C

2025 BUDGET REVIEW

ADDITIONAL TAX POLICY AND ADMINISTRATIVE ADJUSTMENTS

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

This annexure should be read with Chapter 4 of the *Budget Review*. It elaborates on some of the proposals contained in the chapter, clarifies certain matters and presents additional technical proposals arising from the annual tax policy process.

PERSONAL INCOME TAX

The proposed tax schedule in Table 4.4 in Chapter 4 is held constant this year. The effects of these proposals are set out in tables C.1, C.2 and C.3.

Table C.1 Annual income tax payable, 2025/26

Taxable income (R)	2024/25 rates (R)	Proposed 2025/26 rates (R)	Tax change (R)	% change	Average tax rates	
					Old rates	New rates
90 000	–	–	–	–	–	–
100 000	765	765	–	0.0%	0.8%	0.8%
120 000	4 365	4 365	–	0.0%	3.6%	3.6%
150 000	9 765	9 765	–	0.0%	6.5%	6.5%
200 000	18 765	18 765	–	0.0%	9.4%	9.4%
250 000	28 797	28 797	–	0.0%	11.5%	11.5%
300 000	41 797	41 797	–	0.0%	13.9%	13.9%
400 000	69 272	69 272	–	0.0%	17.3%	17.3%
500 000	100 272	100 272	–	0.0%	20.1%	20.1%
750 000	191 942	191 942	–	0.0%	25.6%	25.6%
1 000 000	292 284	292 284	–	0.0%	29.2%	29.2%
1 500 000	497 284	497 284	–	0.0%	33.2%	33.2%
2 000 000	709 604	709 604	–	0.0%	35.5%	35.5%

Source: National Treasury

Table C.2 Annual income tax payable, 2025/26 (taxpayers aged 65 to 74)

Taxable income (R)	2024/25 rates (R)	Proposed 2025/26 rates (R)	Tax change (R)	% change	Average tax rates	
					Old rates	New rates
120 000	–	–	–	–	–	–
150 000	321	321	–	0.0%	0.2%	0.2%
200 000	9 321	9 321	–	0.0%	4.7%	4.7%
250 000	19 353	19 353	–	0.0%	7.7%	7.7%
300 000	32 353	32 353	–	0.0%	10.8%	10.8%
400 000	59 828	59 828	–	0.0%	15.0%	15.0%
500 000	90 828	90 828	–	0.0%	18.2%	18.2%
750 000	182 498	182 498	–	0.0%	24.3%	24.3%
1 000 000	282 840	282 840	–	0.0%	28.3%	28.3%
1 500 000	487 840	487 840	–	0.0%	32.5%	32.5%
2 000 000	700 160	700 160	–	0.0%	35.0%	35.0%

Source: National Treasury

Table C.3 Annual income tax payable, 2025/26 (taxpayers aged 75 and over)

Taxable income (R)	2024/25 rates (R)	Proposed 2025/26 rates (R)	Tax change (R)	% change	Average tax rates	
					Old rates	New rates
150 000	–	–	–	–	–	–
200 000	6 176	6 176	–	0.0%	3.1%	3.1%
250 000	16 208	16 208	–	0.0%	6.5%	6.5%
300 000	29 208	29 208	–	0.0%	9.7%	9.7%
400 000	56 683	56 683	–	0.0%	14.2%	14.2%
500 000	87 683	87 683	–	0.0%	17.5%	17.5%
750 000	179 353	179 353	–	0.0%	23.9%	23.9%
1 000 000	279 695	279 695	–	0.0%	28.0%	28.0%
1 500 000	484 695	484 695	–	0.0%	32.3%	32.3%
2 000 000	697 015	697 015	–	0.0%	34.9%	34.9%

Source: National Treasury

CUSTOMS AND EXCISE DUTY

Government proposes that excise duties in the Customs and Excise Act (1964, section A of part 2 of schedule 1) be amended with effect from 12 March 2025 to the extent shown in Table C.4.

Table C.4 Specific excise duties, 2024/25 – 2025/26

Tariff item	Tariff subheading	Article description	2024/25 Rate of excise duty	2025/26 Rate of excise duty
104.00		**PREPARED FOODSTUFFS; BEVERAGES, SPIRITS AND VINEGAR; TOBACCO**		
104.01	**19.01**	**Malt extract; food preparations of flour, groats,meal, starch or malt extract, not containing cocoa or containing less than 40 per cent by mass of cocoa calculated on a totally defatted basis, not elsewhere specified or included; food preparations of goods of headings 04.01 to 04.04, not containing cocoa or containing less than 5 per cent by mass of cocoa calculated on a totally defatted basis not elsewhere specified or included:**		
104.01.05	1901.90.13	Preparations for making alcoholic beverages (excluding those of subheading 1901.90.20) as defined in Additional Note 2 to Chapter 19	34,7c/kg	34,7c/kg
104.01.10	1901.90.20	Traditional African beer powder as defined in Additional Note 1 to Chapter 19	34,7c/kg	34,7c/kg
104.05	**21.06**	**Food preparations not elsewhere specified or included:**		
104.05.10	2106.90.13	Preparations for making alcoholic beverages as defined in Additional Note 1 to Chapter 21	34,7c/kg	34,7c/kg
104.10	**22.03**	**Beer made from malt:**		
104.10.10	2203.00.05	Traditional African beer as defined in Additional Note 1 to Chapter 22	7,82c/li	7,82c/li
104.10.20	2203.00.90	Other	R135.89/li aa	R145.07/li aa
104.15	**22.04**	**Wine of fresh grapes, including fortified wines; grape must (excluding that of heading 20.09):**		
104.15.01	2204.10	Sparkling wine	R17.83/li	R19.03/li
104.15	**2204.21**	**In containers holding 2 li or less:**		
104.15	**2204.21.4**	**Unfortified wine:**		
104.15.03	2204.21.41	With an alcoholic strength of at least 4.5 per cent by volume but not exceeding 16.5 per cent by vol.	R5.57/li	R5.95/li
104.15.04	2204.21.42	Other	R274.39/li aa	R292.91/li aa
104.15	**2204.21.5**	**Fortified wine:**		
104.15.05	2204.21.51	With an alcoholic strength of at least 15 per cent by volume but not exceeding 22 per cent by vol.	R9.40/li	R10.04/li
104.15.06	2204.21.52	Other	R274.39/li aa	R292.91/li aa
104.15	**2204.22**	**In containers holding more than 2 li but not more than 10 li:**		
104.15	**2204.22.4**	**Unfortified wine:**		
104.15.13	2204.22.41	With an alcoholic strength of at least 4.5 per cent by volume but not exceeding 16.5 per cent by vol.	R5.57/li	R5.95/li
104.15.15	2204.22.42	Other	R274.39/li aa	R292.91/li aa
104.15	**2204.22.5**	**Fortified wine:**		
104.15.17	2204.22.51	With an alcoholic strength of at least 15 per cent by volume but not exceeding 22 per cent by vol.	R9.40/li	R10.04/li
104.15.19	2204.22.52	Other	R274.39/li aa	R292.91/li aa
104.15	**2204.29**	**Other:**		
104.15	**2204.29.4**	**Unfortified wine:**		
104.15.21	2204.29.41	With an alcoholic strength of at least 4.5 per cent by volume but not exceeding 16.5 per cent by vol.	R5.57/li	R5.95/li
104.15.23	2204.29.42	Other	R274.39/li aa	R292.91/li aa
104.15	**2204.29.5**	**Fortified wine:**		
104.15.25	2204.29.51	With an alcoholic strength of at least 15 per cent by volume but not exceeding 22 per cent by vol.	R9.40/li	R10.04/li
104.15.27	2204.29.52	Other	R274.39/li aa	R292.91/li aa
104.16	**22.05**	**Vermouth and other wine of fresh grapes flavoured with plants or aromatic substances:**		
104.16	**2205.10**	**In containers holding 2 li or less:**		
104.16.01	2205.10.10	Sparkling	R17.83/li	R19.03/li

Table C.4 Specific excise duties, 2024/25 – 2025/26 *(continued)*

Tariff item	Tariff subheading	Article description	2024/25 Rate of excise duty	2025/26 Rate of excise duty
104.16	**2205.10.2**	**Unfortified:**		
104.16.03	2205.10.21	With an alcoholic strength of at least 4.5 per cent by volume but not exceeding 15 per cent by vol.	R5.57/li	R5.95/li
104.16.04	2205.10.22	Other	R274.39/li aa	R292.91/li aa
104.16	**2205.10.3**	**Fortified:**		
104.16.05	2205.10.31	With an alcoholic strength of at least 15 per cent by volume but not exceeding 22 per cent by vol.	R9.40/li	R10.04/li
104.16.06	2205.10.32	Other	R274.39/li aa	R292.91/li aa
104.16	**2205.90**	**Other:**		
104.16	**2205.90.2**	**Unfortified:**		
104.16.09	2205.90.21	With an alcoholic strength of at least 4.5 per cent by volume but not exceeding 15 per cent by vol.	R5.57/li	R5.95/li
104.16.10	2205.90.22	Other	R274.39/li aa	R292.91/li aa
104.16	**2205.90.3**	**Fortified:**		
104.16.11	2205.90.31	With an alcoholic strength of at least 15 per cent by volume but not exceeding 22 per cent by vol.	R9.40/li	R10.04/li
104.16.12	2205.90.32	Other	R274.39/li aa	R292.91/li aa
104.17	**22.06**	**Other fermented beverages (for example, cider, perry, mead, saké); mixtures of fermented beverages and mixtures of fermented beverages and non-alcoholic beverages, not elsewhere specified or included:**		
104.17.03	2206.00.05	Sparkling fermented fruit or mead beverages; mixtures of sparkling fermented beverages derived from the fermentation of fruit or honey; mixtures of sparkling fermented fruit or mead beverages and non-alcoholic beverages	R17.83/li	R19.03/li
104.17.05	2206.00.15	Traditional African beer as defined in Additional Note 1 to Chapter 22	7,82c/li	7,82c/li
104.17.07	2206.00.17	Other fermented beverages, unfortified, with an alcoholic strength of less than 2.5 per cent by volume	R135.89/li aa	R145.07/li aa
104.17.09	2206.00.19	Other fermented beverages of non-malted cereal grains, unfortified, with an alcoholic strength of at least 2.5 per cent by volume but not exceeding 9 per cent by vol.	R135.89/li aa	R145.07/li aa
104.17.11	2206.00.21	Other mixtures of fermented beverages of non-malted cereal grains and non-alcoholic beverages, unfortified, with an alcoholic strength of at least 2.5 per cent by volume but not exceeding 9 per cent by vol.	R135.89/li aa	R145.07/li aa
104.17.15	2206.00.81	Other fermented apple or pear beverages, unfortified, with an alcoholic strength of at least 2.5 per cent by volume but not exceeding 15 per cent by vol.	R135.89/li aa	R145.07/li aa
104.17.16	2206.00.82	Other fermented fruit beverages and mead beverages, including mixtures of fermented beverages derived from the fermentation of fruit or honey, unfortified, with an alcoholic strength of at least 2.5 per cent by volume but not exceeding 15 per cent by vol.	R135.89/li aa	R145.07/li aa
104.17.17	2206.00.83	Other fermented apple or pear beverages, fortified, with an alcoholic strength of at least 15 per cent by volume but not exceeding 23 per cent by vol.	R109.76/li aa	R117.16/li aa
104.17.21	2206.00.84	Other fermented fruit beverages and mead beverages including mixtures of fermented beverages derived from the fermentation of fruit or honey, fortified, with an alcoholic strength of at least 15 per cent by volume but not exceeding 23 per cent by vol.	R109.76/li aa	R117.16/li aa
104.17.22	2206.00.85	Other mixtures of fermented fruit or mead beverages and non-alcoholic beverages, unfortified, with an alcoholic strength of at least 2.5 per cent by volume but not exceeding 15 per cent by vol.	R135.89/li aa	R145.07/li aa

Table C.4 Specific excise duties, 2024/25 – 2025/26 *(continued)*

Tariff item	Tariff subheading	Article description	2024/25 Rate of excise duty	2025/26 Rate of excise duty
104.17.25	2206.00.87	Other mixtures of fermented fruit or mead beverages and non-alcoholic beverages, fortified, with an alcoholic strength of at least 15 per cent by volume but not exceeding 23 per cent by vol.	R109.76/li aa	R117.16/li aa
104.17.90	2206.00.90	Other	R274.39/li aa	R292.91/li aa
104.21	**22.07**	**Undenatured ethyl alcohol of an alcoholic strength by volume of 80 per cent vol. or higher; ethyl alcohol and other spirits, denatured, of any strength:**		
104.21.01	2207.10	Undenatured ethyl alcohol of an alcoholic strength by volume of 80 per cent vol. or higher	R274.39/li aa	R292.91/li aa
104.21.03	2207.20	Ethyl alcohol and other spirits, denatured, of any strength	R274.39/li aa	R292.91/li aa
104.23	**22.08**	**Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80 per cent vol.; spirits, liqueurs and other spirituous beverages:**		
104.23	**2208.20**	**Spirits obtained by distilling grape wine or grape marc:**		
104.23	**2208.20.1**	**In containers holding 2 li or less:**		
104.23.01	2208.20.11	Brandy as defined in Additional Note 7 to Chapter 22	R246.95/li aa	R263.62/li aa
104.23.02	2208.20.19	Other	R274.39/li aa	R292.91/li aa
104.23	**2208.20.9**	**Other:**		
104.23.03	2208.20.91	Brandy as defined in Additional Note 7 to Chapter 22	R246.95/li aa	R263.62/li aa
104.23.04	2208.20.99	Other	R274.39/li aa	R292.91/li aa
104.23	**2208.30**	**Whiskies:**		
104.23.05	2208.30.10	In containers holding 2 li or less	R274.39/li aa	R292.91/li aa
104.23.07	2208.30.90	Other	R274.39/li aa	R292.91/li aa
104.23	**2208.40**	**Rum and other spirits obtained by distilling fermented sugarcane products:**		
104.23.09	2208.40.10	In containers holding 2 li or less	R274.39/li aa	R292.91/li aa
104.23.11	2208.40.90	Other	R274.39/li aa	R292.91/li aa
104.23	**2208.50**	**Gin and Geneva:**		
104.23.13	2208.50.10	In containers holding 2 li or less	R274.39/li aa	R292.91/li aa
104.23.15	2208.50.90	Other	R274.39/li aa	R292.91/li aa
104.23	**2208.60**	**Vodka:**		
104.23.17	2208.60.10	In containers holding 2 li or less	R274.39/li aa	R292.91/li aa
104.23.19	2208.60.90	Other	R274.39/li aa	R292.91/li aa
104.23	**2208.70**	**Liqueurs and cordials:**		
104.23	**2208.70.2**	**In containers holding 2 li or less:**		
104.23.21	2208.70.21	With an alcoholic strength by volume exceeding 15 per cent by vol. but not exceeding 23 per cent by vol.	R109.76/li aa	R117.16/li aa
104.23.22	2208.70.22	Other	R274.39/li aa	R292.91/li aa
104.23	**2208.70.9**	**Other:**		
104.23.23	2208.70.91	With an alcoholic strength by volume exceeding 15 per cent by vol. but not exceeding 23 per cent by vol.	R109.76/li aa	R117.16/li aa
104.23.24	2208.70.92	Other	R274.39/li aa	R292.91/li aa
104.23	**2208.90**	**Other:**		
104.23	**2208.90.2**	**In containers holding 2 li or less:**		
104.23.25	2208.90.21	With an alcoholic strength by volume exceeding 15 per cent by vol. but not exceeding 23 per cent by vol.	R109.76/li aa	R117.16/li aa
104.23.26	2208.90.22	Other	R274.39/li aa	R292.91/li aa
104.23	**2208.90.9**	**Other:**		
104.23.27	2208.90.91	With an alcoholic strength by volume exceeding 15 per cent by vol. but not exceeding 23 per cent by vol.	R109.76/li aa	R117.16/li aa
104.23.28	2208.90.92	Other	R274.39/li aa	R292.91/li aa

Table C.4 Specific excise duties, 2024/25 – 2025/26 *(continued)*

Tariff item	Tariff subheading	Article description	2024/25 Rate of excise duty	2025/26 Rate of excise duty
104.30	**24.02**	**Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes:**		
104.30	**2402.10**	**Cigars, cheroots and cigarillos containing tobacco:**		
104.30.01	2402.10.10	Imported from Switzerland	R5 474.32/kg net	R5 843.68/kg net
104.30.03	2402.10.90	Other	R5 474.32/kg net	R5 843.68/kg net
104.30	**2402.20**	**Cigarettes containing tobacco:**		
104.30.05	2402.20.10	Imported from Switzerland	R10.89 /10 cigarettes	R11.40 /10 cigarettes
104.30.07	2402.20.90	Other	R10.89 /10 cigarettes	R11.40 /10 cigarettes
104.30	**2402.90.1**	**Cigars, cheroots and cigarillos of tobacco substitutes:**		
104.30.09	2402.90.12	Imported from Switzerland	R5 474.32/kg net	R5 843.68/kg net
104.30.11	2402.90.14	Other	R5 474.32/kg net	R5 843.68/kg net
104.30	**2402.90.2**	**Cigarettes of tobacco substitutes:**		
104.30.13	2402.90.22	Imported from Switzerland	R10.89 /10 cigarettes	R11.40 /10 cigarettes
104.30.15	2402.90.24	Other	R10.89 /10 cigarettes	R11.40 /10 cigarettes
104.35	**24.03**	**Other manufactured tobacco and manufactured tobacco substitutes;"homogenised" or "reconstituted" tobacco; tobacco extracts and essences:**		
104.35	**2403.1**	**Smoking tobacco, whether or not containing tobacco substitutes in any proportions:**		
104.35.01	2403.11	Water pipe tobacco specified in Subheading Note 1 to Chapter 24	R301.05/kg net	R321.37/kg net
104.35	**2403.19**	**Other:**		
104.35.02	2403.19.10	Pipe tobacco in immediate packings of a content of less than 5 kg	R301.05/kg net	R321.37/kg net
104.35.03	2403.19.20	Other pipe tobacco	R301.05/kg net	R321.37/kg net
104.35.05	2403.19.30	Cigarette tobacco	R489.37/kg	R512.62/kg
104.35	**2403.91**	**"Homogenised" or "reconstituted" tobacco:**		
104.35.07	2403.91.20	Imported from Switzerland	R1 020.69/kg	R1 069.17/kg
104.35.09	2403.91.80	Other	R1 020.69/kg	R1 069.17/kg
104.35	**2403.99**	**Other:**		
104.35.15	2403.99.30	Other cigarette tobacco substitutes	R489.37/kg	R512.62/kg
104.35.17	2403.99.40	Other pipe tobacco substitutes	R301.05/kg net	R321.37/kg net
104.35.19	2403.99.90	Other	R1 020.69/kg	R1 069.17/kg
104.37	**24.04**	**Products containing tobacco, reconstituted tobacco, nicotine, or tobacco or nicotine substitutes, intended for inhalation without combustion; other nicotine containing products intended for the intake of nicotine into the human body:**		
104.37	**2404.1**	**Products intended for inhalation without combustion:**		
104.37	**2404.11**	**Containing tobacco or reconstituted tobacco:**		
104.37	**2404.11.1**	**Containing reconstituted tobacco:**		
104.37.01	2404.11.11	Imported from Switzerland, put up for retail sale in the form of sticks	R8.16 /10 sticks	R8.55 /10 sticks
104.37.03	2404.11.13	Imported from Switzerland, other	R1 020.69/kg	R1 069.17/kg
104.37.05	2404.11.15	Other, put up for retail sale in the form of sticks	R8.16 /10 sticks	R8.55 /10 sticks
104.37.07	2404.11.19	Other	R1 020.69/kg	R1 069.17/kg
104.37	**2404.11.9**	**Other:**		
104.37.11	2404.11.91	Put up for retail sale in the form of sticks	R8.16 /10 sticks	R8.55 /10 sticks
104.37.13	2404.11.99	Other	R1 020.69/kg	R1 069.17/kg
104.37.14	2404.12	Other, containing nicotine	R3.04/ml	R3.18/ml
104.37	**2404.19**	**Other:**		
104.37.16	2404.19.10	Containing nicotine substitutes	R3.04/ml	R3.18/ml
104.37.19	2404.19.20	Other, put up for retail sale in the form of sticks	R8.16 /10 sticks	R8.55 /10 sticks
104.37.21	2404.19.90	Other	R1 020.69/kg	R1 069.17/kg

Source: SARS

ADDITIONAL POLICY AND ADMINISTRATIVE AMENDMENTS

Additional tax amendments proposed for the upcoming legislative cycle are set out below.

Individuals, employment and savings

Amending the definition of "remuneration proxy"

The term "remuneration proxy" as defined in the Income Tax Act (1962) is often equated with "remuneration" as defined in the Fourth Schedule to the Income Tax Act. This equivalence is particularly relevant when the "remuneration proxy" serves as a surrogate to calculate remuneration for the current year of assessment. However, an unintended benefit arises for certain employees who, in the previous year of assessment, qualified for and claimed an exemption for foreign employment income. For example, these employees may have a reduced remuneration amount in the current year when determining the value of a domestic residential accommodation taxable benefit. In this context, variable "A" in the formula relies on the definition of "remuneration proxy" in section 1 of the act. It is proposed that the definition of "remuneration proxy" be amended to include amounts exempted under section 10(1)(*o*)(ii) of the act.

Clarifying the inclusion of an amount assigned to a non-retirement fund member spouse under religious tenets

In 2024, the Pension Funds Act (1956) was amended to recognise court orders pertaining to the division of marital assets in accordance with religious tenets. However, the Income Tax Act requires a consequential amendment to paragraph 2(1)(*b*)(iA) of the Second Schedule to the act to include amounts assigned to a non-member spouse in compliance with the tenets of a religion.

Closing loopholes in the ring-fencing of assessed losses

The current application of section 20A of the Income Tax Act enables taxpayers below the maximum marginal rate threshold to exploit the tax system by continuously offsetting losses from certain trades against other sources of income. This creates a loophole that leads to substantial revenue losses for the fiscus, as taxpayers receive full refunds of their employees' tax when those losses are allowed. It is proposed that the threshold at which ring-fencing rules apply be reviewed and amended.

Reinstating the exemption for child maintenance payments funded from after-tax income

Child maintenance payments, which are not sourced from retirement funds, are made using after-tax income and paid to the parent or guardian living with the child. The paying party receives no tax deduction or relief for these payments, while the recipient is taxed on the maintenance received. Since these payments are intended to fulfil the fundamental obligation of supporting a child, taxing them in the hands of the recipient requires reconsideration to better align with government's social policy objectives. It is proposed that amendments be made to exclude child maintenance payments from the recipient's taxable income to restore the original policy intent.

Retirement provisions

Clarifying payment of death benefits

With the enactment of the Revenue Laws Second Amendment Act (2024), a lump sum payable as a result of the death of a member is still a retirement fund lump sum benefit. However, the definition of "savings component" only makes provision for the treatment of the remaining balance in the savings component on retirement and not on death. As a result, any value in the savings component is only payable as a savings withdrawal benefit on death. It is proposed that an amendment be made that, on the member's death, should the nominees or dependants choose to receive a lump sum benefit, such lump sum benefit will be considered part of the retirement fund lump sum benefit for Income Tax Act purposes.

Business (general)

Extending the anti-avoidance rules dealing with third-party backed shares

Third-party backed share anti-avoidance rules deem the accrual or receipt of dividends from preference shares backed by third parties through an enforcement right of the holder to be income, except where the funds derived from the issue of these third-party backed shares are used for a qualifying purpose. For the purposes of these specific anti-avoidance rules, an enforcement right encompasses a right of the holder to enforce performance by another person in respect of that preference share. Structures have been identified that consist of transactions to circumvent these third-party backed share anti-avoidance rules. It is proposed that additional measures be considered to address the circumvention of these anti-avoidance measures.

Refining the definition of "hybrid equity instrument"

The Income Tax Act contains anti-avoidance measures designed to address concerns of undue tax advantages obtained through merging equity and debt features to change the nature of income. The term "hybrid equity instrument" is broadly defined to encompass any type of share that has essential characteristics of debt. This definition covers five different types of instruments, including preference shares. It has come to government's attention that the characteristics of the definition as it relates to preference shares can be circumvented, resulting in the potential non-application of this anti-avoidance measure. It is proposed that the definition of "hybrid equity instrument" be revised to address the circumvention of this anti-avoidance measure.

Clarifying the ordering of set-off of balance of assessed losses and certain deductions

With effect from 2023, the set-off of balance of assessed losses is limited to 80 per cent of taxable income for companies. Deductions for donations and transfers from policyholder funds of long-term insurers are limited with reference to taxable income, as defined. Government is aware of certain instances where uncertainty exists regarding the ordering of the set-off of balance of assessed losses and deductions for donations and transfers from policyholder funds of long-term insurers. It is proposed that amendments be introduced to clarify the ordering of these deductions in calculating taxable income.

Corporate reorganisation rules

Clarifying the rollover relief for listed shares in an asset-for-share transaction

The Income Tax Act contains rollover rules for asset-for-share reorganisation transactions. The provisions generally prescribe that the tax cost for assets acquired by a company in exchange for the issue of shares in that company to the seller be equal to the same tax cost of that seller. In 2010, a unified special rollover regime for asset-for-share reorganisations was introduced to address the tax cost tracing problem where the relevant assets are listed shares, as the acquiring company could not be realistically expected to know the tax cost of the target shares held by each shareholder disposing of the listed shares (disposing shareholders). At issue is that government's policy intent was to specifically limit the special rollover regime relief to disposing shareholders holding less than 20 per cent of the listed shares in the target company before the transaction. It is proposed that the legislation be amended to align with the original policy intent and that the special rollover regime for listed shares be limited to shareholders holding less than 20 per cent of the equity shares in the target company before the transaction.

Reviewing asset-for-share and amalgamations transactions involving collective investment schemes

According to the discussion document on the tax treatment of collective investment schemes (CISs) published on 13 December 2024, transferring shares to a CIS without tax implications has allowed for unintended tax avoidance during changes of shareholdings in listed companies, as the realised gains in the shares are not taxed on transfer. The realised gains are also not taxed when the CIS disposes of the shares as part of a corporate restructuring. It is proposed that these provisions relating to asset-for-share transactions and amalgamations transactions be reviewed.

Clarifying the interest limitation rules

In 2021, the Income Tax Act was amended to strengthen rules that govern the limitation of interest deductions. These rules limit interest deductions in two instances. The first is when a South African debtor incurs interest and there is a direct or indirect controlling relationship between the debtor and creditor, plus the interest income is not taxed in the hands of the creditor (per section 23M of the Income Tax Act). The second is in respect of reorganisation and acquisition transactions (per section 23N of the Income Tax Act). It has come to government's attention that these measures require further clarification in the following areas.

Refining and clarifying the definition of "interest" to enhance certainty

Government acknowledges the complexity surrounding the definition of "interest" in section 23M of the act and its use in the calculation of "adjusted taxable income". It is proposed that this definition of "interest" only pertain to interest deductions that are tested for limitation. As a result, taxpayers should rely on the definition of "interest" contained in section 24J of the Income Tax Act to calculate "adjusted taxable income".

Reviewing the carve-out for the interest limitation rules

The interest limitation rules do not apply to interest on debt in instances where the ultimate lending institution has no controlling relationship with the debtor and if the interest charged does not exceed the official rate of interest plus 100 basis points. It is proposed that back-to-back lending

arrangements where there is no controlling relationship between the ultimate lending institution and the debtor also be eligible for carve-out from these rules.

Clarifying the treatment of foreign exchange differences when there is no accrual for the creditor

The interest limitation rules acknowledge foreign exchange differences on foreign exchange instruments under section 23M(7) of the act. However, it is unclear how foreign exchange differences should be treated when foreign exchange gains do not accrue to creditors. It is proposed to make it clear that the objective is to first test whether the underlying debt should be limited. Where this is the case, the foreign exchange difference thereon will also be limited.

Limiting interest deductions for reorganisation and acquisition transactions

In 2024, amendments were made to align the definition of "adjustable taxable income" and the formula applied to limit an interest deduction in section 23N of the act with the definition of "adjustable taxable income" and the formula applied in section 23M of the act. The effective date for the amendments is 1 January 2027 to give the National Treasury and affected stakeholders time to consider the impact of the proposed amendments. It is proposed that government review the impact of the 2024 amendments during the 2025 legislative cycle with the potential for a proposal in the 2026 Budget.

Business (financial sector)

Aligning the tax treatment of dividends with the accounting treatment by a covered person

A "covered person" (banks and brokers) is taxed in accordance with accounting principles of International Financial Reporting Standards 9. It has come to government's attention that covered persons are investing in shares and receiving dividends to hedge financial liabilities like equity-linked notes where the payments are tax deductible. To ensure consistent tax treatment, it is proposed that dividends from these hedges be taxed to align the tax treatment of these dividends with their financial accounting treatment.

Anomaly in the act relating to capital distributions by collective investment schemes

According to the discussion document on the tax treatment of CISs published on 13 December 2024, since the 2009 change to tax CISs in securities according to an adjusted trust system, there has been no clear legal rule regarding "capital distributions" to holders of participatory interests. If a CIS portfolio in securities is liquidated, any payments at that time could be considered proceeds from the disposal of participatory interests. However, there is no specific rule for ongoing payments from the portfolio's capital. It is proposed that the tax treatment of these capital distributions be considered.

Tax treatment of first loss after capital (FLAC) instruments as defined in the Financial Sector Regulation Act (2017)

The Reserve Bank has the authority to instruct the Prudential Authority to establish Prudential Standards that define the features of FLAC instruments and to mandate designated institutions, such as banks, to hold a minimum amount of FLAC instruments, as specified by the Reserve Bank under

the Financial Sector Regulation Act, to cover all liabilities of the designated institution. It is proposed that the tax treatment of these FLAC instruments be clarified where necessary.

International

Refining the definition of "equity shares" to cater for transfers by foreign companies

The terms "dividends" and "return of capital" are defined in section 1 of the Income Tax Act. Both definitions refer to amounts transferred by residents. There are separate definitions for "foreign dividends" and "foreign return of capital". Based on the current wording of the "equity share" definition, it seems that shares in a foreign company are not considered and cannot be classified as equity shares. It is proposed that the definition of "equity share" be updated.

Interaction between sections 6quat and 23(m) of the Income Tax Act

Section 6*quat*(1C) of the Income Tax Act allows for the sum of any taxes paid or proved to be payable to any sphere of government of any country other than South Africa to be deducted against income when determining that person's taxable income. Section 23(*m*) of the Income Tax Act, subject to certain exclusions, prohibits deductions in relation to any remuneration received from employment. At issue is that the list of exclusions to the application of section 23(*m*) does not include a reference to the deduction contemplated in section 6*quat*. It is proposed that the list of exclusions contemplated in section 23(*m*) be extended to include any deductions contemplated in section 6*quat*(1C).

Interaction of controlled foreign company rules in section 9D with section 9H

Section 9H of the Income Tax Act, also known as the exit charge, provides that when a foreign company ceases to be a controlled foreign company (CFC), it is deemed to have disposed of all its worldwide assets on the date immediately before the date it ceases to be a CFC. Section 9D(2A) of the act requires that the "net income" of a CFC be calculated as if the CFC were a taxpayer and tax resident. It has come to government's attention that some arrangements between South African holding companies and their foreign subsidiaries, which are CFCs, involve the CFCs acquiring all shares in the South African holding companies without triggering an exit charge. It is proposed that the act be amended to ensure that the exit charge is triggered in this case.

CFC rules and comparable tax exemption

South Africa has a comparable tax exemption that applies to CFCs. This exemption allows the net income of CFCs not to be imputed under CFC rules if the tax they pay to foreign countries is at least 67.5 per cent of what they would have paid in South Africa had they been a South African tax resident. However, the comparable tax exemption does not consider tax systems of countries that allow a refund to certain shareholders of a foreign company for tax paid by the company declaring the dividend. It is proposed that a tax refund to a shareholder should also be taken into account in applying the comparable tax exemption.

Taxation of trusts and their beneficiaries

In 2023, amendments were made to the rules relating to the taxation of trusts and their beneficiaries by limiting the flow-through principle to resident beneficiaries. It has come to government's

attention that the interaction between sections 7 and 25B of the Income Tax Act and the tax treatment of income and assets vested in beneficiaries of trusts could have unintended consequences where non-residents are involved. It is proposed that these aspects be reviewed.

Refining deferral of exchange difference rules on debt between related companies

Section 24I of the Income Tax Act deals with the tax treatment of gains and losses on foreign exchange transactions. However, rules apply for postponing the taxation of exchange differences until the debt is realised. It is proposed that the policy be reconsidered so that deferred exchange differences are triggered on the portion of an exchange item realised during the year of assessment. In addition, it is proposed to clarify the classification of debt that is not recognised in the financial statements for financial reporting purposes.

Value-added tax

Debit and credit notes relating to a going concern as per section 8(25) of the Value-Added Tax (VAT) Act (1991)

The VAT Act only allows the vendor who acquired an enterprise as a going concern under section 11(1)(*e*) to issue debit and credit notes for the return of goods or services that were supplied by the selling vendor. It is proposed that section 21(1)(*d*)(ii) of the VAT Act be expanded to include the return of goods or services that were supplied by the transferor of a business as a going concern under section 42 or 45 of the Income Tax Act, where the goods or services are returned to the transferee.

Reviewing the scope of the intermediary provisions

Intermediaries may account for VAT on supplies made on behalf of foreign suppliers of "electronic services" as if these supplies were made by the intermediary. This, however, does not extend to supplies made on behalf of local suppliers. This results in the intermediary not being able to issue a single consolidated tax invoice for these supplies to the customer. It is proposed that widening the intermediary provisions be considered to include supplies facilitated on behalf of local suppliers.

Reviewing VAT rules dealing with documentary requirements for silver exports

The main purpose of refineries is to refine and smelt ore received from various customers, namely depositors. In most instances, the refineries also act as agents and sell or export ore on behalf of these depositors. Silver from more than one depositor is typically required to make up the volume ordered for sale or export. After the refining or smelting, it is difficult to determine which depositor's silver is sold or exported because the silver loses its original identity during refinery and smelting. As a result, depositors find it difficult to obtain the documentary evidence to support the application of the zero rate on a transaction-by-transaction basis for their silver as contemplated in paragraph (*a*) of the definition of "exported" in section 1(1) of the VAT Act as well as the regulations issued in terms of section 74(1) of the VAT Act, read with paragraph (*d*) of the definition of "exported" in section 1(1) of that act. It is proposed that changes be made to the VAT Act to address this.

Updating a portion of the Export Regulations

The wording of regulation 8(2)(*e*)(ii) of the "Regulations issued in terms of section 74(1) read with paragraph (*d*) of the definition of 'exported' in section 1(1) of the VAT Act" (the Export Regulations) seems to be causing practical difficulties in application. It is proposed that the wording of regulation 8(2)(*e*)(ii) be revised for ease of administration.

Reviewing the VAT treatment of testing services supplied to non-residents who are outside South Africa at the time of the supply, where services are supplied directly in connection with movable property situated in South Africa

Testing services supplied to non-residents, such as testing of medication or devices on patients (generally during clinical trials) or samples in South Africa, raises a problem because, for example, the patient also derives a benefit and section 11(2)(*l*)(iii) of the VAT Act will apply irrespective of the fact that the supply is being made to a non-resident. In certain cases, the testing services may be performed directly in respect of movable property, which is not subsequently exported, resulting in section 11(2)(*l*)(ii) of the VAT Act applying despite such movable property having no commercial value.

Although it may be argued that the results of the clinical trials are consumed offshore by non-residents, the current wording of section 11(2)(*l*) of the VAT Act prohibits the application of the zero rating on the testing services. It is proposed that changes be made to the VAT Act to address this.

Updating the regulations on the domestic reverse charge mechanism relating to valuable metal

The definition of "residue" is limited to residue derived from or incidental to a mining operation due to concerns that the general inclusion of waste was too broad. The introduction of the *de minimis* rule, however, sufficiently covers the exclusion of waste from, for example, the medical and the electronic industries from the ambit of the regulations. Furthermore, practical difficulties arise in distinguishing scrap derived from or incidental to a mining operation and other waste items, as gold scrap may consist of various waste items. It is therefore proposed that the regulations be amended to remove this limitation in the definition of "residue".

Reviewing the definition of "insurance"

In light of the decision in the Constitutional Court matter of *Capitec Bank Limited v Commissioner for the South African Revenue Service (CCT 209/22) [2024] ZACC 1*, it is proposed that the definition of "insurance" be revised.

Clarifying the VAT treatment of temporary letting of residential properties

For ease of administration, it is proposed that the VAT treatment of the temporary letting of residential properties under section 18D of the VAT Act and consequential sections of this act be reviewed and updated.

Reviewing the VAT treatment of airtime vouchers supplied in South Africa for exclusive use in an export country

The supply of airtime vouchers in South Africa through the distribution chain for a foreign telecommunications supplier comprises two components, namely telecommunication services to be

provided outside of South Africa and distribution services of the airtime vouchers in the country. Distributors that sell airtime vouchers that can only be used in a foreign country are charging such supplies at the standard rate. As these vouchers are typically supplied to distributors in South Africa or to foreign residents located in the country for consumption of telecommunication services by such foreign residents' family members in a foreign country, it is proposed that the VAT Act be amended in this regard.

Carbon tax

Aligning schedule 1 of the Carbon Tax Act (2019) emission factors

The Department of Forestry, Fisheries and the Environment (DFFE) approved country-specific Tier 2 emission factors for natural gas and coal fuel types to be used by data providers for estimating and reporting stationary and non-stationary fuel combustion emissions. To align with the DFFE-approved emission factors for coal, it is proposed to change the carbon dioxide factor for sub-bituminous coal from 96 100 to 96 777 $kgCO_2/TJ$ and for other bituminous coal from 94 600 to 82 912 $kgCO_2/TJ$ in schedule 1 of the Carbon Tax Act. The net calorific value to be used to convert to tonnes of emissions is 19.14 MJ/kg for sub-bituminous coal and 26.51 MJ/kg for other bituminous coal. It is proposed to amend the carbon dioxide emission factor for natural gas from 56 100 to 55 709 $kgCO_2/TJ$, with a net calorific value of 37.01 MJ/m^3. The proposed amendments will take effect on 1 January 2026. Further consultations will be held with the DFFE on country-specific emission factors and fuel types approved for specific companies for possible inclusion in the 2025 Taxation Laws Amendment Bill.

Fugitive emissions formula

Section 4(2)(*b*) of the Carbon Tax Act provides the formulas to be used by companies to calculate the carbon dioxide equivalent (CO_2e) emission factors for fugitive emission activities. The formulas apply to oil, natural gas and coal mining and handling. In the 2023 and 2024 Budgets, new fugitive emission categories for solid fuel transformation and coal to liquid fuels were added to the schedule 1 fugitive emissions factor table. To provide clarity to taxpayers on the formula to be used to calculate the CO_2e factors for these activities, it is proposed to apply the formula for oil and natural gas to solid fuel transformation (IPCC code 1B1C) activities, including coke and charcoal production. A new formula will be considered for calculating the emission factors for the coal to liquid fuel and charcoal production activities where calorific values may be required to convert emissions to tonnes.

Sequestration deduction

Under the carbon tax, a deduction is provided for carbon dioxide sequestration in forestry plantations. During stakeholder consultations on the 2022 Budget proposals, the industry proposed that the sequestration deduction be extended to third-party timber sequestration – that is, informal third parties that grow and supply timber/wood to processing mills. In 2022/23, the Paper Manufacturers Association of South Africa developed a protocol to measure, report and verify carbon stocks and greenhouse gas emissions from plantations. The DFFE reviewed and approved the protocol in September 2024 contingent on third-party growers registering under the greenhouse gas reporting programme, independent verification of sequestration reports, a list of third-party

growers registered with the DFFE and assistance being provided to small-scale operators to meet the carbon reporting and accounting requirements.

It is proposed to extend the sequestration deduction for the paper and pulp sector to third-party timber sequestration measured and verified in line with the approved protocol effective from 1 January 2026. This provides an incentive for informal growers to produce timber and will contribute towards economic development and the livelihoods of the producers.

Including additional carbon offset standards under the carbon tax

Under the carbon tax, carbon offset projects and credits approved under the Clean Development Mechanism, the Gold Standard and VERRA are eligible for the carbon offset allowance. International standards use approved methodologies to estimate the emissions removals from eligible renewable energy, energy efficiency and afforestation, reforestation and revegetation projects. Afforestation, reforestation and revegetation nature-based offset projects could, for example, have important climate benefits, such as sequestering carbon and supporting biodiversity, and provide significant social and economic benefits and opportunities for local economic development. However, methodologies for afforestation, reforestation and revegetation projects may not be available under current eligible offset standards. It is proposed that additional carbon offset standards be evaluated and considered for inclusion as eligible standards for the carbon offset allowance under the carbon tax.

Tax administration

Customs and Excise Act
Delegation of functions of customs officers and designation of persons as customs officers

It is proposed that section 3 of the Customs and Excise Act be amended to insert a provision providing that the Commissioner may, with the concurrence of an organ of state or institution with whom the Commission has concluded an agreement in terms of section 2(1A), delegate functions of customs officers to persons in the service of such organ of state or institution, or designate persons in the service of such organ of state or institution to act as customs officers for a specific purpose. This amendment is related to the implementation of the new South African Revenue Service (SARS) electronic traveller management system, among other things.

Customs voluntary disclosure programme

The Tax Administration Act (2011) provides for a voluntary disclosure programme but excludes customs and excise. It is proposed that the Customs and Excise Act be amended to provide for a customs and excise voluntary disclosure programme.

Timing of adjustment of bill of entry

It is proposed that section 40 of the Customs and Excise Act be amended in relation to the timing of the adjustment of the bill of entry to create flexibility in respect of adjustments made in a manner prescribed by the Commissioner. The required flexibility can be achieved by providing for the Commissioner to also prescribe the timing for such adjustments.

The Commissioner may by rule determine a different manner to adjust a bill of entry – for example, by allowing a single consolidated document to be submitted to adjust various affected bills of entry. This could happen in instances of transfer pricing adjustments or where invoices for bulk export shipments are amended. In these instances, the mandatory adjustment of the affected bills of entry cannot happen "without delay" as currently required by section 40. SARS is also reviewing how a single document could be used to adjust various bills of entry in such instances.

Body-worn cameras

SARS is investigating issuing body-worn cameras to customs officers to promote trust, transparency and accountability in relation to the enforcement functions performed by customs officers.

Diesel refund

The Customs and Excise Act may require amendments to facilitate the implementation of the new diesel refund system.

Dutiability of waste derived from processing imported goods in manufacturing plants

SARS aims to consider, with the cooperation of relevant government agencies such as the International Trade Administration Commission of South Africa, the dutiability of waste derived from processing imported goods in a manufacturing plant to provide for relief when waste is disposed of in a sustainable and environmentally friendly manner such as recycling.

Movement of fuel products

The fuel industry in South Africa has increasingly shifted from local manufacturing to importing refined petroleum products such as petrol, diesel, illuminating kerosene and aviation kerosene. Companies importing fuel levy goods highlighted the challenges they encounter in moving imported products (especially aviation kerosene) through the national multi-product pipeline. SARS proposes to review the legislation pertaining to the fuel industry to align it with changes in this industry and to facilitate the movement and storage of fuel products.

Income Tax Act
Clarifying the meaning of audit certificate to be issued by public benefit organisations

Section 18A of the Income Tax Act provides that a claim for a deduction for a donation made to an organisation as specified in that section is not allowed unless supported by a receipt issued by the organisation containing the information as prescribed in that section. The section further prescribes that the organisation conducting mixed section 18A and non-section 18A activities must obtain and retain an audit certificate confirming that all donations received or accrued in the year for which receipts were issued were used solely to undertake activities covered by section 18A of the act. Some uncertainty exists about how the term "audit certificate" must be interpreted and whether it should bear reference to terminology contained in the Auditing Profession Act (2005). It is proposed that the term be clarified in the context of this section.

Reviewing the Fourth Schedule to allow for one nominated employer for company group structures and employee share scheme trusts of a group of companies

The provisions of the Fourth Schedule to the Income Tax Act will be reviewed to determine if they should be amended to allow one employer to be nominated by a group of companies, or by an employee share scheme trust for a group of companies, to apply to be registered as the employer on their behalf for purposes of pay-as-you-earn withholding and payment, return submissions and IRP5 certificate generation of multiple companies in a group context or an employee share scheme trust. This may require, among others, extending the joint and several liability principles in the Fourth Schedule for the entities concerned.

Value-Added Tax Act
VAT disputes on the importation of goods

VAT on the importation of goods, as well as penalties or interest emanating from an import transaction, is imposed in terms of the VAT Act. For practical administrative purposes, VAT disputes in this context (for example, refusal to remit penalties and interest with regard to VAT on the importation of goods) are dealt with in terms of the customs internal administrative appeals framework provided in terms of Chapter XA of the Customs and Excise Act. However, nothing precludes the vendor from instituting an objection and appeal under the Tax Administration Act. This raises practical and administrative challenges as the customs and VAT disputes are interrelated and should ideally be dealt with as part of one dispute resolution mechanism. It is proposed that the dispute resolution framework of both acts be reviewed to determine the best way to deal with these types of disputes.

Tax Administration Act
Trustee's role as the representative taxpayer of the pre-insolvent person

An amendment is proposed to confirm that the liability of a trustee of an insolvent estate, in their representative capacity, also extends to any income received or accrued to the insolvent person prior to the sequestration of the estate.

Inspecting an enterprise that submits a voluntary VAT registration application

To curb VAT fraud and abuse, SARS implements risk-mitigating measures throughout the VAT product life cycle, including VAT registration. When voluntary VAT registration applications are submitted, SARS may require a site inspection to be conducted to verify that the enterprise business address given on the application exists and the premises are conducive to conducting the activities reflected on the application. The Tax Administration Act provides that SARS may conduct an inspection at business premises under certain circumstances. It is proposed that its provisions or those of the VAT Act be expanded to include inspections for this purpose.

Clarifying "bona fide inadvertent error" for purposes of understatement penalties

The concept and scope of a "bona fide inadvertent error" has proven to be contentious. This concept is not explicitly used in similar understatement penalty frameworks, because these do not mix purely factual tests such as "substantial understatement" with taxpayer behaviours in a single provision. To clarify the scope of "bona fide inadvertent error", it is proposed that "bona fide inadvertent error" be explicitly linked with "substantial understatement".

Tax clearance status

The interaction between the current tax compliance status system and SARS' entity scoring model will be reviewed to determine if synergies in approach can be achieved.

TECHNICAL CORRECTIONS

In addition to the amendments described above, the 2025 tax legislation will make various technical corrections, which mainly cover inconsequential items – typing errors, grammar, punctuation, numbering, incorrect cross-references, updating and removing obsolete provisions, removing superfluous text, and incorporating regulations and commonly accepted interpretations into formal law. Technical corrections also include changes to effective dates and the proper coordination of transitional tax changes.

Other technical corrections relate to modifications following the implementation of the tax law. Although tax amendments go through an intensive comment and review process, new issues arise once the law is applied (including obvious omissions and ambiguities). These issues typically arise when tax returns are prepared for the first time after the tax legislation is applied. These technical corrections are limited to recent legislative amendments.