

4

2026 BUDGET REVIEW
REVENUE TRENDS
AND TAX
PROPOSALS



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

REVENUE TRENDS AND TAX PROPOSALS

In brief

- Gross tax revenue for 2025/26 is revised upwards by R21.3 billion compared with the 2025 Budget. The tax-to-GDP ratio increases to 25.9 per cent.
- The R20 billion tax increase previously pencilled in for the 2026 Budget is withdrawn.
- Personal income tax brackets and medical tax credits will be fully adjusted for inflation, after two years with no inflationary relief.
- Tax thresholds and limits are also adjusted for the impact of inflation, to assist small businesses and encourage savings.

OVERVIEW

Over the past three years the tax system has remained resilient despite weak economic conditions. Tax buoyancies continue to be high, notwithstanding lower levels of nominal GDP. The stronger fiscal outlook presented in the 2025 *Medium Term Budget Policy Statement* (MTBPS) means that key metrics remain in line with the fiscal strategy. For these reasons, government has decided to withdraw previously announced tax increases for the 2026 Budget and to provide inflationary relief to taxpayers.

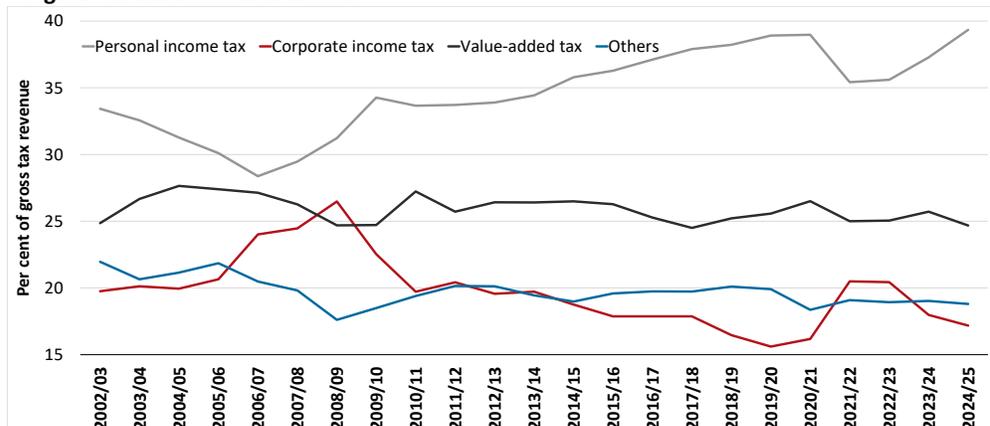
TAX POLICY

Government aims to maintain a tax system that is efficient, fair and simple. Tax policy amendments strive to generate sufficient revenue to meet government’s expenditure requirements without unduly burdening taxpayers. Despite challenging economic conditions, South Africa’s tax system has performed well, with the tax-to-GDP ratio increasing from 25.1 per cent in 2024/25 to 25.9 per cent in 2025/26.



Taxpayers have not been granted full relief from the effects of inflation in the last two budgets due to fiscal constraints. As a result, personal income tax revenue increased as a percentage of total tax revenue, continuing a trend that began in 2007 (Figure 4.1).

Figure 4.1 South Africa’s tax mix



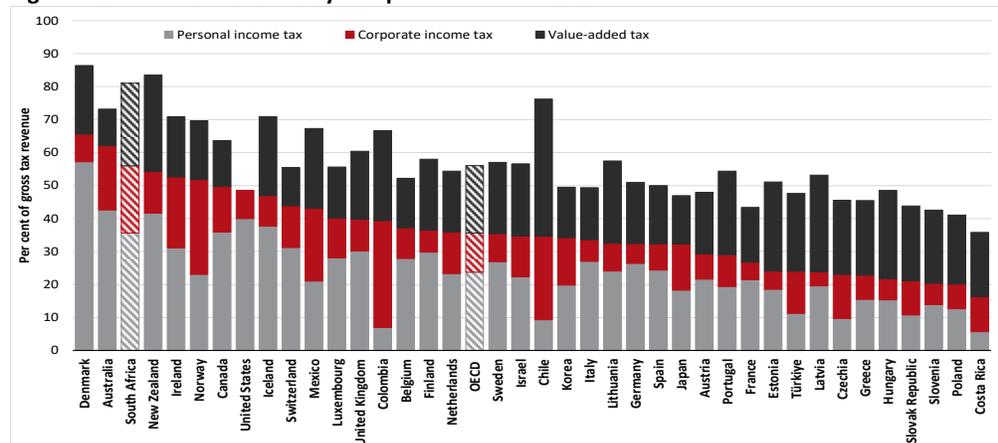
Source: National Treasury



The personal income tax system is highly progressive, yet relies heavily on a narrow tax base. As shown in Table 4.5, the top 13 per cent of individual taxpayers pay over 60 per cent of personal income tax, and nearly half of personal income tax is paid by the 7.7 per cent of taxpayers with taxable income above R1 million per year.

Both personal and corporate income tax contributions to total tax revenue are higher in South Africa than the average across Organisation for Economic Co-operation and Development (OECD) countries (Figure 4.2). South Africa has become heavily reliant on these two direct taxes, which accounted for approximately 55 per cent of total tax revenue in 2023. The 2018 VAT Panel Report also estimated that individuals in the top four income deciles account for over 75 per cent of value-added tax (VAT) revenue, even though this is a broad-based tax.

Figure 4.2 Gross tax revenue by component across OECD countries*



*Ranked by sum of personal and corporate income tax contributions in the 2023 calendar year. South Africa is an OECD partner. Source: OECD, National Treasury

These factors illustrate the importance of managing the tax burden to ensure it remains sustainable and efficient. High direct taxes erode disposable income and consumption expenditure and may incentivise stronger avoidance measures. Beyond a certain point, increases in tax rates may not generate additional revenue and are detrimental to economic growth. Ultimately, the best option to increase revenue is by broadening the tax base and growing the economy.

REVENUE COLLECTION AND OUTLOOK



The gross tax revenue estimate for 2025/26 is revised up by R21.3 billion from the 2025 Budget estimate, despite lower-than-expected nominal GDP. The tax-to-GDP ratio is expected to increase from 25.1 per cent in 2024/25 to 25.9 per cent in 2025/26.

Higher-than-expected net VAT, corporate income tax and dividends tax collections improved the in-year outlook, although personal income tax and specific excise duty collections are expected to fall short of 2025 Budget projections.

Table 4.1 Budget estimates and revenue outcomes¹

R million	2024/25			2025/26			Percentage change ³
	Budget ²	Outcome	Deviation	Budget ²	Revised	Deviation	
Taxes on income and profits	1 100 530	1 100 530	–	1 182 794	1 188 334	5 540	8.0%
Personal income tax	729 911	729 911	–	792 452	786 214	-6 238	7.7%
Corporate income tax	318 739	318 739	–	338 824	346 576	7 753	8.7%
Dividends tax	42 988	42 988	–	42 111	46 313	4 202	7.7%
Other taxes on income and profits ⁴	8 892	8 892	–	9 407	9 231	-176	3.8%
Skills development levy	24 448	24 448	–	26 006	25 979	-27	6.3%
Taxes on property	22 505	22 505	–	23 919	25 952	2 034	15.3%
Domestic taxes on goods and services	627 973	627 973	–	668 706	683 033	14 327	8.8%
Value-added tax	457 789	457 789	–	482 246	497 594	15 347	8.7%
Specific excise duties	59 680	59 680	–	64 134	62 358	-1 776	4.5%
Health promotion levy	2 282	2 282	–	2 403	2 356	-47	3.2%
Ad valorem excise duties	6 970	6 970	–	7 408	7 671	263	10.1%
Fuel levy	85 883	85 883	–	96 592	97 295	704	13.3%
Other domestic taxes on goods and services ⁵	15 370	15 370	–	15 924	15 759	-165	2.5%
Taxes on international trade and transactions	79 826	79 826	–	84 177	83 649	-528	4.8%
Customs duties	76 698	76 698	–	80 977	80 520	-457	5.0%
Health promotion levy on imports	140	140	–	148	153	5	9.2%
Diamond export levy	65	65	–	69	65	-3	0.2%
Export tax	467	467	–	493	373	-119	-20.1%
Miscellaneous customs and excise receipts	2 455	2 455	–	2 491	2 538	47	3.4%
Gross tax revenue	1 855 270	1 855 270	–	1 985 603	2 006 947	21 345	8.2%
Non-tax revenue ⁶	43 089	44 394	1 305	37 358	44 836	7 478	1.0%
of which:							
Mineral and petroleum royalties	10 636	10 636	–	11 201	11 805	605	11.0%
Less: SACU ⁷ payments	-89 874	-89 874	–	-73 552	-73 552	–	-18.2%
Main budget revenue	1 808 485	1 809 790	1 305	1 949 409	1 978 232	28 823	9.3%
Provinces, social security funds and selected public entities	231 671	243 991	12 320	251 420	253 443	2 024	3.9%
Consolidated budget	2 040 156	2 053 781	13 625	2 200 828	2 231 675	30 847	8.7%

1. A more disaggregated view is presented in Tables 2 and 3 of the statistical annexure

2. 2025 Budget Review estimates

3. Percentage change between outcome in 2024/25 and revised estimates in 2025/26

4. Includes interest on overdue income tax and interest withholding tax

5. Includes turnover tax for micro businesses, air departure tax, plastic bag levy, electricity levy, CO₂ tax on motor vehicle emissions, incandescent light bulb levy, Universal Service Fund levies, tyre levy, carbon tax and International Oil Pollution Compensation Fund levies

6. Includes mineral and petroleum royalties, mining leases, departmental revenue and sales of capital assets

7. Southern African Customs Union. Amounts made up of payments and other adjustments

Source: National Treasury

CHAPTER 4

REVENUE TRENDS AND TAX PROPOSALS

Net VAT collections are revised up from the 2025 Budget thanks to resilient household consumption expenditure, which benefited domestic VAT collections, and lower VAT refunds. This is offset by a weaker outlook for import VAT due to lower-than-expected nominal import growth.

Table 4.2 Budget revenue outcomes and outlook¹

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
R million	Outcome			Revised	Medium-term estimates		
Taxes on income and profits ²	988 505	1 008 556	1 100 530	1 188 334	1 264 313	1 336 569	1 414 788
<i>of which:</i>							
Personal income tax	600 367	648 911	729 911	786 214	844 820	895 667	947 472
Corporate income tax	344 660	313 097	318 739	346 576	364 262	382 846	405 806
Skills development levy	20 892	22 604	24 448	25 979	27 657	29 406	31 183
Taxes on property	21 238	19 400	22 505	25 952	27 396	28 824	30 370
Domestic taxes on goods and services	579 990	616 459	627 973	683 033	718 633	759 053	798 718
<i>of which:</i>							
VAT	422 416	447 557	457 789	497 594	521 363	551 610	580 520
Taxes on international trade and transactions	76 068	73 849	79 826	83 649	88 963	94 777	101 093
Gross tax revenue	1 686 697	1 740 870	1 855 270	2 006 947	2 126 962	2 248 628	2 376 153
Non-tax revenue ³	56 201	62 948	44 394	44 836	33 449	29 872	30 682
<i>of which:</i>							
Mineral and petroleum royalties	25 338	15 979	10 636	11 805	12 145	12 762	13 527
Less: SACU ⁴ payments	-43 683	-79 811	-89 874	-73 552	-78 408	-87 665	-86 234
Main budget revenue	1 699 215	1 724 007	1 809 790	1 978 232	2 082 003	2 190 835	2 320 601
Provinces, social security funds and selected public entities	203 149	226 197	243 991	253 443	263 424	276 466	292 137
Consolidated budget	1 902 364	1 950 204	2 053 781	2 231 675	2 345 427	2 467 301	2 612 738
As percentage of GDP							
Tax revenue	24.9%	24.5%	25.1%	25.9%	26.0%	26.1%	26.2%
Main budget revenue	25.1%	24.2%	24.5%	25.5%	25.4%	25.4%	25.6%
GDP (R billion)	6 768.2	7 114.4	7 398.9	7 756.7	8 188.1	8 615.1	9 077.3
Tax buoyancy	1.11	0.63	1.64	1.69	1.08	1.10	1.06

1. A more disaggregated view is presented in Tables 2 and 3 of the statistical annexure

2. Includes dividends tax, interest withholding tax and interest on overdue income tax

3. Includes mineral and petroleum royalties, mining leases, departmental revenue and sales of capital assets

4. Southern African Customs Union. Amounts made up of payments and other adjustments

Source: National Treasury and SARS



Provisional corporate tax collections have shown broad-based growth, other than in the manufacturing sector where revenue declined. Corporate profitability increased steadily during 2025, with December 2025 mining tax collections up 29 per cent on December 2024 owing to high platinum group metals and gold prices. Although the near-term benefit of the precious metals upswing is positive for the revenue outlook, the gains are expected to be lower than in the previous period of high commodity prices (2020/21 to 2022/23) as the current highs are occurring for a narrower set of commodities. Coal and iron ore prices, for example, saw large increases in the previous commodity boom and contributed to higher revenue, but have remained relatively flat this time around. Dividends tax

collections are boosted by large once-off collections from the mining and retail sectors and a recovery in corporate profits.

Strong growth in collections from fuel importers drove overall fuel levy collections. Collections recovered in 2025/26 following a sharp drop in demand in the previous year, reflecting reduced diesel usage as a result of improved electricity supply.

Personal income tax collections are projected to fall short of 2025 Budget estimates, reflecting subdued private-sector wage growth. Specific excise duties are also expected to underperform because cigarette and petroleum products receipts contracted over the first 10 months of 2025/26 relative to the same period in the previous year.



MEDIUM-TERM OUTLOOK

The 2025 Budget and 2025 MTBPS provisionally included R20 billion in tax increases for the 2026 Budget, which was to be reconsidered if the South African Revenue Service (SARS) could collect an additional R20 billion in tax debt. SARS is unlikely to meet its target, as discussed later in this chapter. However, given improving fiscal metrics and the potential negative impact on the economy from additional tax increases, government has decided to withdraw this proposal.

The medium-term tax revenue outlook is revised down by R57.2 billion relative to the 2025 MTBPS, primarily due to the withdrawal of the proposed tax increases. Improvements in several tax bases partly offset the withdrawn R20 billion in tax increases. VAT refund projections are revised down, but lower import VAT weakens the medium-term outlook for net VAT collections. In combination, the improved outlook for corporate income tax, personal income tax and fuel levies will outweigh the weaker net VAT and customs duties collections relative to the 2025 MTBPS.



The tax-to-GDP ratio is expected to reach 26.2 per cent by 2028/29 as economic growth improves. Gross tax revenue collections are expected to increase by 6 per cent in 2026/27, 5.7 per cent in 2027/28 and 5.7 per cent in 2028/29, growing from R2.01 trillion in 2025/26 to R2.38 trillion in 2028/29. Sustained investment and economic growth, and further improvements in tax administration, would support higher revenue collection.

TAX ADMINISTRATION

In the first three quarters of 2025/26, SARS has significantly reduced overdue scheduled payments, which declined from R14.6 billion to R6.8 billion.

Targeted efforts to improve detection of illicit cigarette manufacturing activity helped to address excise non-compliance.

Supported by new technology, SARS registered 1.3 million new taxpayers across various tax categories, contributing net revenue of R4.9 billion, up slightly from the same period in the prior year. The tax authority also engaged with digital economy participants, particularly social influencers, to facilitate tax compliance in this emerging segment.



Update on tax debt collection

The 2025 Budget and 2025 MTBPS estimated that SARS would collect between R20 billion and R50 billion in additional tax revenue by increasing the collection of tax debt from R95 billion to at least R120 billion in 2025/26. To support this effort, government allocated an additional R7 billion to SARS over the medium-term expenditure framework period, part of which was used to recruit 1 500 additional debt collectors. SARS and the National Treasury also implemented monthly reporting on debt collections to enhance transparency and track progress.

Total outstanding tax debt stood at R646 billion on 31 January 2026, of which R518.2 billion is undisputed. By that date, SARS had collected R79.4 billion, falling R15 billion short of the target for the period, due in part to delayed onboarding of additional collection personnel, a rise in disputed debts and an increase in deferred payment arrangements.

Recent actions by SARS, including enhancing collaboration with banks and hiring additional legal professionals to pursue civil judgements, are expected to increase collections, but it is unlikely that the targets will be met. Consequently, the fiscal framework does not include additional revenue from debt collections.

TAX PROPOSALS

The 2026 Budget tax proposals adjust thresholds, rebates and duties, providing taxpayers with relief from the impact of inflation on their tax payments for the first time since 2023/24.

Table 4.3 Impact of tax proposals on medium-term revenue¹

R million	2026/27	2027/28	2028/29
	Effect of tax proposals		
Gross tax revenue (before 2026 Budget tax proposals)	2 126 962	2 248 628	2 376 153
2026 Budget proposals²	–		
Direct taxes³	–		
Personal income tax			
Inflationary adjustment to tax brackets and rebates	–		
Inflationary adjustment to medical tax credits	–		
Indirect taxes³	–		
Fuel levy			
Below inflation adjustment to general fuel levy	-1 000	-1 052	-1 109
Above inflation adjustment to carbon fuel levy	1 000	1 052	1 109
Specific excise duties			
Inflationary increase in excise duties on alcohol and tobacco	–		
Net impact of tax proposals	–	–	–
Gross tax revenue (after tax proposals)	2 126 962	2 248 628	2 376 153

1. Revenue changes are in relation to thresholds that have been fully adjusted for inflation

2. In-year tax increase with no carry through

3. Includes carry-through effect of tax policy proposals

Source: National Treasury

PERSONAL INCOME TAX

In 2026/27, personal income tax brackets and rebates will be adjusted in line with expected inflation (3.4 per cent). Table 4.4 shows the amended tax brackets and thresholds for individual taxpayers. Medical tax credits will increase from R364 to R376 for the first two members, and from R246 to R254 for additional members.



Table 4.4 Personal income tax rates and bracket adjustments

2025/26		2026/27	
Taxable income (R)	Rates of tax	Taxable income (R)	Rates of tax
R0 - R237 100	18% of each R1	R0 - R245 100	18% of each R1
R237 101 - R370 500	R42 678 + 26% of the amount above R237 100	R245 101 - R383 100	R44 118 + 26% of the amount above R245 100
R370 501 - R512 800	R77 362 + 31% of the amount above R370 500	R383 101 - R530 200	R79 998 + 31% of the amount above R383 100
R512 801 - R673 000	R121 475 + 36% of the amount above R512 800	R530 201 - R695 800	R125 599 + 36% of the amount above R530 200
R673 001 - R857 900	R179 147 + 39% of the amount above R673 000	R695 801 - R887 000	R185 215 + 39% of the amount above R695 800
R857 901 - R1 817 000	R251 258 + 41% of the amount above R857 900	R887 001 - R1 878 600	R259 783 + 41% of the amount above R887 000
R1 817 001 and above	R644 489 + 45% of the amount above R1 817 000	R1 878 601 and above	R666 339 + 45% of the amount above R1 878 600
Rebates		Rebates	
Primary	R17 235	Primary	R17 820
Secondary	R9 444	Secondary	R9 765
Tertiary	R3 145	Tertiary	R3 249
Tax threshold		Tax threshold	
Below age 65	R95 750	Below age 65	R99 000
Age 65 and over	R148 217	Age 65 and over	R153 250
Age 75 and over	R165 689	Age 75 and over	R171 300

Source: National Treasury

Table 4.5 shows the impact that the bracket adjustments will have on different income groupings, with lower- and middle-income taxpayers deriving the most relief.

Table 4.5 Estimates of individuals and taxable income, 2026/27

Taxable bracket	Registered individuals		Taxable income		Income tax before any relief		Tax relief from proposals		Final income tax payable	
	Number	%	R billion	%	R billion	%	R billion	%	R billion	%
R0 - R99 ¹	5 911 034	–	255.4	–	–	–	–	–	–	–
R99 - R150	2 082 136	25.0	248.6	6.7	15.7	1.8	-1.1	8.1	14.5	1.7
R150 - R250	1 490 061	17.9	290.9	7.8	22.1	2.6	-0.9	6.9	21.2	2.5
R250 - R350	1 182 539	14.2	352.5	9.4	45.1	5.2	-1.5	10.9	43.6	5.2
R350 - R500	1 378 140	16.5	585.2	15.7	99.1	11.5	-2.4	17.7	96.6	11.4
R500 - R750	1 136 023	13.6	694.9	18.6	152.3	17.7	-3.2	23.2	149.1	17.7
R750 - R1 000	423 786	5.1	368.1	9.9	99.4	11.6	-1.6	11.4	97.9	11.6
R1 000 - R1 500	377 415	4.5	454.2	12.2	140.8	16.4	-1.5	11.0	139.3	16.5
R1 500 +	267 761	3.2	741.7	19.9	284.1	33.1	-1.5	10.8	282.6	33.4
Total	8 337 861	100.0	3 736.1	100.0	858.6	100.0	-13.7	100.0	844.8	100.0
Grand total	14 248 895		3 991.5		858.6		-13.7		844.8	

1. Registered individuals with taxable income below the income tax threshold

Source: National Treasury

CORPORATE INCOME TAX

Global minimum tax update



In 2026/27, government will implement the updated global minimum tax rules. The rules are expected to reduce profit shifting by multinational corporations by reducing opportunities to take advantage of negligible or zero tax rates in other countries. Using the most recent data on companies' operations, and taking into account the OECD's updated rules following negotiations between member states, tax revenues of R2 billion are estimated as a result of this reform in 2026/27. This compares to the previous estimate of R8 billion.

Diamond export levy

The global diamond industry is in transition and domestic producers are feeling the effects. To encourage diamond producers to sell unpolished stones to local cutters and polishers, a 5 per cent levy is applied on the value of unpolished diamonds released for export. Producers are exempt from paying this levy if they meet local sales requirements. Different thresholds are applied to producers of different sizes. Large producers must sell 40 per cent locally, and medium producers 15 per cent. To continue support for the domestic industry, government proposes to lower the threshold separating large and medium producers from R3 billion to R2 billion, and allow large producers to choose between selling 15 per cent locally and offering the remaining output to the Diamond Exchange and Export Centre (DEEC) or selling 40 per cent locally and being exempt from offering the remaining production to the DEEC. Stakeholder consultation will continue after Budget Day.

Special economic zones



Qualifying companies located in special economic zones approved by the Minister of Finance are taxed at a corporate tax rate of 15 per cent instead of 27 per cent. To prevent companies from shifting profits to connected firms in a special economic zone simply to take advantage of a lower tax rate, companies are disqualified if more than one-fifth of expenditure or gross income arises from transactions with connected firms outside the zone. These rigid rules work against businesses already operating in the zones, as well as against potential investors wanting to use the zones to strengthen their own supply chains. Government proposes a different approach. It will assess whether companies are buying or selling their products to connected parties outside the zone at market-related prices to ensure that profits are not shifted into the low-tax zone.

THRESHOLD AND LIMIT ADJUSTMENTS

To promote entrepreneurship, savings and a fairer tax regime for those receiving employment benefits the thresholds in Table 4.6 and Table 4.7 will be adjusted for inflation.

Table 4.6 Tax thresholds and limits reviewed

Description (R)	Last amended	Current monetary amount	Proposed monetary amount
Small businesses			
Value-added tax (VAT) compulsory registration threshold	2009	1 000 000	2 300 000
Annual turnover limit for the turnover tax	2009	1 000 000	2 300 000
Voluntary VAT registration threshold	2009	50 000	120 000
Capital gains tax (CGT)			
CGT exclusion for small business asset disposal	2012	10 000 000	15 000 000
Exclusion amount on disposal of small business when person over 55 years	2012	1 800 000	2 700 000
Exclusion at death	2012	300 000	440 000
Exclusion in respect of disposal of primary residence	2012	2 000 000	3 000 000
Annual exclusion	2017	40 000	50 000
Savings and retirement			
Tax-free investments: annual limit	2021	36 000	46 000
Retirement fund contribution deduction limit	2016	350 000	430 000
Retirement interest de minimis threshold for annuitisation	2016	247 500	360 000
Living annuity commutation	2020	125 000	150 000
Donations tax			
Exemption for donations made by entities	2002	10 000	20 000
Exemption for donations made by individuals	2007	100 000	150 000
Tax-exempt employment benefits			
Bursaries / Scholarships: annual remuneration ceiling for all employees including persons with disabilities (PwD) ¹	2017	600 000	900 000
Bursaries / Scholarships: annual ceiling for employee relatives' primary / secondary education (PwD)	2017	20 000 (30 000)	30 000 (45 000)
Bursaries / Scholarships: annual ceiling for employee relatives' tertiary education (PwD)	2017	60 000 (90 000)	90 000 (130 000)
Remuneration proxy (cap): employee loans for immovable property	2018	250 000	360 000
Market value of property: employee loans for immovable property	2018	450 000	650 000
Maximum compensation exemption for employees dying in fulfilment of duties	2007	300 000	800 000
Awards for bravery and long service	2003	5 000	16 000

1. Thresholds in brackets are for persons with disabilities (PwD)

Source: National Treasury

The VAT registration thresholds will be effective from 1 April 2026 while the other thresholds will be effective from 1 March 2026. In addition the restriction on tax year end dates will be removed to make the turnover tax regime more attractive.

Table 4.7 Turnover tax regime for micro businesses

2025/26		2026/27	
Threshold (R)	Rates of tax	Threshold (R)	Rates of tax
R0 - R335 000	0%	R0 - R600 000	0%
R335 001 - R500 000	1% of the amount above R335 000	R600 001 - R950 000	1% of the amount above R600 000
R500 001 - R750 000	R1 650 + 2% of the amount above R500 000	R950 001 - R1 400 000	R3 500 + 2% of the amount above R950 000
R750 001 and above	R6 650 + 3% of the amount above R750 000	R1 400 001 and above	R12 500 + 3% of the amount above R1 400 000

Source: National Treasury

Excise duties on alcoholic beverages and tobacco-related products



Government proposes to increase excise duties on alcoholic beverages in line with the inflation forecast of 3.4 per cent for 2026/27. Stakeholder consultations on the alcohol excise review will continue during 2026.

Government also proposes to increase excise duties on tobacco products in line with expected inflation. This includes excise duty on electronic nicotine and non-nicotine delivery systems (“vaping”). Beginning with the 2027 Budget, excise duty adjustments will take effect on 1 April. The required legislative amendments will form part of the taxation laws amendment bills this year.

Table 4.8 Changes in specific excise duties, 2026/27

Product	Current excise duty rate	Proposed excise duty rate	Percentage change	
			Nominal	Real
Malt beer	R145.07 / litre of absolute alcohol (246,61c / average 340ml can)	R149.98 / litre of absolute alcohol (254,97c / average 340ml can)	3.39	–
Traditional African beer	7,82c / litre	7,82c / litre	–	-3.39
Traditional African beer powder	34,70c / kg	34,70c / kg	–	-3.39
Unfortified wine	R5.95 / litre	R6.15 / litre	3.39	–
Fortified wine	R10.04 / litre	R10.38 / litre	3.39	–
Sparkling wine	R19.03 / litre	R19.68 / litre	3.39	–
Ciders and alcoholic fruit beverages	R145.07 / litre of absolute alcohol (246,61c / average 340ml can)	R149.98 / litre of absolute alcohol (254,97c / average 340ml can)	3.39	–
Spirits	R292.91 / litre of absolute alcohol (R94.46 / 750ml bottle)	R302.84 / litre of absolute alcohol (R97.66 / 750ml bottle)	3.39	–
Cigarettes	R22.81 / 20 cigarettes	R23.58 / 20 cigarettes	3.39	–
HTPs sticks	R17.10 / 20 sticks	R17.68 / 20 sticks	3.39	–
Cigarette tobacco	R25.63 / 50g	R26.50 / 50g	3.39	–
Pipe tobacco	R8.03 / 25g	R8.31 / 25g	3.39	–
Cigars	R134.40 / 23g	R138.96 / 23g	3.39	–
ENDS/ENNDS	R3.18 / ml	R3.29 / ml	3.39	–

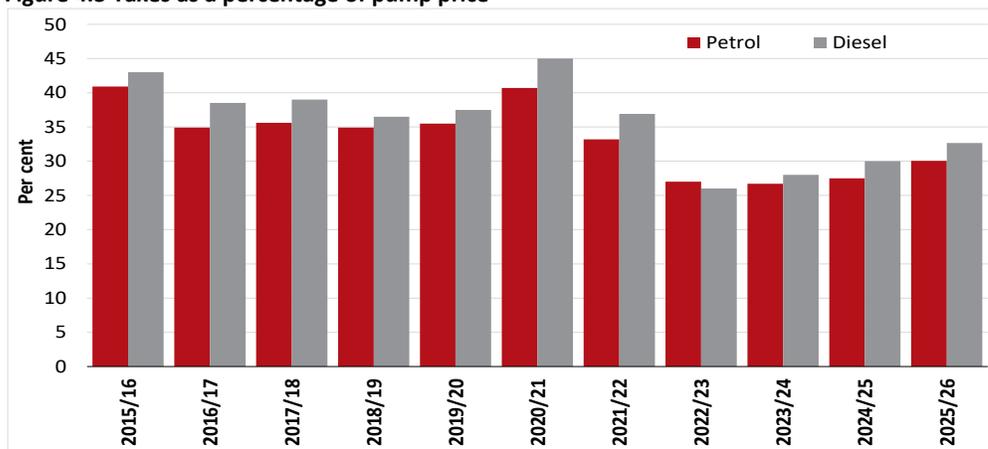
Source: National Treasury

Fuel taxes and levies



From 2015 to 2025 taxes as a percentage of the pump price averaged 33.4 per cent for petrol, and 35.7 per cent for diesel. The tax burden for petrol peaked in 2015/16 at 40.9 per cent, and for diesel in 2020/21 at 45 per cent. From 2022/23, the tax burden for petrol and diesel has remained below 35 per cent due to higher fuel prices and because fuel levies were not increased for three years.

Figure 4.3 Taxes as a percentage of pump price



Source: National Treasury

Fuel prices have remained subdued and it is proposed that from 1 April the general fuel levy is increased by less than inflation to R4.10/litre for petrol and R3.93/litre for diesel. The Road Accident Fund (RAF) levy will be increased by 7c/litre to R2.25/litre from 1 April, in line with expected inflation, while the customs and excise levies remain unchanged.

Table 4.9 Total combined fuel taxes on petrol and diesel

Rands/litre	2024/25		2025/26		2026/27	
	93 octane petrol	Diesel	93 octane petrol	Diesel	93 octane petrol	Diesel
General fuel levy	3.85	3.70	4.01	3.85	4.10	3.93
Road Accident Fund levy	2.18	2.18	2.18	2.18	2.25	2.25
Customs and excise levy	0.04	0.04	0.04	0.04	0.04	0.04
Carbon tax ¹	0.11	0.14	0.14	0.17	0.19	0.23
Total	6.18	6.06	6.37	6.24	6.58	6.45
Pump price ²	22.41	20.19	21.20	19.11	19.99	17.92
<i>Taxes as percentage of pump price</i>	<i>27.6%</i>	<i>30.0%</i>	<i>30.0%</i>	<i>32.7%</i>	<i>32.9%</i>	<i>36.0%</i>

1. The carbon tax on fuel became effective from 5 June 2019

2. Average Gauteng pump price for the 2024/25 and 2025/26 years. The 2026/27 figure is the Gauteng pump price in February 2026. Diesel (0.05% sulphur) wholesale price (retail price not regulated)

Source: National Treasury

Carbon tax

The carbon tax plays an integral role in South Africa's climate change mitigation efforts. It increased from R236 to R308 per tonne of carbon dioxide equivalent from 1 January 2026.

The carbon fuel levy will increase to 19c/litre for petrol and 23c/litre for diesel from 1 April 2026, as required under the Carbon Tax Act (2019). The combined increase in fuel levies from the general fuel levy, the carbon fuel levy and the RAF levy is in line with expected inflation. The carbon tax cost recovery quantum for the liquid fuels sector will be increased from 0.99c/litre to 1.29c/litre from 1 January 2026 to align with the increase of the headline carbon tax rate.



UPDATES AND OTHER TAX MATTERS UNDER CONSIDERATION

Update to urban development zone tax incentive review



As part of the review of the urban development zone tax incentive and in line with Operation Vulindlela's objective to reduce spatial inequality, government will explore targeting the incentive to better support affordable housing developments in areas that are close to jobs, public transport and essential services. A workshop will be held with relevant stakeholders during 2026, with the aim of tabling proposals in the 2027 Budget.

Collective investment schemes

Following public consultation after the publication of the discussion paper on collective investment scheme (CIS) taxation in 2024, the National Treasury will release a response document with revised proposals for further consultation.



The draft recommendation in the response document proposes that all investment returns generated by regular CISs and retail investment hedge funds be taxed as capital. This is to encourage savings and to provide the industry with certainty about the tax treatment of these savings vehicles. CISs and retail investment hedge funds are open to the general public, are well regulated and have diversification and other requirements, providing an important avenue for savings. By contrast, qualified investment hedge funds are not open to the general public, have minimal investment criteria and only cater for those able to invest a minimum of R1 million. Government will propose excluding such qualified funds from the CIS tax regime. Alternative tax regime options for these funds will be proposed in the response document.

National online gambling tax

The National Treasury published a draft national online gambling tax discussion paper for public comment in November 2025. It proposed a tax of 20 per cent on gross gambling revenue generated by online gambling. This tax would be in addition to the current taxes paid to provinces. The public comment period was extended to close on 27 February 2026. Following receipt of the comments, the National Treasury will hold a workshop with those who commented. A proposal, including any revisions from the consultation, will be included in draft legislation that will be made available for public comment later in the year.

CONCLUSION



The tax system is highly progressive and has proven resilient in the face of significant economic weakness. The 2026 Budget withdraws previously announced tax increases and adjusts various tax instruments for inflation to provide relief for taxpayers, assist small businesses and encourage savings.