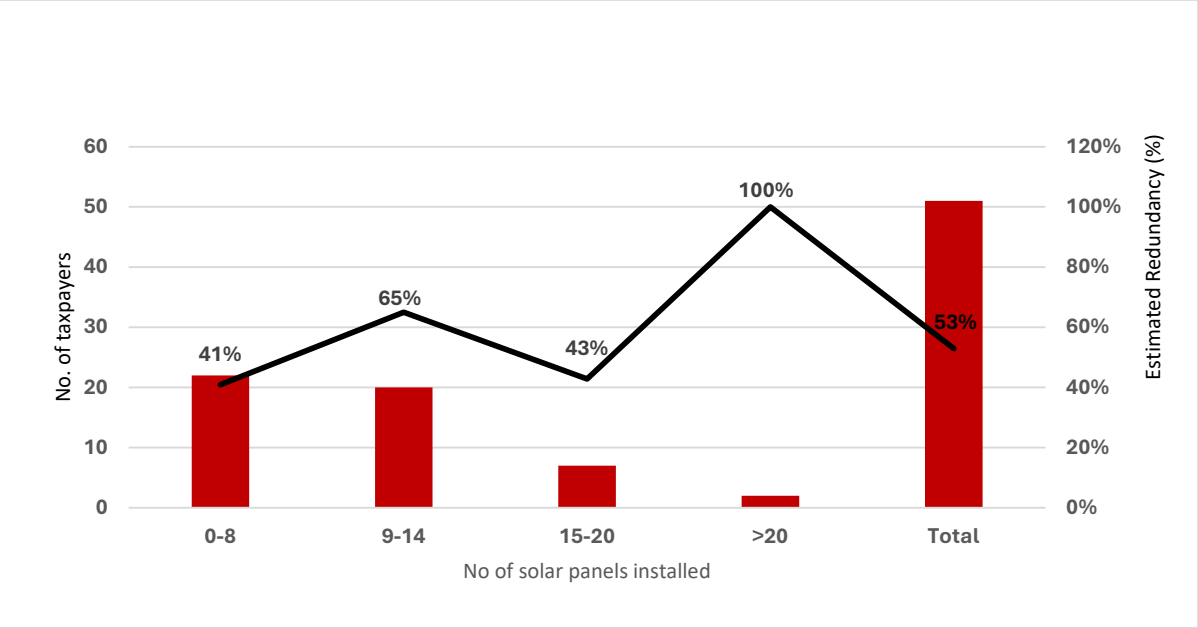
On the enhanced renewable energy tax allowance, it was not possible to accurately determine the sizes of businesses that claimed the incentive, as investment amounts vary widely from R15 000 to over R2 billion, making it challenging to categorise firm sizes. There also seem to be inconsistencies between the reported investment amounts and the installed capacity (kW), suggesting possible guesswork in estimating costs. This raises questions about the respondents' knowledge of the incentive when completing the survey.

A sectoral breakdown has revealed that most companies have businesses that cut across several sectors of the economy. The sectors that accounted for 91 per cent of claims are Agriculture (34.2 per cent), Finance, Real Estate & Business Services (27.8 per cent), Manufacturing (15.2 per cent), and Electricity, Gas & Water (13.9 per cent).

3.3 NUMBER OF PANELS INSTALLED AND TYPE OF INSTALLATION FOR INDIVIDUALS

Figure 5 shows that most installations by individual respondents are small to medium-sized. 42 installations have 0-14 panels, which suggests that most installations are for residential or small commercial purposes. Larger installations by respondents are less common with only two installations having more than 20 panels.

Figure 5: Number of solar panels installed and the redundancy ratio



The incentive did not appear to be the primary factor driving solar panel investment, as 53 per cent of respondents who installed panels indicated that they would have installed the same number of panels without the incentive. All respondents who installed more than 20 panels said they would have installed the same number of solar panels regardless, suggesting that the incentive had limited behavioural impact for some respondents.

3.4 RENEWABLE ENERGY INVESTMENT PER RESPONDENT

Table 1: Summary statistics for solar tax credit investment

	SPEND	EFFECTIVE REBATE (25 PER CENT, CAPPED AT R15K)	EFFECTIVE SUBSIDY RATE
Min	R8 500	R 2 125	25 per cent
Median	R41 000	R10 250	25 per cent
Mode	R60 000	R15 000	25 per cent
Max	R260 000	R15 000	6 per cent

The solar tax credit allowed individuals to claim 25 per cent per cent of the cost of solar panels, subject to a maximum rebate of R15 000. Table 1 above shows a notable difference in the rand value of panel installations, with the lowest amount spent of R8 500 and the highest of R260 000. The median and mode indicates that most individuals invested between R41 000 and R60 000, which corresponds to the maximum rebate that can be claimed.

Although the survey asked about the value of investments claimed under the enhanced renewable energy tax incentive, only 12 respondents disclosed Rand values. While examples such as R410 000 were provided, the low response rate may reflect confidentiality concerns or incomplete claim processes at the time of the survey. Similarly, only 18 businesses reported the generation capacity of their systems, with figures such as 30kW being mentioned. Limited responses to these questions point to the need for clearer guidance or improved reporting mechanisms in future data collection efforts.

3.5 TYPE OF INSTALLATION AND THE DECISION TO INSTALL

The solar tax credit saw a higher installation of new systems than the expansion of existing systems, with 44 of the 51 of those that installed solar panels having installed new systems compared to 7 expansions. Most new systems (37 out of 44) have 0-14 panels.

Table 2: Type of Installation

PANEL INSTALLATION	SOLAR TAX CREDIT INSTALLATIONS	ENHANCED RENEWABLE ENERGY TAX INCENTIVE INSTALLATIONS
New System	44	57
Expansion of existing system	7	21

Like the trend picked up in the solar tax credit panel installation, the enhanced renewable energy tax incentive reported that the majority of businesses (58 responses) installed new renewable energy systems, while 21 respondents (27 per cent) expanded on existing infrastructure. This points to both new entrants into the renewable energy space as well as scaling by businesses already familiar with such technologies.

3.5.1 Type of renewable energy for businesses

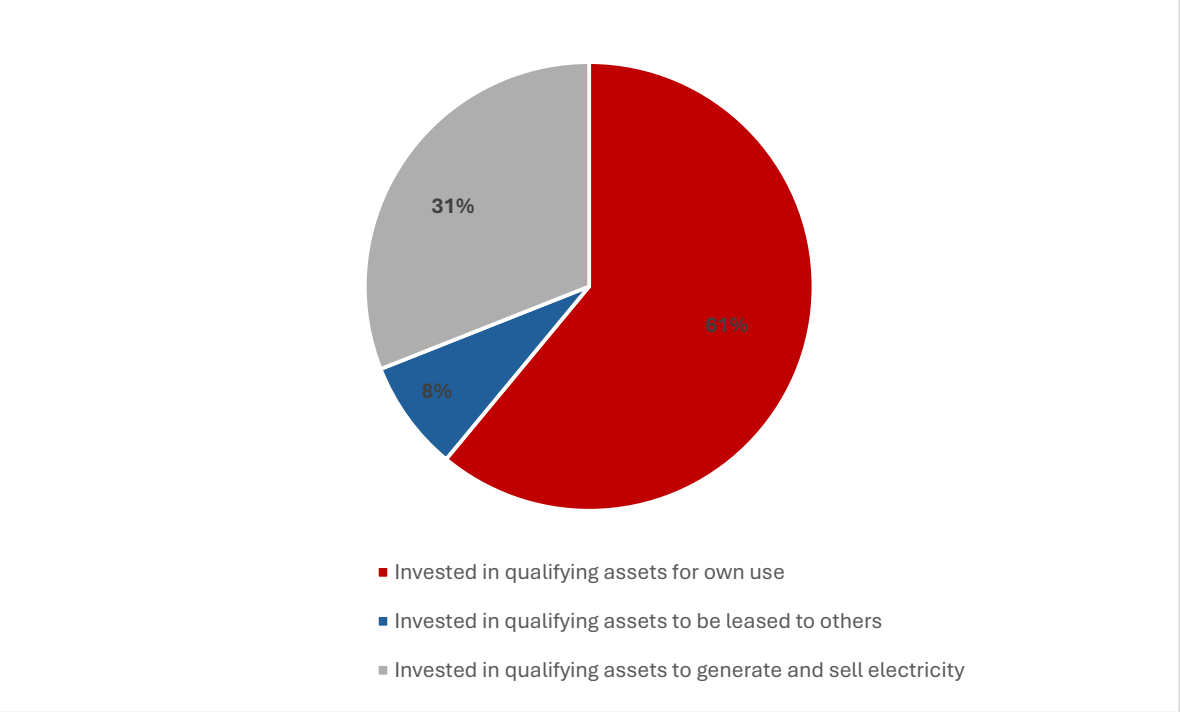
Businesses that responded to the survey reported investments in a range of renewable energy technologies (Table 3), with photovoltaic solar energy emerging as the dominant choice. Out of the total responses, 62 businesses indicated investments in photovoltaic systems. Other technologies featured less frequently, with 5 businesses investing in concentrated solar power, 1 in hydropower and 1 in wind power energy. This trend aligns with broader national and global patterns, where solar PV systems are more accessible, scalable, and cost-effective for commercial users.

Table 3: Type of renewable energy

TYPE OF RENEWABLE ENERGY	NUMBER OF CLAIMS
Photovoltaic solar energy	62
Concentrated solar energy	5
Wind power	1
Hydropower to produce electricity	1
Biomass comprising organic wastes, landfill gas or plant material	0

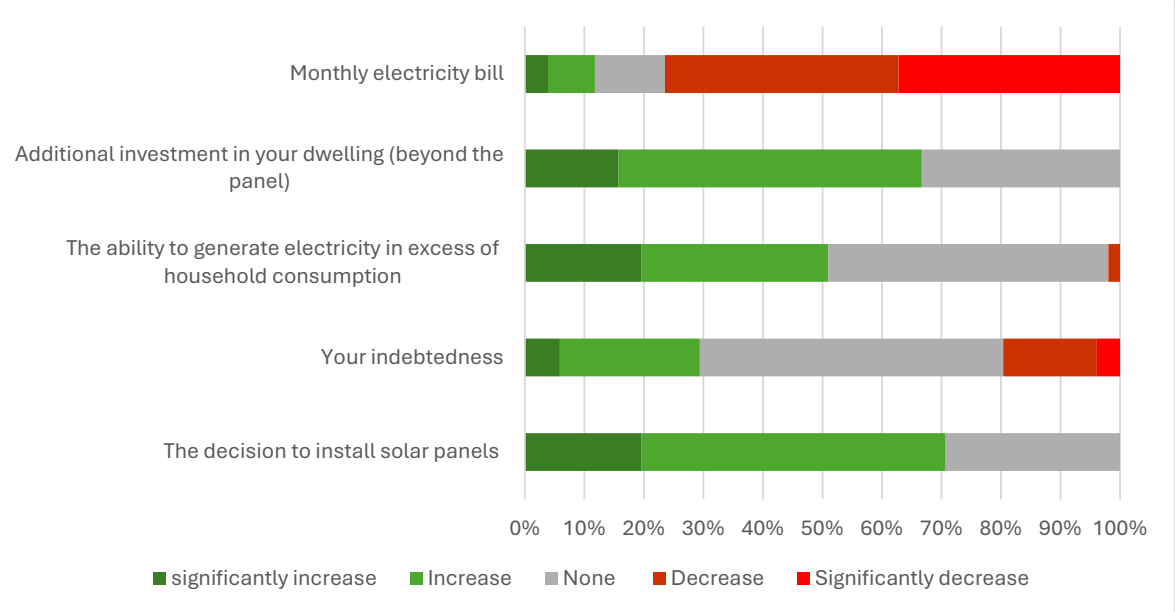
In terms of how the assets are used, 61 per cent reported that they invested in qualifying assets for the generation of electricity for their own use, suggesting that energy self-sufficiency remains a key driver (see Figure 6). Another 22 businesses (36 per cent) indicated that they invested to generate and sell electricity, while 6 stated that they intended to lease the assets to others. These responses reflect a mix of operational motivations, with a growing interest in revenue-generating models alongside internal energy needs.

Figure 6: Reasons for investing in renewable energy



3.6 BEHAVIOURAL IMPACT OF THE INCENTIVES

Figure 7: The effects of the solar energy tax credit



The solar tax credit as seen in Figure 7 had a notably positive impact on reducing monthly electricity bills, likely because of the increased ability to generate electricity and reduced reliance on external electricity supply. Many taxpayers also made additional investments in their homes beyond the panel installation. While some were able to generate electricity in excess of their household needs, 47 percent reported no change in this area. Although the incentive moderately reduced most respondents' indebtedness 30 percent indicated that their debt levels had risen, with 51 percent reporting no change in this area, suggesting that the financial burden of installation may have still been substantial for some despite claiming the solar energy tax credit.

3.7 TAXPAYER FEEDBACK ON THE INCENTIVE AND THE BARRIERS TO CLAIM

The charts below indicate that the top four reasons for not claiming the renewable energy tax incentives are:

- They could not install the panels before the deadline.
- Some had already installed the panels.
- Unawareness of the rebate and eligibility; and
- Financial constraints.

Figure 8: Identified barriers to claim

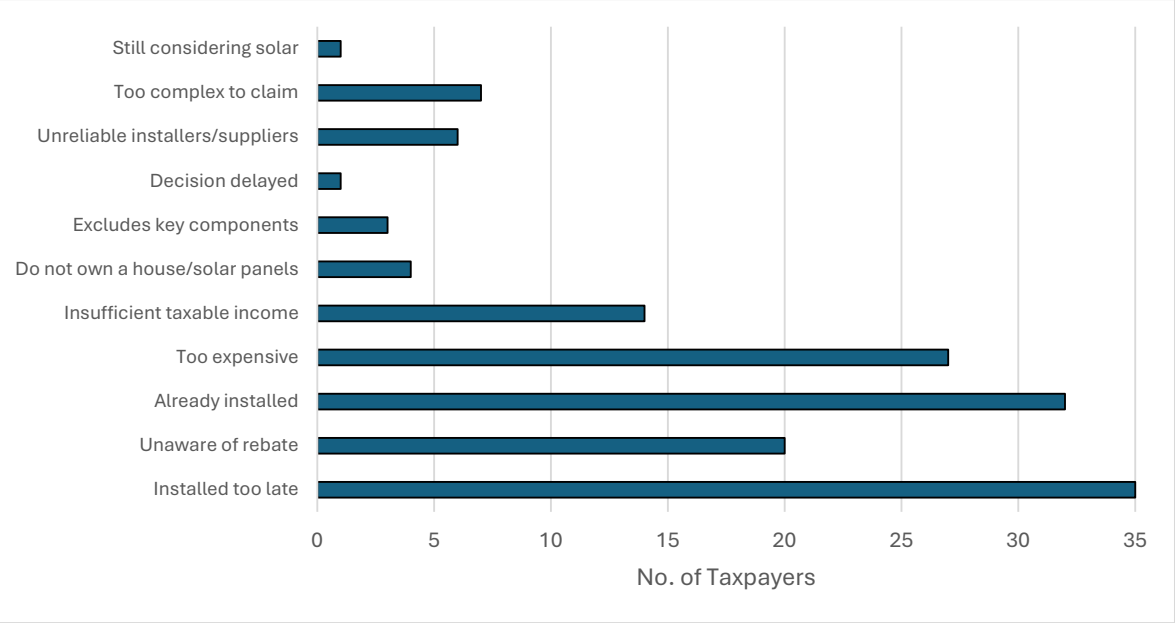
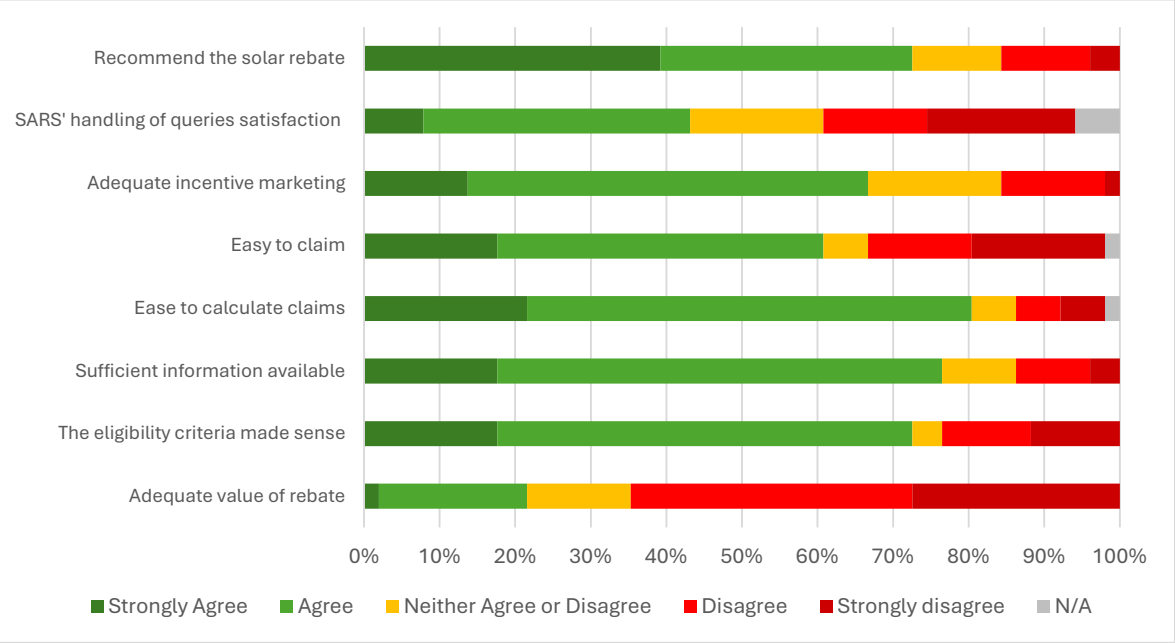


Figure 9: Taxpayer feedback on the incentive



There is a contrast between those who claimed the incentive and those who did not, i.e. among those who did not claim, respondents stated they were unaware of the rebate. However, the majority of those who did claim the incentive reported that there was sufficient information available, and that the incentive marketing was adequate. On the eligibility criteria of the incentive, a limited number of respondents cited it excluded components, such as batteries and invertors, as a barrier. More than 70 per cent of respondents that claimed indicated that the eligibility criteria made sense.

4. CONCLUSION AND RECOMMENDATIONS

In conclusion, based solely on the outcome of the survey (which had limited respondents), it is apparent that while the incentive may have encouraged some individuals and businesses to invest in renewable energy solutions, it is evident that it was not the primary factor in many respondents' decisions to invest in solar panels or other forms of renewable energy. When comparing the responses of individuals and business, more business respondents were swayed by the incentive to invest compared to individuals. Most respondents did not claim largely due to lack of awareness about the incentive. It is recognised that there is potential to improve public awareness and engagement in the future.

Further insights and detailed analysis will be conducted once administrative data from the South African Revenue Services (SARS) becomes available and will also be used to inform future tax policies.

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