DRAFT TAXATION LAWS AMENDMENT BILL, 2026

GENERAL EXPLANATORY NOTE:

[ ] Words in bold type in square brackets indicate omissions from existing enactments.

__________ Words underlined with a solid line indicate insertions in existing enactments.

BILL

To—

- **amend the Income Tax Act, 1962, so as to amend certain definitions;**
  amend certain provisions; to insert new provisions; to repeal a provision; to amend certain Schedules;
- **amend the Customs and Excise Act, 1964, to amend certain Schedules, and for taxation proposals imposing a new duty or increasing or reducing a rate of duty, tabled in the national annual budget, to become effective either on tabling or on the date specified in the proposal;**
- **make provision for continuation of changes to Schedules to the Customs and Excise Act, 1964, and for taxation proposals imposing a new duty or increasing or reducing a rate of duty, tabled in the national annual budget, to become effective either on tabling or on the date specified in the proposal;**
- **amend the Value-Added Tax Act, 1991, so as to amend certain provisions; to amend a Schedule; and to make provision for continuations;**
- **amend the Taxation Laws Amendment Act, 2015, so as to amend certain provision;**
- **amend the Tax Administration Laws Amendment Act, 2016, so as to amend certain provision;**
- **amend the Carbon Tax Act, 2019, so as to amend certain provisions and to amend certain Schedule;**

- **amend the Taxation Laws Amendment Act, 2024, so as to amend certain provision;**
- **amend the Taxation Laws Amendment Act, 2026, so as to amend certain provision; and to provide for matters connected therewith.**

BE IT ENACTED by the Parliament of the Republic of South Africa, as follows:—

Amendment of section 1 of Act 58 of 1962, as amended by section 3 of Act 90 of 1962, section 1 of Act 6 of 1963, section 4 of Act 72 of 1963, section 4 of Act 90 of 1964, section 5 of Act 88 of 1965, section 5 of Act 55 of 1966, section 5 of Act 76 of 1968, section 6 of Act 89 of 1969, section 6 of Act 52 of 1970, section 4 of Act 88 of 1971, section 4 of Act 90 of 1972, section 4 of Act 65 of 1973, section 4 of Act 85 of 1974, section 4 of Act 69 of 1975, section 4 of Act 103 of 1976, section 4 of Act 113 of 1977, section 3 of Act 101 of 1978, section 3 of Act 104 of 1979, section 2 of Act 104 of 1980, section 2 of Act 96 of 1981, section 3 of Act 91 of 1982, section 2 of Act 94 of 1983, section 1 of Act 30 of 1984, section 2 of Act 121 of 1984, section 2 of Act 96 of 1985, section 2 of Act 65 of 1986, section 1 of Act 108 of 1986, section 2 of Act 85 of 1987, section 2 of Act 90 of 1988, section of Act 99 of 1988, Government Notice R780 of 1989, section 2 of Act 70 of 1989, section 2 of Act 101 of 1990, section 2 of Act 129 of 1991, section 2 of Act 141 of 1992, section 2 of Act 113 of 1993, section 2 of Act 21 of 1994, section 2 of Act 21 of 1995, section 2 of Act 36 of 1996, section 2 of Act 28 of 1997, section 19 of Act 30 of 1998, Government Notice 1503 of 1998, section 10 of Act 53 of 1999, section 13 of Act 30 of 2000, section 2 of Act 59 of 2000, section 5 of Act 5 of 2001, section 3 of Act 19 of 2001, section 17 of Act 60 of 2001, section 9 of Act 30 of 2002, section 6 of Act 74 of 2002, section 33 of Act 12 of 2003, section 12 of Act 45 of 2003, section 3 of Act 16 of 2004, section 3 of Act 32 of 2004, section 3 of Act 32 of 2005, section 19 of Act 9 of 2006, section 3 of Act 20 of 2006, section 3 of Act 8 of 2007, section 5 of Act 35 of 2007, section 2 of Act 3 of 2008, section 4 of Act 60 of 2008, section 7 of Act 17 of 2009, section 6 of Act 7 of 2010, section 7 of Act 24 of 2011, section 271 of Act 28 of 2011, read with item 23 of

Schedule 1 to that Act, section 2 of Act 22 of 2012, section 4 of Act 31 of 2013, section 1 of Act 43 of 2014, section 3 of Act 25 of 2015, section 5 of Act 15 of 2016, section 2 of Act 17 of 2017, section 1 of Act 23 of 2018, section 34 of Act 34 of 2019, section 2 of Act 23 of 2020, section 4 of Act 20 of 2021, section 1 of Act 20 of 2022, section 1 of Act 17 of 2023, section 1 of Act 12 of 2024, section 1 of Revenue Laws Second Amendment Act of 2024, Act 44 of 2024, section 1 of Act 42 of 2024, section 1 of Act 5 of 2025 and section 1 of Act 6 of 2026

1.(1) Section 1(1) of the Income Tax Act, 1962, is hereby amended—

(a) by the addition to paragraph *(c)* of the definition of ''living annuity'' of the following proviso:

"<u>: Provided that the amount prescribed by the Minister by notice in the *Gazette* is applied cumulatively where an individual holds multiple living annuities with the same insurer as defined in section 29A, or with the same pension fund, pension preservation fund, provident fund, provident preservation fund or retirement annuity fund</u>;";

(b) by the insertion after the definition of "residential unit" of the following definition:

"'<u>restricted medical scheme' means, for the purposes of this Act, an arrangement that provides healthcare coverage or medical benefits to a defined and limited group of employees, where such arrangement—</u>

<u>(i) is established by the Intelligence Services Act No. 65 of 2002; and</u>

(ii) provides benefits that are not less favourable than the prescribed minimum benefits mandated under the Medical Schemes Act;"; and

(c) by the substitution in paragraph *(b)(x)* of the proviso to the definition of "retirement annuity fund" for item *(cc)* of the following item:

"*(cc)* the payment of a lump sum benefit contemplated in paragraph 2 (1) (*b*) (ii) of the Second Schedule where the member's interest in the vested component together with the member's interest in the retirement component is less than an amount determined by the Minister by notice in the *Gazette*: Provided that where a member holds more than one policy contract within a retirement annuity fund, the amount prescribed by the Minister by notice in the Gazette must be applied to the aggregate of the member's interest in the vested component and the retirement component in respect of all policy contracts with that retirement annuity fund; or".

(2) Subsection (1)*(b)* is deemed to have come into operation on 1 March 2026 and applies in respect of years of assessment commencing on or after that date.

Amendment of section 6A of Act 58 of 1962, as inserted by section 10 of Act 24 of 2011 and amended by section 3 of Act 13 of 2012, section 6 of Act 22 of 2012, section 5 of Act 23 of 2013, sections 6 and 7 of Act 31 of 2013, section 4 of Act 42 of 2014, section 5 of Act 13 of 2015, section 6 of Act 13 of 2016, section 5 of Act 14 of 2017, section 4 of Act 21 of 2018, section 4 of Act 22 of 2020, section 3

of Act 19 of 2021, section 3 of Act 19 of 2022, section 4 of Act 19 of 2023 and section 3 of Act xx of 2026

2. (1) Section 6A of the Income Tax Act, 1962, is hereby amended—

(a) by the substitution in subsection (2) for paragraphs *(a)* of the following paragraph:

"(*a*) The medical scheme fees tax credit applies in respect of fees paid by the person to—

(i) a medical scheme registered under the Medical Schemes Act; **[or]**

(ii) a fund which is registered under any similar provision contained in the laws of any other country where the **[medical scheme]** fund is registered**[,]**; or

(iii) a restricted medical scheme,

that relate to benefits from that medical scheme, fund or a restricted medical scheme in respect of that person or of any person that is a dependant of that person."; and

(b) by the substitution in subsection (2)*(b)*(i) for item *(aa)* of the following item:

"(*aa*) R376, in respect of benefits to the person, or if the person is not a member of a medical scheme, a restricted medical scheme or fund in respect of benefits to a dependant who is a member of a medical scheme, a restricted medical scheme or fund or a dependant of a member of a medical scheme, a restricted medical scheme or fund;".

(2) Subsection (1), to the extent that the amendment relates to the insertion of the words “a restricted medical scheme”, is deemed to have come into operation on 1 March 2026 and applies in respect of years of assessment commencing on or after that date.

Amendment of section 6B of Act 58 of 1962, as inserted by section 7 of Act 22 of 2012 and amended by section 3 of Act 43 of 2014, section 5 of Act 25 of 2015, section 9 of Act 15 of 2016 and section 23 of 2018

3. (1) Section 6B of the Income Tax Act, 1962, is hereby amended—

(a) by the substitution in subsection (1) in the definition of “dependant” for paragraph *(d)* of the following paragraph:

“*(d)* any other person who is recognised as a dependant of that person in terms of the rules of a medical scheme, restricted medical scheme or fund contemplated in section 6A(2)(*a*)**[(i) or (ii)]**,”;

(b) by the substitution for subsection (2) of the following subsection:

“(2) In determining the normal tax payable by any natural person there must be deducted an amount, to be known as the **[additional medical scheme fees tax credit]** additional medical expenses tax credit, equal to the sum of the amounts allowed to that natural person by way of rebates under subsection (3).”; and

(c) by the substitution in subsection (3) for paragraphs *(a)* to *(c)* of the following paragraphs:

“(*a*) where the person is entitled to a rebate under section 6(2)(*b*), the aggregate of—

(iv) 33,3 per cent of so much of the amount of the fees paid by the person to a medical scheme, restricted medical scheme or fund contemplated in section 6A(2)*(a)* as exceeds three times the amount of the medical scheme fees tax credit to which that person is entitled under section 6A(2)(*b*); and

(v) 33,3 per cent of the amount of qualifying medical expenses paid by the person;

(*b*) where the person, his or her spouse or his or her child is a person with a disability, the aggregate of—

(i) 33,3 per cent of so much of the amount of the fees paid by the person to a medical scheme, restricted medical scheme or fund contemplated in section 6A(2)(*a*) as exceeds three times the amount of the medical scheme fees tax credit to which that person is entitled under section 6A(2)(*b*); and

(ii) 33,3 per cent of the amount of qualifying medical expenses paid by the person; or

(*c*) in any other case, if the aggregate of—

(i) the amount of the fees paid by the person to a medical scheme, restricted medical scheme or fund contemplated in section 6A(2)*(a)* as exceeds four times the amount of the medical scheme fees tax credit to which that person is entitled under section 6A(2)(*b*); and

(ii) the amount of qualifying medical expenses paid by the person,”.

(2) Subsection (1), to the extent that the amendment relates to the insertion of the words “a restricted medical scheme”, is deemed to have come into operation on 1 March 2026 and applies in respect of years of assessment commencing on or after that date.

Amendment of section 6*quat* of Act 58 of 1962, as inserted by section 9 of Act 89 of 1969, repealed by section 5 of Act 94 of 1983, inserted by section 5 of Act 85 of 1987 and amended by section 5 of Act 28 of 1997, section 12 of Act 53 of 1999, section 16 of Act 30 of 2000, section 4 of Act 59 of 2000, section 8 of Act 5 of 2001, section 20 of Act 60 of 2001, section 8 of Act 5 of 2001, sections 9 and 125 of Act 74 of 2002, section 16 of Act 45 of 2003, section 4 of Act 32 of 2004, section 8 of Act 31 of 2005, section 7 of Act 35 of 2007, section 9 of Act 17 of 2009, section 7 of Act 18 of 2009, section 11 of Act 24 of 2011, section 271 of Act 28 of 2011, read with paragraph 29 of Schedule 1, section 3 of Act 22 of 2012, section 3 of Act 39 of 2013, section 6 of Act 25 of 2015, section 10 of Act 15 of 2016, section 4 of Act 17 of 2017, section 7 of Act 23 of 2018, section 2 of Act 18 of 2023, section 2 of Act 42 of 2024 and section 2 of Act 5 of 2026

4. Section 6*quat* of the Income Tax Act, 1962, is hereby amended by the substitution for paragraph (iB) of the proviso to subsection (1B)(*a)* of the following paragraph:

“(iB) the taxes contemplated in subsection (1A)(*a*)(iii) that are attributable to any taxable capital gain <u>from a source outside the Republic</u> must in aggregate be limited to the amount of normal tax that is attributable to that taxable capital gain;”.

Amendment of section 9D of Act 58 of 1962, as inserted by section 9 of Act 28 of 1997 and amended by section 28 of Act 30 of 1998, section 17 of Act 53 of 1999, section 19 of Act 30 of 2000, section 10 of Act 59 of 2000, section 9 of Act 5 of 2001, section 22 of Act 60 of 2001, section 14 of Act 74 of 2002, section 22 of Act 45 of 2003, section 13 of Act 32 of 2004, section 14 of Act 31 of 2005, section 9 of Act 20 of 2006, sections 9 and 96 of Act 8 of 2007, section 15 of Act 35 of 2007, section 8 of Act 3 of 2008, section 13 of Act 60 of 2008, section 12 of Act 17 of 2009, sections 16 and 146 of Act 7 of 2010, section 25 of Act 24 of 2011, sections 14 and 156 of Act 22 of 2012, section 19 of Act 31 of 2013, section 12 of Act 43 of 2014, section 13 of Act 25 of 2015, section 20 of Act 15 of 2016, section 15 of Act 17 of 2017, section 18 of Act 23 of 2018, section 10 of Act 34 of 2019, section 6 of Act 23 of 2020, section 10 of Act 20 of 2021, section 4 of Act 20 of 2022, section 7 of Act 17 of 2023, section 7 of Act 42 of 2024 and section 10 of Act 5 of 2026

5. (1) Section 9D of the Income Tax Act, 1962, is hereby amended by—

(a) the substitution in subsection (1) for paragraph *(b)* of the definition of "foreign company" of the following paragraph:

"(*b*) protected cell company to the extent that—

(i) specified assets of that company are not segregated into structurally independent cells or segregated accounts as contemplated in paragraph **[*(a)*]** <u>*(b)*(i)</u> of the definition of "protected cell company"; or

(ii) specified assets and liabilities of that company are not linked or attributed to cells or segregated accounts as contemplated in paragraph *(b)*(ii) of the definition of "protected cell company"; or"; and

(b) the substitution in subsection (6) of the following subsection:

"(6) The net income of a controlled foreign company (other than a controlled foreign company in relation to a domestic treasury management company) in respect of a foreign tax year shall be determined in the functional currency of that controlled foreign company and shall, for purposes of determining the amount to be included in the income of any resident during any year of assessment under the provisions of this section, be translated to the currency of the Republic by applying the average exchange rate for that foreign tax year: Provided that any exchange item denominated in any currency other than the functional currency of that controlled foreign company shall be deemed not to be effectively connected to any permanent establishment of the controlled foreign company if the functional currency is the currency of a country which has an official rate of inflation of 100 per cent or more for that foreign tax year.".

(2) Subsection (1) comes into come into operation comes into operation on 1 January 2027 and applies in respect of foreign tax years of controlled foreign companies commencing on or after that date.

Substitution of section 9HB of Act 58 of 1962, as inserted by section 20 of Act 23 of 2018

6. (1) Section 9HB of the Income Tax Act, 1962, is hereby substituted by the following section:

"<u>Transfer of asset between spouses</u>

<u>9HB. (1) For the purposes of this section—</u>

<u>"base cost" means the base cost as defined in paragraph 1 of the Eighth Schedule: Provided that where the base cost of an asset as at a specific date is to be determined as contemplated in paragraph 26 or 27 of the Eighth Schedule, the amount thereof must, for purposes of subsection (3), be determined as if that asset had been disposed of on that date for an amount received or accrued equal to the market value of that asset as at that date;</u>

<u>"disposal" means a disposal as defined in paragraph 1 of the Eighth Schedule;</u>

<u>"transferor" means a natural person who disposes of an asset to his or her spouse;</u>

<u>"transferee" means a natural person who acquires an asset from his or her spouse;</u>

<u>(2) Notwithstanding sections 8(4)*(k)* and 22(8) and paragraph 38 of the Eighth Schedule, this section applies when a transferor disposes of an asset to a transferee otherwise than as at the date of that transferor's death under section 9HA(1).</u>

<u>(3) A transferor must be treated as having disposed of an asset to a transferee for an amount received or accrued that is equal to, in the case of—</u>

(i) trading stock, or livestock or produce contemplated in the First Schedule, the amount that was allowed as a deduction in respect of that asset for purposes of determining that transferor's taxable income, before the inclusion of any taxable capital gain, for the year of assessment in which that asset was disposed of; or

(ii) any other asset, the base cost of that asset as at the date of that disposal.

(4) *(a)* This subsection must be applied in respect of an asset acquired by a transferee for purposes of determining the amount of any—

(i) allowance or deduction to which that transferee may be entitled or that is to be recovered or recouped by or included in the income of that transferee in respect of that asset; or

(ii) the amount of any capital gain or capital loss in respect of a disposal of that asset by that transferee.

(b) The transferee must be treated as one and the same person as the transferor with respect to—

(i) the date of acquisition of that asset by that transferor;

(ii) any valuation of that asset effected by that transferor as contemplated in paragraph 29(4) of the Eighth Schedule;

(iii) the amount of any expenditure and the date on which and the currency in which that expenditure was incurred in respect of that asset by that transferor;

(iv) the manner in which that asset had been used by the transferor;

(v) any allowance or deduction allowable in respect of that asset to the transferor; and

(vi) any amount received by or accrued to that transferor in respect of that asset that would have constituted proceeds on disposal of that asset had that transferor disposed of it to a person other than the transferee.

(5) For the purposes of subsections (3) and (4)—

(a) a person whose spouse dies must be treated as having disposed of an asset to that spouse immediately before the date of death of that spouse, if ownership of that asset is acquired by the deceased estate of that spouse in settlement of a claim arising under section 3 of the Matrimonial Property Act, 1984 (Act No. 88 of 1984); or

(b) a person must be treated as having disposed of an asset to his or her spouse, if that asset is transferred to that spouse in consequence of a divorce order or, in the case of a union contemplated in paragraph *(b)* or *(c)* of the definition of "spouse" in section 1, an agreement of division of assets which has been made an order of court.

(6) This section must not apply in respect of the disposal of an asset by a person to his or her spouse who is not a resident, unless the asset disposed of is an asset contemplated in section 9J or in paragraph 2(1)*(b)* of the Eighth Schedule.".

(2) Subsection (1) comes into operation on 1 March 2027 and applies in respect of disposals on or after that date.

Amendment of section 11 of Act 58 of 1962, as amended by section 9 of Act 90 of 1962, section 8 of Act 72 of 1963, section 9 of Act 90 of 1964, section 11 of Act

88 of 1965, section 12 of Act 55 of 1966, section 11 of Act 95 of 1967, section 9 of Act 76 of 1968, section 14 of Act 89 of 1969, section 10 of Act 52 of 1970, section 10 of Act 88 of 1971, section 8 of Act 90 of 1972, section 9 of Act 65 of 1973, section 12 of Act 85 of 1974, section 9 of Act 69 of 1975, section 9 of Act 113 of 1977, section 5 of Act 101 of 1978, section 8 of Act 104 of 1979, section 8 of Act 104 of 1980, section 9 of Act 96 of 1981, section 7 of Act 91 of 1982, section 10 of Act 94 of 1983, section 11 of Act 121 of 1984, section 46 of Act 97 of 1986, section 10 of Act 85 of 1987, section 8 of Act 90 of 1988, section 8 of Act 70 of 1989, section 11 of Act 101 of 1990, section 13 of Act 129 of 1991, section 11 of Act 141 of 1992, section 9 of Act 113 of 1993, section 5 of Act 140 of 1993, section 10 of Act 21 of 1994, section 12 of Act 21 of 1995, section 9 of Act 36 of 1996, section 12 of Act 28 of 1997, section 30 of Act 30 of 1998, section 20 of Act 53 of 1999, section 22 of Act 30 of 2000, section 15 of Act 59 of 2000, section 10 of Act 19 of 2001, section 27 of Act 60 of 2001, section 14 of Act 30 of 2002, section 19 of Act 74 of 2002, section 27 of Act 45 of 2003, section 9 of Act 16 of 2004, section 16 of Act 32 of 2004, section 6 of Act 9 of 2005, section 18 of Act 31 of 2005, section 11 of Act 20 of 2006, section 11 of Act 8 of 2007, section 17 of Act 35 of 2007, sections 1 and 10 of Act 3 of 2008, section 18 of Act 60 of 2008, section 14 of Act 17 of 2009, section 19 of Act 7 of 2010, sections 30 and 161 of Act 24 of 2011, section 271 of Act 28 of 2011, read with item 33 of Schedule 1 to that Act, section 22 of Act 22 of 2012, section 27 of Act 31 of 2013, section 17 of Act 43 of 2014, section 18 of Act 25 of 2015, section 26 of Act 15 of 2016, section 19 of Act 17 of 2017, section 25 of Act 23 of 2018, section 15 of Act 34 of 2019, section 13 of Act 23 of 2020, section 8 of Act 20 of 2022, section 11 of Act 17 of 2023 and section 9 of Act 42 of 2024

7. Section 11 of the Income Tax Act, 1962, is hereby amended by the substitution for the words of paragraph *(e)* preceding the proviso of the following words:

> " save as provided in paragraph 12 (2) of the First Schedule, such sum as the Commissioner may think just and reasonable as representing the amount by which the value of any machinery, plant, implements, utensils and articles (other than machinery, plant, implements, utensils and articles in respect of which a deduction may be granted under section 12B, 12BA, 12C, 12DA, 12E (1), 12U, 12V or 37B) owned by the taxpayer or acquired by the taxpayer as purchaser in terms of an agreement contemplated in paragraph *(a)* of the definition of "instalment credit agreement" in section 1 of the Value-Added Tax Act and used by the taxpayer for the purpose of his or her trade has been diminished by reason of wear and tear or depreciation during the year of assessment:".

Amendment of section 12M of Act 58 of 1962, as inserted by section 28 of Act 17 of 2009 and amended by section 28 of Act 7 of 2010 and section 30 of Act 22 of 2012

8. (1) Section 12M of the Income Tax Act, 1962, is hereby amended by the substitution in subsection (2) for the words following paragraph *(b)* and preceding the proviso of the following words:

"but only to the extent that the amount is paid for the purposes of making any contribution, in respect of any former employee or dependant contemplated in paragraph *(a)*, to any medical scheme, a restricted medical scheme or fund contemplated in section 6A(2)(a) **[(i) or (ii)]**".

(2) Subsection (1) is deemed to have come into operation on 1 March 2026 and applies in respect of years of assessment commencing on or after that date.

Amendment of section 12R of Act 58 of 1962, as inserted by section 43 of Act 31 of 2013 and amended by section 26 of Act 43 of 2014, section 28 of Act 31 of 2013, section 34 of Act 15 of 2016, section 30 of Act 17 of 2017 and section 20 of Act 34 of 2019

9. (1) Section 12R of the Income Tax Act, 1962, is hereby amended—

(a) by the insertion in subsection (4)*(a)* at the end of subparagraph (v) of the word "or";

(b) by the insertion in subsection (4)*(a)* at the end of subparagraph (vi) of the word "or";

(c) by deletion in subsection (4)*(b)* of the word "or"; and

(d) by the deletion of subsection (4)*(c)*.

(2) Subsection (1) comes into come into operation on 1 January 2027 and applies to years of assessment commencing on or after that date.

Amendment of section 15 of Act 58 of 1962, as amended by section 20 of Act 55 of 1966, section 18 of Act 129 of 1991, section 16 of Act 141 of 1992, section 24

of Act 31 of 2005, section 15 of Act 20 of 2006, section 29 of Act 35 of 2007, section 33 of Act 25 of 2015 and section 22 of Act 17 of 2023

10. (1) Section 15 of the Income Tax Act, 1962, is hereby amended by the substitution for paragraph (*a*) of the following paragraph:

"*(a)* an amount to be ascertained under the provisions of section 36, in lieu of the allowances in sections 11 (*e*), (*f*), (*g*A), (*g*C), (*o*), 12B, 12BA, 12D, 12DA, 12F<u>, 12U</u> and 13quin;".

(2) Subsection (1) comes into come into operation on 31 December 2026 and apply in respect of years of assessment ending on or after that date.

Amendment of section 17A of Act 58 of 1962, as inserted by section 11 of Act 76 of 1968 and amended by section 13 of Act 103 of 1976 and section 17 of Act 141 of 1992

11. Section 17A of the Income Tax Act, 1962, is hereby amended by the substitution for subsection (2) of the following subsection:

"(2) Where expenditure incurred by the taxpayer during any year of assessment and ranking for deduction from income under subsection (1) exceeds the taxable income (as calculated before allowing any deduction under that subsection<u> or setting off a balance of assessed loss under section 20(1)*(a)*</u>) derived by the taxpayer from letting land on which bona fide pastoral, agricultural or other farming operations were carried on during such year, the amount allowed to be deducted under subsection (1) in respect of the said year shall be limited to an amount equal to such taxable income (calculated as aforesaid), and the excess shall be carried forward and be deemed for the purposes of this section to be expenditure incurred by the taxpayer during the next succeeding year of assessment in respect of the construction of soil erosion works.”.

Amendment of section 22B of Act 58 of 1962, as substituted by section 34 of Act 17of 2017 and amended by section 38 of Act 23 of 2018 and section 25 of Act 34 of 2019

12. (1) Section 22B of the Income Tax Act, 1962, is hereby amended by the substitution in subsection (1) for paragraph *(b)* of the definition of “extraordinary dividend” of the following paragraph:

“*(b)* any other share, so much of the aggregate amount of **[any dividend]** dividends received or accrued:”.

(2) Subsection (1) is deemed to have come into operation on 1 January 2027 and applies in respect of any disposal on or after that date.

Amendment of section 28 of Act 58 of 1962, as amended by section 17 of Act 90 of 1962, section 22 of Act 55 of 1966, section 24 of Act 89 of 1969, section 21 of Act 88 of 1971, section 19 of Act 65 of 1973, section 19 of Act 91 of 1982, section 22 of Act 94 of 1983, section 17 of Act 65 of 1986, section 23 of Act 90 of 1988, section 13 of Act 70 of 1989, section 25 of Act 101 of 1990, section 29 of Act 129 of 1991, section 24 of Act 113 of 1993, section 19 of Act 21 of 1994, section 33 of Act 30 of 2000, section 42 of Act 35 of 2007, section 40 of Act 60 of 2008, section 40 of Act 17 of 2009, section 51 of Act 7 of 2010, section 61 of Act 22 of 2012, section 76 of Act 31 of 2013, section 52 of Act 25 of 2015, section 49 of Act 15 of

2016, section 50 of Act 23 of 2018, section 33 of Act 34 of 2019, section 21 of Act 20 of 2021, section 14 of Act 20 of 2022, section 31 of Act 17 of 2023 and section 24 of Act 42 of 2024

13. (1) Section 28 of the Income Tax Act, 1962, is hereby amended by the substitution in subsection (3B) for paragraph *(a)* of the following paragraph:

"*(a)* Where a person transfers short-term insurance policies as part of any short-term insurance business to another short-term insurer carrying on or to be carrying on short-term insurance business, that person may for purposes of section 11 (a) deduct an amount equal to liabilities on investment contracts relating to short-term insurance business and amounts of insurance liabilities relating to **[premiums and claims]** <u>liabilities for incurred claims</u> transferred to the other short-term insurer.".

(2) Subsection (1) comes into come into operation on 1 January 2027 and applies in respect of years of assessment commencing on or after that date.

Insertion of section 31B in Act 58 of 1962

14. (1) The following section is hereby inserted in the Income Tax Act, 1962, after section 31:

"<u>31B. Tax payable in respect of affected domestic transactions to be based on arm's length principle. —</u>

<u>(1) For purposes of this section—</u>

<u>"affected domestic transaction" means any transaction, operation, scheme, agreement or understanding where—</u>

that transaction, operation, scheme, agreement or understanding has been entered into between—

(a) a qualifying company as defined in section 12R(1) that carries on a trade within a Special Economic Zone approved by the Minister of Finance in terms of section 12R(3); and any other person that is a connected person in relation to that qualifying company, that is a resident and that is not a qualifying company; and

(b) any term or condition of that transaction, operation, scheme, agreement or understanding differs from the terms and conditions that would have been agreed upon between independent persons dealing at arm's length.

(2) Where—

any party to an affected domestic transaction derives a tax benefit as a result of the term or condition of that transaction, operation, scheme, agreement or understanding differing from the term or condition that would have been agreed upon between independent persons dealing at arm's length, the taxable income of any person, that is a party to that affected domestic transaction and that derives a tax benefit as contemplated in this subsection, must be calculated as if that transaction, operation, scheme, agreement or understanding had been entered into on the terms and conditions that would have been agreed upon between independent persons dealing at arm's length.".

(2) Subsection (1) comes into come into operation on 1 January 2027 and applies in respect of years of assessment commencing on or after that date.

Amendment of section 36 of Act 58 of 1962, as amended by section 12 of Act 72 of 1963, section 15 of Act 90 of 1964, section 20 of Act 88 of 1965, section 23 of Act 55 of 1966, section 16 of Act 95 of 1967, section 14 of Act 76 of 1968, section 26 of Act 89 of 1969, section 21 of Act 65 of 1973, section 28 of Act 85 of 1974, section 20 of Act 104 of 1980, section 25 of Act 94 of 1983, section 16 of Act 96 of 1985, section 14 of Act 70 of 1989, section 26 of Act 101 of 1990, section 30 of Act 129 of 1991, section 24 of Act 141 of 1992, section 29 of Act 113 of 1993, section 17 of Act 36 of 1996, section 41 of Act 60 of 2001, section 31 of Act 32 of 2004, section 26 of Act 20 of 2006, section 46 of Act 35 of 2007, section 23 of Act 3 of 2008, section 44 of Act 60 of 2008, section 43 of Act 17 of 2009, section 57 of Act 7 of 2010, section 60 of Act 24 of 2011, section 83 of Act 31 of 2013, section 51 of Act 43 of 2014, section 52 of Act 15 of 2016, section 48 of Act 17 of 2017 and section 34 of Act 17 of 2023

15. (1) Section 36 of the Income Tax Act, 1962, is hereby amended by the insertion in subsection (11) in the definition of ''capital expenditure'' after paragraph *(d*A*)* of the following paragraph:

"*(d*B*)* the expenditure in respect to the construction of any road or the erecting of any fence and a foundation or supporting structure designed for such a fence for the purpose of trade of that person of generation of electricity which exceeds 5 megawatts from—

(a) wind power;

(b) solar energy;

(c) hydropower to produce electricity of not more than 30 megawatts; or

(d) biomass comprising organic wastes, landfill gas or plant material;".

(2) Subsection (1) is deemed to have come into operation on 1 January 2026 and applies in respect of assets brought into use on or after that date.

Amendment of section 37A of Act 58 of 1962, as inserted by section 27 of Act 20 of 2006 and amended by section 28 of Act 8 of 2007, section 47 of Act 35 of 2007, section 84 of Act 31 of 2013 and section 49 of Act 17 of 2017

16. (1) Section 37A of the Income Tax Act, 1962, is hereby amended—

(a) by the substitution for paragraph *(a)* of subsection (1) of the following paragraph:

"*(a)* the sole object of that company or trust is to apply its property solely for rehabilitation upon premature closure, decommissioning and final closure, and post closure coverage of any latent and residual environmental impacts on—

(i) the area covered in terms of any permit, right, reservation or permission contemplated in paragraph *(d)*(i)(*aa*) elsewhere than in the Republic; or

(ii) <u>the nuclear facility covered in terms of any licence contemplated in paragraph *(d)*(i)*(cc)*,</u>

to restore one or more areas to their natural or predetermined state, or to a land use which conforms to the generally accepted principle of sustainable development;";

(b) by the insertion in subsection (1)*(d)*(i) after item (*bb*) of the following item:

"<u>(*cc*) holds a nuclear licence issued by the National Nuclear Regulator in terms of the National Nuclear Regulator Act, 1999 (Act No. 47 of 1999);</u>";

(c) by the substitution in subsection (3) of the following subsection:

"(3) To the extent that the Cabinet member responsible for mineral resources is satisfied that all of the areas in terms of any permit, right, reservation or permission contemplated in subsection (1)(*d*)(i)(*aa*) or (1)(*d*)(i)(*cc*), that have been rehabilitated as contemplated in subsection (1)(*a*), the company or trust in respect of those areas must be wound-up or liquidated and its assets remaining after the satisfaction of its liabilities must be transferred to—"; and

(d) by the substitution in subsection (4) for paragraph *(b)* of the following paragraph:

"*(b)* such company or trust has sufficient assets to rehabilitate and restore, as contemplated in subsection (1)(*a*), all areas or nuclear facilities to which any permit, right, reservation, **[or]** permission or licence contemplated in subsection (1)(*d*)(i)(*aa*) or (1)(*d*)(i)(*cc*) relates, as the case may be,".

(2) Subsection (1) comes into operation on 1 January 2027 and applies to years of assessment commencing on or after that date.

Amendment of section 56 of Act 58 of 1962, as amended by section 18 of Act 90 of 1964, section 25 of Act 55 of 1966, section 33 of Act 89 of 1969, section 38 of Act 85 of 1974, section 21 of Act 113 of 1977, section 13 of Act 101 of 1978, section 23 of Act 96 of 1981, section 31 of Act 94 of 1983, section 4 of Act 30 of 1984, section 28 of Act 121 of 1984, section 18 of Act 96 of 1985, section 21 of Act 85 of 1987, section 26 of Act 90 of 1988, section 28 of Act 141 of 1992, section

32 of Act 113 of 1993, section 18 of Act 36 of 1996, section 39 of Act 30 of 1998, section 38 of Act 30 of 2000, section 41 of Act 59 of 2000, section 45 of Act 60 of 2001, section 24 of Act 30 of 2002, section 35 of Act 74 of 2002, section 56 of Act 45 of 2003, section 38 of Act 32 of 2004, section 45 of Act 31 of 2005, section 27 of Act 9 of 2006, section 38 of Act 8 of 2007, section 67 of Act 7 of 2010, section 67 of Act 43 of 2014, section 72 of Act 25 of 2015, section 61 of Act 15 of 2016 and section 9 of Act xx of 2026

17. (1) Section 56 of the Income Tax Act, 1962, is hereby amended by the substitution in subsection (1) for paragraphs *(a)* and *(b)* of the following paragraphs:

"*(a)* to or for the benefit of the spouse of the donor under a duly registered antenuptial or post-nuptial contract or under a notarial contract entered into as contemplated in section 21 of the Matrimonial Property Act, 1984 (Act No. 88 of 1984), if that spouse is a resident; and

(b) to or for the benefit of the spouse of the donor who is not separated from him under a judicial order or notarial deed of separation, if that spouse is a resident;".

(2) Subsection (1) is deemed to have come into operation on 25 February 2026 and applies in respect of donations made on or after that date.

Amendment of section 62 of Act 58 of 1962, as amended by section 8 of Act 114 of 1977, section 36 of Act 101 of 1990, section 23 of Act 28 of 1997 and section 33 of Act 53 of 1999

18. Section 62 of the Income Tax Act, 1962, is hereby amended by the substitution for the words of subsection (2) preceding paragraph *(a)* of the proviso of the following words:

> " For the purposes of paragraphs *(a)* and *(c)* of subsection (1) the annual value of the right of enjoyment of a property means an amount equal to twelve per cent. upon the fair market value of the full ownership of the property which is subject to any fiduciary, usufructuary or other like interest: Provided that— …".

Amendment of paragraph 2 of Second Schedule to Act 58 of 1962, as substituted by section 57 of Act 17 of 2009 and amended by section 80 of Act 7 of 2010, section 92 of Act 22 of 2012, section 62 of Act 17 of 2017, section 48 of Act 34 of 2019, section 3 of Act 12 of 2024 and section 2 of Act 44 of 2024

19. (1) Paragraph 2 of the Second Schedule to the Income Tax Act, 1962, is hereby amended by the substitution for subparagraph (2) of the following subparagraph:

"(2) An amount as contemplated in subparagraph (1)*(b)* or (1)*(d)* shall be deemed to accrue to a person—

(a) in the case of an amount contemplated in subparagraph (1)*(b)*(iA), on the date on which the amount is due and payable as contemplated in subparagraph (1)*(b)*(iA)*(bb)* or 1*(d)*(ii); and

(b) in the case of an amount contemplated in subparagraph (1)(b)(iB) or 1*(d)*(i), on the date of its transfer.".

(2) Subsection (1) is deemed to have come into operation on 1 September 2024.

Amendment of paragraph 3 of Sixth Schedule to Act 58 of 1962, as inserted by section 71 of Act 60 of 2008 and amended by section 63 of Act 17 of 2009, section 86 of Act 7 of 2010, section 97 of Act 24 of 2011, section 114 of Act 31 of 2013 and section 89 of Act 25 of 2015

20. (1) Paragraph 3 of the Sixth Schedule to the Income Tax Act, 1962, is hereby amended by the deletion in subparagraph *(f)* of item (i).

(2) Subsection (1) comes into operation on 1 January 2027.

Amendment of paragraph 8 of Sixth Schedule to Act 58 of 1962, as inserted by section 71 of Act 60 of 2008 and amended by section 99 of Act 24 of 2011

21. (1) Paragraph 8 of the Sixth Schedule to the Income Tax Act, 1962, is hereby amended by the substitution for subparagraph (1) of the following subparagraph:

"(1) A person that meets the requirements set out in Part II may elect to be registered as a micro business**[—**

(a) **]**before the **[beginning]** <u>end</u> of a year of assessment **[or such later date during that year of assessment as the Commissioner may prescribe by notice in the Gazette; or**

(b) **in the case of a person that commenced business activities during a year of assessment, within two months from the date of commencement of business activities]**.".

(2) Subsection (1) comes into operation on 1 January 2027.

Amendment of paragraph 2 of Seventh Schedule to Act 58 of 1962, as inserted by section 46 of Act 121 of 1984 and amended by section 27 of Act 96 of 1985, section 56 of Act 101 of 1990, section 49 of Act 28 of 1997, section 54 of Act 30 of 1998, section 50 of Act 32 of 2004, section 55 of Act 31 of 2005, section 64 of Act 17 of 2009, section 102 of Act 24 of 2011, section 100 of Act 22 of 2012, section 118 of Act 31 of 2013, section 94 of Act 25 of 2015, section 69 of Act 23 of 2018 and section 32 of Act 42 of 2024

22. (1) Paragraph 2 of the Seventh Schedule to the Income Tax Act, 1962, is hereby amended by the substitution for subparagraph *(i)* of the following subparagraph:

"*(i)* the employer has during any period directly or indirectly made any contribution or payment to any fund contemplated in paragraph *(b)* of the definition of "benefit fund" <u>or a restricted medical scheme</u> in section 1 for the benefit of any employee or the dependants of any employee; or;"

(2) Subsection (1) is deemed to have come into operation on 1 March 2026 and applies in respect of years of assessment commencing on or after that date.

Amendment of paragraph 11 of Seventh Schedule to Act 58 of 1962, as amended by section 33 of Act 96 of 1985, section 35 of Act 65 of 1986, section 48 of Act 21 of 1995 and section 98 of Act 25 of 2015

23. Paragraph 11 of the Seventh Schedule to the Income Tax Act, 1962, is hereby amended by the substitution in subparagraph (2)*(a)* for subitem (ii) of the following subitem:

"(ii) where interest in respect of the debt in question becomes payable by the employee at irregular intervals or where interest on the **[loan]** <u>debt</u> is not payable by **[him or her]** <u>the employee</u>, on the last day of each period during the year of assessment in respect of which any cash remuneration becomes payable by the employer to the employee; and".

Amendment of paragraph 12 of Seventh Schedule to Act 58 of 1962, as substituted by section 49 of Act 21 of 1995 and as amended by section 99 of Act 25 of 2015

24. The following paragraph is hereby substituted for paragraph 12 of the Seventh Schedule to the Income Tax Act, 1962:

"12. The cash equivalent of the value of the taxable benefit consisting of any subsidy in respect of the amounts of interest or capital repayments referred to in paragraph *(g)* **[or any subsidy contemplated in paragraph 2(gA)]** shall be the amount of such subsidy.".

Amendment of paragraph 12A of the Seventh Schedule to Act 58 of 1962, as inserted by section 56 of Act 30 of 1998 and amended by section 59 of Act 31 of 2005, sections 2 and 59 of Act 8 of 2007, section 1 of Act 3 of 2008, section 66 of Act 17 of 2009, section 105 of Act 24 of 2011, section 271 of Act 28 of 2011, read with item 103 of Schedule 1 to that Act, section 122 of Act 31 of 2013 and section 100 of Act 25 of 2015

25. (1) Paragraph 12A of the Seventh Schedule to the Income Tax Act, 1962, is hereby amended by the substitution for subparagraph (1) of the following subparagraph:

"(1) The cash equivalent of the value of the taxable benefit contemplated in paragraph 2*(i)* is the amount of any contribution or payment made by the employer in respect of a year of assessment, directly or indirectly, to any medical scheme registered under the Medical Schemes Act, restricted medical scheme or to any fund which is registered under any similar provision contained in the laws of any other country where the medical scheme is registered, for the benefit of any employee or dependants, as defined in that Act, of that employee.".

(2) Subsection (1) is deemed to have come into operation on 1 March 2026 and applies in respect of years of assessment commencing on or after that date.

Amendment of paragraph 43A of Eighth Schedule to Act 58 of 1962, as substituted by section 72 of Act 17 of 2017, amended by section 80 of Act 23 of 2018 and section 62 of Act 34 of 2019

26. (1) Paragraph 43A(1) of the Eighth Schedule to the Income Tax Act, 1962, is hereby amended by the substitution for the words of paragraph *(b)* of the definition of ''extraordinary dividend'' preceding subparagraph (i) of the following words:

"any other share, means so much of the aggregate amount of **[any dividend]** dividends received or accrued–".

(2) Subsection (1) is deemed to have come into operation on 1 January 2027 and applies in respect of any disposal on or after that date.

Amendment of paragraph 3 of Part I of Ninth Schedule to Act 58 of 1962, as inserted by section 41 of Act 30 of 2002 and amended by section 125 of Act 45 of 2003, section 60 of Act 20 of 2006, section 1 of Act 3 of 2008, section 81 of Act 17 of 2009 and section 12 of Act 13 of 2012

27. (1) Part I of the Ninth Schedule to the Income Tax Act, 1962, is hereby amended by the substitution in paragraph 3 for subparagraph *(a)* of the following subparagraph:

''*(a)* The development, construction, upgrading, conversion or procurement of housing units for the benefit of persons whose monthly household income is equal to or less than **[R15 000]** R22 000 or any greater amount determined by the Minister of Finance by notice in the *Gazette* after consultation with the Minister of Housing.''.

(2) Subsection (1) comes into operation on 1 March 2027.

Amendment of paragraph 5 of Part II of Ninth Schedule to Act 58 of 1962, as inserted by section 130 of Act 45 of 2003 and amended by section 62 of Act 20 of 2006, section 1 of Act 3 of 2008 and section 13 of Act 13 of 2012

28. (1) Part II of the Ninth Schedule to the Income Tax Act, 1962, is hereby amended by the substitution in paragraph 5 for subparagraph *(a)* of the following subparagraph:

''*(a)* The development, construction, upgrading, conversion or procurement of housing units for the benefit of persons whose monthly household income is equal to or less than **[R15 000]** R22 000 or any greater amount determined by the Minister of Finance by notice in the *Gazette* after consultation with the Minister of Housing.''.

(2) Subsection (1) comes into operation on 1 March 2027.

Continuation of certain amendments of Schedules to Act 91 of 1964 and Act 89 of 1991

29. Every amendment or withdrawal of or insertion in Schedules No. 1 to 6, 8 and 10 to the Customs and Excise Act, 1964, made under section 48, 49, 56, 56A, 57, 60 or 75(15) of that Act during the period 1 November 2025 up to and including 31 October 2026, shall not lapse by virtue of section 48(6), 49(5A), 56(3), 56A(3), 57(3), 60(4) or 75(16) of that Act and in Schedule No.1 to the Value Added Tax Act, 1991, made under section 74(3)*(a)* of that Act during the period 1 November 2025 up to and including 31 October 2026, shall not lapse by virtue of section 74(3)*(b)* of that Act.

Amendment of section 58, as amended by section 19 of Act 33 of 1974, section 1 of Act 64 of 1974, section 10 of Act 86 of 1982, section 21 of Act 84 of 1987,

section 2 of Act 105 of 1992, section 14 of Act 27 of 1997, and to be repealed by section 46 of Act 32 of 2014

30. Section 58 of the Customs and Excise Act, 1964, pending its repeal by the Customs and Excise Amendment Act, 2014 (Act No. 32 of 2014), is hereby amended—

(a) by the substitution for the heading of the following heading:

"Time when new or increased or reduced duties become payable";

(b) by the substitution for subsection (1) of the following subsection:

"(1)*(a)* The Minister may table **[at any time in the National Assembly]** in the national annual budget contemplated in section 27(1) of the Public Finance Management Act 1999, (Act No. 1 of 1999), a taxation proposal imposing a new duty or increasing or reducing the rate of duty already payable upon any goods specified in the said proposal.**[, and]**

(b) **[s]**Such new duty or increased or reduced rate of duty shall**[,]** —

(i) subject to the provisions of subsections (2) to (5), from the time when the proposal was tabled; or

(ii) from the date specified in the proposal,

be payable on all such goods as have not at the said time been entered for home consumption.".

Amendment of section 7 of Act 89 of 1991, as amended by section 23 of Act 136 of 1991, section 14 of Act 136 of 1992, section 23 of Act 97 of 1993, section 33 of

Act 37 of 1996, section 165 of Act 45 of 2003, section 94 of Act 32 of 2004, section 20 of Act 44 of 2014, section 84 of Act 15 of 2016 and section 9 of Act 21 of 2018

31. (1) Section 7 of the Value-Added Tax Act, 1991, is hereby amended by the substitution for subsection (4) of the following subsection:

"(4) If the Minister makes an announcement in the national annual budget contemplated in section 27(1) of the Public Finance Management Act, 1999 (Act No. 1 of 1999) , that the VAT rate specified in this section is to be altered, that alteration will be effective from a date determined by the Minister in that announcement, and continues to apply for a period of 12 months from that date subject to Parliament passing legislation giving effect to that announcement within that period of 12 months.".

Amendment of section 11 of Act 89 of 1991, as amended by section 27 of Act 136 of 1991, Government Notice 2695 of 8 November 1991, section 17 of Act 136 of 1992, section 27 of Act 97 of 1993, section 13 of Act 20 of 1994, section 28 of Act 27 of 1997, section 89 of Act 30 of 1998, section 85 of Act 53 of 1999, section 77 of Act 30 of 2000, section 43 of Act 5 of 2001, section 153 of Act 60 of 2001, section 169 of Act 45 of 2003, section 46 of Act 16 of 2004, section 98 of Act 32 of 2004, section 21 of Act 9 of 2005, section 105 of Act 31 of 2005, section 44 of Act 9 of 2006, section 81 of Act 20 of 2006, section 105 of Act 35 of 2007, section 29 of Act 36 of 2007, Government Notice R.1024 in Government Gazette 32664 of 30 October 2009, section 134 of Act 24 of 2011, section 169 of Act 31 of 2013, section 96 of Act 43 of 2014, section 132 of Act 25 of 2015, section 81 of Act 17 of 2017, section 54 of Act 34 of 2019, section 64 of Act 23 of 2020, section 52 of Act 20 of 2021, section 48 of Act 42 of 2024 and section 41 of Act 5 of 2026

32. Section 11 of the Value-Added Tax Act, 1991, is hereby amended by the substitution in subsection (2) for paragraph *(k)* of the following paragraph:

"*(k)* the services are physically rendered—

(i) elsewhere than in the Republic; or

(ii) in a customs controlled area to a customs controlled area enterprise; or

(iii) in a customs controlled area to an SEZ operator **[in a customs controlled area]**; or".

Amendment of section 12 of Act 89 of 1991, as amended by section 18 of Act 136 of 1992, section 14 of Act 20 of 1994, section 22 of Act 37 of 1996, section 69 of Act 19 of 2001 section 154 of Act 60 of 2001, section 117 of Act 74 of 2002, section 99 of Act 32 of 2004, section 45 of Act 9 of 2006, section 82 of Act 20 of 2006, section 109 of Act 60 of 2008, section 147 of Act 22 of 2012, section 170 of Act 31 of 2013, section 97 of Act 43 of 2014 and section 42 of Act 5 of 2026

33. Section 12 of the Value-Added Tax Act, 1991, is hereby amended by the substitution for paragraph *(h)*(iv) in the Afrikaans text, of the following paragraph:

"(iv) die lewering van enige goedere of dienste **[by]**deur 'n skool wat geregistreer of voorlopig geregistreer is kragtens die Wet op Suid-Afrikaanse Skole, 1996 (Wet No. 84 van 1996), behalwe **[lewering]**lewerings gemaak ten opsigte van welsynsaktiwiteite uitgevoer deur 'n welsynsorganisasie, soos bevestig in 'n beslissing deur die Kommissaris uitgereik ingevolge artikel 41B van hierdie Wet:.".

Amendment of section 18C of Act 89 of 1991, as inserted by section 84 of Act 17 of 2017

34. (1) Section 18C of the Value-Added Tax Act, 1991, is hereby substituted by the following section:

"**18C. Adjustments for leasehold improvements.** — (1) Where goods have been supplied to a vendor, being a lessor, as contemplated in section 8 (29), the lessor shall be deemed to have made a taxable supply in the course or furtherance of the lessor's enterprise, and where a deduction of input tax would have been denied in terms of section 17 (2), or to the extent that such goods are not wholly for consumption, use or supply in the course of making taxable supplies by that lessor, those goods shall be deemed to be supplied by the lessor at the time the leasehold improvements are completed, in accordance with the formula

$$A \times B \times C$$

in which formula—

"A" represents the tax fraction;

"B" represents the amount stipulated in the agreement or if no amount is stipulated, the open market value as stipulated in section 3 applies, and

"C" represents the percentage of the use or application of the goods for the purposes of making other than taxable supplies at the time the leasehold improvements are completed.

<u>(2) Where goods have been supplied to a lessor, not being a vendor, as contemplated in section 8(29), the lessor shall within 30 days of the time contemplated in section 9(12)—</u>

(a) <u>obtain, complete and retain the form prescribed by the Commissioner; and</u>

(b) <u>calculate the tax payable on the amount stipulated in the agreement or if no amount is stipulated, the open market value as stipulated in section 3 applies.</u>".

(2) Subsection (1) comes into operation on 1 April 2027.

Amendment of section 54 of Act 89 of 1991, as amended by section 40 of Act 136 of 1991, section 34 of Act 136 of 1992, section 25 of Act 20 of 1994, section 46 of Act 27 of 1997, section 100 of Act 53 of 1999, section 51 of Act 16 of 2004, section 102 of Act 43 of 2014, section 34 of Act 44 of 2014, section 12 of Act 21 of 2018, section 52 of Act 17 of 2023 and section 47 of Act 5 of 2026

35. (1) Section 54 of the Value-Added Tax Act, 1991, is hereby amended by the substitution for subsection (2B) of the following subsection:

"(2B) *(a)* For the purposes of this Act, where electronic services are supplied by an intermediary, who is acting on behalf of another person who is the principal for the purposes of that supply, and—

(i) the intermediary is a vendor; <u>and</u>

(ii) …

(iii) the electronic services are supplied or to be supplied by the principal to a person in the Republic, that supply shall be deemed to be made by such intermediary and not by that principal **[where]** <u>unless</u> the principal and intermediary agree, in writing, to treat that supply as if made by the **[intermediary]** <u>principal</u>.

(b) Subject to the provisions of section 46, <u>notwithstanding the agreement</u> **[where the intermediary and principal agree to treat that supply as]** contemplated in paragraph *(a)* **[as if made by the intermediary]**, the principal and intermediary shall be held jointly and severally liable for performing the duties of the principal or intermediary under this Act and paying the tax imposed by this Act in respect of the taxable supplies made under such agreement.”.

(2) Subsection (1) comes into operation on 1 April 2027.

Amendment of section 18 of Act 25 of 2015

36. (1) Section 18(1) of the Taxation Laws Amendment Act, 2015, is amended by the substitution for paragraph *(a)* of the following paragraph:

“(*a*) by the substitution in paragraph *(e)* for the words preceding the proviso of the following words:

“save as provided in paragraph 12(2) of the First Schedule, such sum as represents the amount by which the value of any machinery, plant, implements, utensils and articles (other than machinery, plant, implements, utensils and articles in respect of which a deduction may be granted under section12B, 12BA, 12C, 12DA, 12E(1), 12U<u>, 12V</u> or 37B) owned by the taxpayer or acquired by the taxpayer as purchaser in terms of an agreement contemplated in paragraph (a) of the definition of 'instalment credit agreement' in section 1 of the Value-Added Tax Act and used by the taxpayer for the purpose of his or her trade has been diminished by reason of wear and tear or depreciation during the year of assessment, which amount must be determined on the basis of the periods of use listed for this purpose in a public notice issued by the Commissioner, or a shorter period of use approved by the Commissioner on application in the prescribed form and manner by the taxpayer:".

(2) Subsection (1) is deemed to have come into operation on 8 January 2016.

Amendment of section 25 of Act 16 of 2016

37. Section 25 of the Tax Administration Laws Amendment Act, 2016, is hereby amended by the substitution in subsection (1) for paragraphs *(g)* and (1)*(h)* of the following paragraphs:

"*(g)* the services are physically rendered—

(i) elsewhere than in the Republic; or

(ii) in a customs controlled area to a customs controlled area enterprise; or

(iii) in a customs controlled area to an SEZ operator **[in a customs controlled area]**; or;

(h) the services are physically rendered—

(i) elsewhere than in the Republic; or

(ii) in a customs controlled area to a customs controlled area enterprise; or

(iii) in a customs controlled area to an SEZ operator **[in a customs controlled area]**; or".

Amendment of section 27 of Act 5 of 2026

38. (1) Section 27 of the Taxation Laws Amendment Act, 2026, is hereby amended by the substitution for subsections (2) and (3) of the following subsections:

"(2) Subsection (1)(*a*), (*d*) and (*e*), to the extent of the amendment: ''holding less than 20 per cent of the equity shares in a listed company'' and ''disposes of an equity share in that company'', comes into operation on 1 January 2026 and applies in respect of **[years of assessment commencing]** transactions entered into on or after that date.

(3) Subject to subsection (2), subsection (1) comes into operation on 1 January **[2027]** 2028 and applies in respect of **[any transactions entered into]** years of assessment commencing on or after that date.".

(2) Subsection (1) is deemed to have come into operation on 1 April 2026.

Amendment of section 17A of Act 15 of 2019 as inserted by section 59 of Act 5 of 2026

39. (1) Section 17A of the Carbon Tax Act, 2019, is hereby amended by the substitution for subsections (2) and (3) of the following subsections:

"(2) A refund of tax paid as contemplated in subsection (1) will be allowed in year three in respect of the first two tax periods of a carbon-budgeting period, as determined by the Department of Forestry, Fisheries and the Environment, if the cumulative actual emissions of that taxpayer for the first two tax periods **[and the immediately preceding tax period]**, as verified by the Department of Forestry, Fisheries and the Environment, are less than or equal to the cumulative carbon budget allocated to that taxpayer by the Department of Forestry, Fisheries and the Environment for the corresponding **[three]** two tax periods.

(3) A refund of tax paid, as contemplated in subsection (1), will be allowed in year six in respect of the remainder of the carbon budgeting period, commencing from the third tax period, and the first two periods if the cumulative actual emissions of that taxpayer for the tax periods in question and all **[subsequent]** tax periods within the carbon budgeting period are less than or equal to the cumulative carbon budget allocated to that taxpayer by the Department of Forestry, Fisheries and the Environment for those respective tax periods.".

(2) Subsection (1) comes into operation with effect from a date determined by the Minister of Finance by notice in the Gazette.

Amendment of Schedule 2 to Act 15 of 2019, as amended by section 99 of Act 34 of 2019, section 65 of Act 20 of 2021 and section 64 of Act 42 of 2024

40.(1) Schedule 2 to the Carbon Tax Act, 2019, is hereby amended by the substitution in the line corresponding to IPCC Code ‘‘1A4a’’ and Activity/Sector ‘‘Commercial/Institutional’’ for the value in the column ‘‘Threshold’’ of the following value:

‘‘**[10 MW(th)]** <u>25 000tCO_2e</u> ”.

(2) Subsection (1) is deemed to have come into operation on 1 January 2026.

Amendment of section 19 of Act 42 of 2024

41. (1) Section 19 of the Taxation Laws Amendment Act, 2024, is hereby amended by–

(a) the deletion in subsection (1) of paragraphs *(c), (d)*, *(e)* and *(f)*; and

(b) the substitution for subsection (3) of the following subsection:

“(3) **[Paragraphs]** <u>Paragraph</u> *(b)* **[to *(f)*]** of subsection (1) **[come]** <u>comes</u> into operation on 1 January 2027 and **[apply]** <u>applies</u> in respect of years of assessment commencing on or after that date.

(2) Subsection (1) is deemed to have come into operation on 24 December 2024.

Short title

42. This Act is called the Second Taxation Laws Amendment Act, 2026.