



**2026 BUDGET REVIEW**  
**ADDITIONAL TAX  
POLICY AND  
ADMINISTRATIVE  
ADJUSTMENTS**



**national treasury**

Department:  
National Treasury  
**REPUBLIC OF SOUTH AFRICA**



## ADDITIONAL TAX POLICY AND ADMINISTRATIVE ADJUSTMENTS

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 compensates individuals for the effect of inflation. The effects of these proposals are set out in tables C.1, C.2 and C.3.

**Table C.1 Annual income tax payable, 2026/27**

Taxable income (R)	2025/26 rates (R)	Proposed 2026/27 rates (R)	Tax change (R)	% change	Average tax rates	
					Old rates	New rates
90 000	–	–	–	0.0%	0.0%	0.0%
100 000	765	180	-585	-76.5%	0.8%	0.2%
120 000	4 365	3 780	-585	-13.4%	3.6%	3.2%
150 000	9 765	9 180	-585	-6.0%	6.5%	6.1%
200 000	18 765	18 180	-585	-3.1%	9.4%	9.1%
250 000	28 797	27 572	-1 225	-4.3%	11.5%	11.0%
300 000	41 797	40 572	-1 225	-2.9%	13.9%	13.5%
400 000	69 272	67 417	-1 855	-2.7%	17.3%	16.9%
500 000	100 272	98 417	-1 855	-1.8%	20.1%	19.7%
750 000	191 942	188 533	-3 409	-1.8%	25.6%	25.1%
1 000 000	292 284	288 293	-3 991	-1.4%	29.2%	28.8%
1 500 000	497 284	493 293	-3 991	-0.8%	33.2%	32.9%
2 000 000	709 604	703 149	-6 455	-0.9%	35.5%	35.2%

Source: National Treasury

**Table C.2 Annual income tax payable, 2026/27 (taxpayers aged 65 to 74)**

Taxable income (R)	2025/26 rates (R)	Proposed 2026/27 rates (R)	Tax change (R)	% change	Average tax rates	
					Old rates	New rates
120 000	–	–	–	–	–	–
150 000	321	–	-321	-100.0%	0.2%	0.0%
200 000	9 321	8 415	-906	-9.7%	4.7%	4.2%
250 000	19 353	17 807	-1 546	-8.0%	7.7%	7.1%
300 000	32 353	30 807	-1 546	-4.8%	10.8%	10.3%
400 000	59 828	57 652	-2 176	-3.6%	15.0%	14.4%
500 000	90 828	88 652	-2 176	-2.4%	18.2%	17.7%
750 000	182 498	178 768	-3 730	-2.0%	24.3%	23.8%
1 000 000	282 840	278 528	-4 312	-1.5%	28.3%	27.9%
1 500 000	487 840	483 528	-4 312	-0.9%	32.5%	32.2%
2 000 000	700 160	693 384	-6 776	-1.0%	35.0%	34.7%

Source: National Treasury

**Table C.3 Annual income tax payable, 2026/27 (taxpayers aged 75 and over)**

Taxable income (R)	2025/26 rates (R)	Proposed 2026/27 rates (R)	Tax change (R)	% change	Average tax rates	
					Old rates	New rates
150 000	–	–	–	–	–	–
200 000	6 176	5 166	-1 010	-16.4%	3.1%	2.6%
250 000	16 208	14 558	-1 650	-10.2%	6.5%	5.8%
300 000	29 208	27 558	-1 650	-5.6%	9.7%	9.2%
400 000	56 683	54 403	-2 280	-4.0%	14.2%	13.6%
500 000	87 683	85 403	-2 280	-2.6%	17.5%	17.1%
750 000	179 353	175 519	-3 834	-2.1%	23.9%	23.4%
1 000 000	279 695	275 279	-4 416	-1.6%	28.0%	27.5%
1 500 000	484 695	480 279	-4 416	-0.9%	32.3%	32.0%
2 000 000	697 015	690 135	-6 880	-1.0%	34.9%	34.5%

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 25 February 2026 to the extent shown in Table C.4.

## ADDITIONAL TAX POLICY AND ADMINISTRATIVE ADJUSTMENTS

Table C.4 Specific excise duties, 2025/26 – 2026/27

Tariff item	Tariff subheading	Article description	2025/26 Rate of excise duty	2026/27 Rate of excise duty
<b>104.00</b>		<b>PREPARED FOODSTUFFS; BEVERAGES, SPIRITS AND VINEGAR; TOBACCO</b>		
<b>104.01</b>	<b>19.01</b>	<b>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:</b>		
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
<b>104.05</b>	<b>21.06</b>	<b>Food preparations not elsewhere specified or included:</b>		
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
<b>104.10</b>	<b>22.03</b>	<b>Beer made from malt:</b>		
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	R145.07/li aa	R149.98/li aa
<b>104.15</b>	<b>22.04</b>	<b>Wine of fresh grapes, including fortified wines; grape must (excluding that of heading 20.09):</b>		
104.15.01	2204.10	Sparkling wine	R19.03/li	R19.68/li
<b>104.15</b>	<b>2204.21</b>	<b>In containers holding 2 li or less:</b>		
<b>104.15</b>	<b>2204.21.4</b>	<b>Unfortified wine:</b>		
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.	R5.95/li	R6.15/li
104.15.04	2204.21.42	Other	R292.91/li aa	R302.84/li aa
<b>104.15</b>	<b>2204.21.5</b>	<b>Fortified wine:</b>		
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.	R10.04/li	R10.38/li
104.15.06	2204.21.52	Other	R292.91/li aa	R302.84/li aa
<b>104.15</b>	<b>2204.22</b>	<b>In containers holding more than 2 li but not more than 10 li:</b>		
<b>104.15</b>	<b>2204.22.4</b>	<b>Unfortified wine:</b>		
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.	R5.95/li	R6.15/li
104.15.15	2204.22.42	Other	R292.91/li aa	R302.84/li aa
<b>104.15</b>	<b>2204.22.5</b>	<b>Fortified wine:</b>		
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.	R10.04/li	R10.38/li
104.15.19	2204.22.52	Other	R292.91/li aa	R302.84/li aa
<b>104.15</b>	<b>2204.29</b>	<b>Other:</b>		
<b>104.15</b>	<b>2204.29.4</b>	<b>Unfortified wine:</b>		
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.	R5.95/li	R6.15/li
104.15.23	2204.29.42	Other	R292.91/li aa	R302.84/li aa
<b>104.15</b>	<b>2204.29.5</b>	<b>Fortified wine:</b>		
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.	R10.04/li	R10.38/li
104.15.27	2204.29.52	Other	R292.91/li aa	R302.84/li aa
<b>104.16</b>	<b>22.05</b>	<b>Vermouth and other wine of fresh grapes flavoured with plants or aromatic substances:</b>		
<b>104.16</b>	<b>2205.10</b>	<b>In containers holding 2 li or less:</b>		
104.16.01	2205.10.10	Sparkling	R19.03/li	R19.68/li

Table C.4 Specific excise duties, 2025/26 – 2026/27 (continued)

Tariff item	Tariff subheading	Article description	2025/26 Rate of excise duty	2026/27 Rate of excise duty
<b>104.16</b>	<b>2205.10.2</b>	<b>Unfortified:</b>		
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.	R5.95/li	R6.15/li
104.16.04	2205.10.22	Other	R292.91/li aa	R302.84/li aa
<b>104.16</b>	<b>2205.10.3</b>	<b>Fortified:</b>		
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.	R10.04/li	R10.38/li
104.16.06	2205.10.32	Other	R292.91/li aa	R302.84/li aa
<b>104.16</b>	<b>2205.90</b>	<b>Other:</b>		
<b>104.16</b>	<b>2205.90.2</b>	<b>Unfortified:</b>		
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.	R5.95/li	R6.15/li
104.16.10	2205.90.22	Other	R292.91/li aa	R302.84/li aa
<b>104.16</b>	<b>2205.90.3</b>	<b>Fortified:</b>		
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.	R10.04/li	R10.38/li
104.16.12	2205.90.32	Other	R292.91/li aa	R302.84/li aa
<b>104.17</b>	<b>22.06</b>	<b>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:</b>		
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	R19.03/li	R19.68/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	R145.07/li aa	R149.98/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.	R145.07/li aa	R149.98/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.	R145.07/li aa	R149.98/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.	R145.07/li aa	R149.98/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.	R145.07/li aa	R149.98/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.	R117.16/li aa	R121.13/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.	R117.16/li aa	R121.13/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.	R145.07/li aa	R149.98/li aa

## ADDITIONAL TAX POLICY AND ADMINISTRATIVE ADJUSTMENTS

Table C.4 Specific excise duties, 2025/26 – 2026/27 (continued)

Tariff item	Tariff subheading	Article description	2025/26 Rate of excise duty	2026/27 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.	R117.16/li aa	R121.13/li aa
104.17.90	2206.00.90	Other	R292.91/li aa	R302.84/li aa
<b>104.21</b>	<b>22.07</b>	<b>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:</b>		
104.21.01	2207.10	Undenatured ethyl alcohol of an alcoholic strength by volume of 80 per cent vol. or higher	R292.91/li aa	R302.84/li aa
104.21.03	2207.20	Ethyl alcohol and other spirits, denatured, of any strength	R292.91/li aa	R302.84/li aa
<b>104.23</b>	<b>22.08</b>	<b>Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80 per cent vol.; spirits, liqueurs and other spirituous beverages:</b>		
<b>104.23</b>	<b>2208.20</b>	<b>Spirits obtained by distilling grape wine or grape marc:</b>		
<b>104.23</b>	<b>2208.20.1</b>	<b>In containers holding 2 li or less:</b>		
104.23.01	2208.20.11	Brandy as defined in Additional Note 7 to Chapter 22	R263.62/li aa	R272.55/li aa
104.23.02	2208.20.19	Other	R292.91/li aa	R302.84/li aa
<b>104.23</b>	<b>2208.20.9</b>	<b>Other:</b>		
104.23.03	2208.20.91	Brandy as defined in Additional Note 7 to Chapter 22	R263.62/li aa	R272.55/li aa
104.23.04	2208.20.99	Other	R292.91/li aa	R302.84/li aa
<b>104.23</b>	<b>2208.30</b>	<b>Whiskies:</b>		
104.23.05	2208.30.10	In containers holding 2 li or less	R292.91/li aa	R302.84/li aa
104.23.07	2208.30.90	Other	R292.91/li aa	R302.84/li aa
<b>104.23</b>	<b>2208.40</b>	<b>Rum and other spirits obtained by distilling fermented sugarcane products:</b>		
104.23.09	2208.40.10	In containers holding 2 li or less	R292.91/li aa	R302.84/li aa
104.23.11	2208.40.90	Other	R292.91/li aa	R302.84/li aa
<b>104.23</b>	<b>2208.50</b>	<b>Gin and Geneva:</b>		
104.23.13	2208.50.10	In containers holding 2 li or less	R292.91/li aa	R302.84/li aa
104.23.15	2208.50.90	Other	R292.91/li aa	R302.84/li aa
<b>104.23</b>	<b>2208.60</b>	<b>Vodka:</b>		
104.23.17	2208.60.10	In containers holding 2 li or less	R292.91/li aa	R302.84/li aa
104.23.19	2208.60.90	Other	R292.91/li aa	R302.84/li aa
<b>104.23</b>	<b>2208.70</b>	<b>Liqueurs and cordials:</b>		
<b>104.23</b>	<b>2208.70.2</b>	<b>In containers holding 2 li or less:</b>		
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.	R117.16/li aa	R121.13/li aa
104.23.22	2208.70.22	Other	R292.91/li aa	R302.84/li aa
<b>104.23</b>	<b>2208.70.9</b>	<b>Other:</b>		
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.	R117.16/li aa	R121.13/li aa
104.23.24	2208.70.92	Other	R292.91/li aa	R302.84/li aa
<b>104.23</b>	<b>2208.90</b>	<b>Other:</b>		
<b>104.23</b>	<b>2208.90.2</b>	<b>In containers holding 2 li or less:</b>		
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.	R117.16/li aa	R121.13/li aa
104.23.26	2208.90.22	Other	R292.91/li aa	R302.84/li aa
<b>104.23</b>	<b>2208.90.9</b>	<b>Other:</b>		
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.	R117.16/li aa	R121.13/li aa
104.23.28	2208.90.92	Other	R292.91/li aa	R302.84/li aa

Table C.4 Specific excise duties, 2025/26 – 2026/27 (continued)

Tariff item	Tariff subheading	Article description	2025/26 Rate of excise duty	2026/27 Rate of excise duty
<b>104.30</b>	<b>24.02</b>	<b>Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes:</b>		
<b>104.30</b>	<b>2402.10</b>	<b>Cigars, cheroots and cigarillos containing tobacco:</b>		
104.30.01	2402.10.10	Imported from Switzerland	R5 843.68/kg net	R6 041.72/kg net
104.30.03	2402.10.90	Other	R5 843.68/kg net	R6 041.72/kg net
<b>104.30</b>	<b>2402.20</b>	<b>Cigarettes containing tobacco:</b>		
104.30.05	2402.20.10	Imported from Switzerland	R11.40/10 cigarettes	R11.79/10 cigarettes
104.30.07	2402.20.90	Other	R11.40/10 cigarettes	R11.79/10 cigarettes
<b>104.30</b>	<b>2402.90.1</b>	<b>Cigars, cheroots and cigarillos of tobacco substitutes:</b>		
104.30.09	2402.90.12	Imported from Switzerland	R5 843.68/kg net	R6 041.72/kg net
104.30.11	2402.90.14	Other	R5 843.68/kg net	R6 041.72/kg net
<b>104.30</b>	<b>2402.90.2</b>	<b>Cigarettes of tobacco substitutes:</b>		
104.30.13	2402.90.22	Imported from Switzerland	R11.40/10 cigarettes	R11.79/10 cigarettes
104.30.15	2402.90.24	Other	R11.40/10 cigarettes	R11.79/10 cigarettes
<b>104.35</b>	<b>24.03</b>	<b>Other manufactured tobacco and manufactured tobacco substitutes; "homogenised" or "reconstituted" tobacco; tobacco extracts and essences:</b>		
<b>104.35</b>	<b>2403.1</b>	<b>Smoking tobacco, whether or not containing tobacco substitutes in any proportions:</b>		
104.35.01	2403.11	Water pipe tobacco specified in Subheading Note 1 to Chapter 24	R321.37/kg net	R332.26/kg net
<b>104.35</b>	<b>2403.19</b>	<b>Other:</b>		
104.35.02	2403.19.10	Pipe tobacco in immediate packings of a content of less than 5 kg	R321.37/kg net	R332.26/kg net
104.35.03	2403.19.20	Other pipe tobacco	R321.37/kg net	R332.26/kg net
104.35.05	2403.19.30	Cigarette tobacco	R512.62/kg	R529.99/kg
<b>104.35</b>	<b>2403.91</b>	<b>"Homogenised" or "reconstituted" tobacco:</b>		
104.35.07	2403.91.20	Imported from Switzerland	R1 069.17/kg	R1 105.40/kg
104.35.09	2403.91.80	Other	R1 069.17/kg	R1 105.40/kg
<b>104.35</b>	<b>2403.99</b>	<b>Other:</b>		
104.35.15	2403.99.30	Other cigarette tobacco substitutes	R512.62/kg	R529.99/kg
104.35.17	2403.99.40	Other pipe tobacco substitutes	R321.37/kg net	R332.26/kg net
104.35.19	2403.99.90	Other	R1 069.17/kg	R1 105.40/kg
<b>104.37</b>	<b>24.04</b>	<b>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:</b>		
<b>104.37</b>	<b>2404.1</b>	<b>Products intended for inhalation without combustion:</b>		
<b>104.37</b>	<b>2404.11</b>	<b>Containing tobacco or reconstituted tobacco:</b>		
<b>104.37</b>	<b>2404.11.1</b>	<b>Containing reconstituted tobacco:</b>		
104.37.01	2404.11.11	Imported from Switzerland, put up for retail sale in the form of sticks	R8.55/10 sticks	R8.84/10 sticks
104.37.03	2404.11.13	Imported from Switzerland, other	R1 069.17/kg	R1 105.40/kg
104.37.05	2404.11.15	Other, put up for retail sale in the form of sticks	R8.55/10 sticks	R8.84/10 sticks
104.37.07	2404.11.19	Other	R1 069.17/kg	R1 105.40/kg
<b>104.37</b>	<b>2404.11.9</b>	<b>Other:</b>		
104.37.11	2404.11.91	Put up for retail sale in the form of sticks	R8.55/10 sticks	R8.84/10 sticks
104.37.13	2404.11.99	Other	R1 069.17/kg	R1 105.40/kg
104.37.14	2404.12	Other, containing nicotine	R3.18/ml	R3.29/ml
<b>104.37</b>	<b>2404.19</b>	<b>Other:</b>		
104.37.16	2404.19.10	Containing nicotine substitutes	R3.18/ml	R3.29/ml
104.37.19	2404.19.20	Other, put up for retail sale in the form of sticks	R8.55/10 sticks	R8.84/10 sticks
104.37.21	2404.19.90	Other	R1 069.17/kg	R1 105.40/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

#### *Allowing rollover treatment of capital allowances on allowance assets transferred between spouses*

The Income Tax Act (1962) regulates the transfer of assets between spouses through section 9HB of the act. This provision establishes a rollover mechanism for the transfer of trading stock, livestock and capital assets between spouses. However, the recoupment component of the rollover for allowance assets is not provided for, as section 9HB does not prevent the recoupment of capital allowances in the hands of the transferor spouse under section 8(4)(k) of the act, nor does it allow the transferee spouse to take over the accumulated allowances previously claimed. It is proposed that section 9HB be amended to prevent the recoupment of capital allowances on the transfer of allowance assets between spouses and to provide for the carry-over of accumulated allowances to the transferee spouse.

#### *Limiting the donations tax exemption rules where a spouse ceases to be a tax resident*

Section 56 of the Income Tax Act exempts donations between spouses from donations tax. Government has become aware of tax avoidance arrangements, particularly involving high-net-worth individuals planning to cease to be South African tax residents. The arrangement involves deliberately staggering the cessation of tax residence between spouses where significant assets are transferred to a spouse who has already become non-resident before the remaining spouse ceases residence. In these circumstances, the donations tax exemption applies, while the subsequent cessation of tax residence by the remaining spouse results in a reduced income tax liability under section 9H of the act. These arrangements are designed to avoid both donations tax and the income tax on cessation of residency, undermining the original policy intent of these provisions. It is proposed that the donations tax exemption rules applicable to spouses be limited to donations made to a spouse who is a resident effective from 25 February 2026.

#### *Extending the eligibility for the medical scheme fees tax credit*

Certain statutory medical schemes face regulatory constraints that remove them from the authority of the Council for Medical Schemes. Consequently, individual members of these schemes are not eligible for the medical scheme fees tax credit under section 6A of the Income Tax Act. It is proposed that eligibility for this tax credit be extended to such members, provided that the schemes offer benefits, and adhere to governance and solvency requirements that are at least equivalent to those prescribed under the Medical Schemes Act (1998).

### Retirement provisions

#### *Determining the application of the de minimis limit for multiple living annuities held with the same insurer or fund*

The Income Tax Act allows a living annuity to be commuted and paid as a lump sum when the value of the assets falls below the prescribed *de minimis* limit, currently set at R125 000. This limit is applied on a per-insurer or per-fund basis, depending on whether the living annuity is provided by

the fund or purchased from an insurer, whereby the value of all living annuities held by an annuitant with the same insurer or fund is aggregated when applying the limit. However, differing interpretations of the law exist regarding whether the R125 000 limit applies per policy or cumulatively per insurer or fund. Applying the limit on a per-policy basis could undermine retirement income security by enabling the early commutation of multiple small annuities and facilitating tax-driven restructuring of retirement assets. It is therefore proposed that the definition of “living annuity” in section 1 of the act be amended to explicitly provide that the prescribed *de minimis* limit must be determined cumulatively where an annuitant holds multiple living annuities with the same insurer or fund.

## **Business (general)**

### *Extending the rehabilitation fund regime*

In 2006, government introduced a unified regime for the tax treatment of mining environmental rehabilitation funds with the objective of applying their assets solely for rehabilitation on premature closure, decommissioning, final closure and post-closure coverage of any latent and residual environmental impacts. As a result, under certain conditions, all cash contributions to the mining rehabilitation fund are tax deductible and the growth in the fund is exempt from tax. Like mining operations, nuclear facilities are subject to strict legislative requirements for environmental rehabilitation and decommissioning through adequate financial provisioning to support environmental preservation. It is proposed that the rehabilitation fund regime be extended to allow nuclear facilities to also be eligible for the rehabilitation fund regime.

### *Withdrawing the proposal to align the two different interest limitation rules*

In 2024, the Taxation Laws Amendment Act included amendments to align the formula contained in the rules that limit interest deductions in terms of section 23N of the act with changes that had been introduced to section 23M of the act (formula applicable to interest in respect of debts owed to persons not fully subject to tax). Over the past two years, concerns have been raised that the proposed alignment in section 23N of the act, with an effective date of 1 January 2027, is not necessary given the distinct nature of the rules and transactions to which sections 23M and 23N of the act respectively apply. It is proposed that the 2024 amendment to align the formulas be withdrawn.

## **Business (financial sector)**

### *Aligning short-term insurance taxation with IFRS 17 terminology*

While most of section 28 of the Income Tax Act was updated to reflect International Financial Reporting Standard (IFRS) 17, section 28(3B)(a) was inadvertently omitted from these consequential amendments. Currently, this subsection continues to refer to “liabilities on investment contracts” and “insurance liabilities relating to premiums and claims” using outdated terminology. It is proposed that section 28(3B)(a) of the act be amended to align the deduction with the amounts deducted under subsection (3) or (3A) and included under subsection (4), thereby aligning the tax treatment of insurance liabilities transferred between short-term insurers with the requirements of IFRS 17.

## International

### *Aligning the interaction between controlled foreign company (CFC) inclusion and domestic treasury management company (DTMC) currency translation rules*

Section 9D(6) of the Income Tax Act requires that the net income of a CFC be determined in its functional currency (for example, US dollars). When including the relevant amount in the income of a South African shareholder, this amount must be translated into rands by applying the average exchange rate for the CFC's foreign tax year.

Section 25D(5) of the act, however, provides that where the South African shareholder is a DTMC (for example, with a US dollar functional currency), any amount received in a currency other than its functional currency (such as the rand attribution of an amount of net income) must first be determined in the DTMC's functional currency (US dollars) and thereafter translated back into rands using the average exchange rate applicable to the DTMC's year of assessment. At issue is that the current interaction between section 9D(6) and section 25D(5) of the act may inadvertently create onerous translation requirements, resulting in distortions in the taxable income ultimately reflected in South Africa.

To resolve this anomaly, it is proposed that legislation be amended to ensure that where a DTMC is the resident shareholder of a CFC, section 9(6) of the act does not require the translation of an amount of net income to rands.

## Value-added tax

### *Services rendered to a customs controlled area enterprise (CCA) or special economic zone (SEZ) operator*

Taxpayers requested that the Value-Added Tax (VAT) Act (1991) be amended to reflect the policy position on services rendered in terms of the zero-rating provisions of section 11(2)(k) of the VAT Act. There is confusion about whether all services rendered to a CCA or to an SEZ operator in a customs controlled area are required to be physically rendered therein to qualify for the zero-rating. It is proposed that section 11(2)(k) of the VAT Act be amended to reflect that the services must be physically rendered in the customs controlled area to qualify for zero-rating.

### *Supply of gold to banks*

Refineries rely on pooled contributions from various depositors to achieve the required purity and volume of gold. The input includes low-grade by-products, recycled bullion, previously manufactured gold from jewellery, coins and dental alloys. Section 11(1)(f) of the VAT Act provides for the zero-rating of gold, in specific forms, supplied to the listed entities that has not "undergone any manufacturing process other than the refining thereof or the manufacture or production in order to achieve such specific forms".

It is complex to trace or isolate unprocessed, primary-source gold, and the refined product will likely have both components of primary and secondary gold that have gone through the process of manufacturing. This results in suppliers not being able to comply with section 11(1)(f) of the VAT Act and the South African Revenue Service (SARS) must follow protracted audit procedures to confirm the validity of the application of the zero-rating.

In light of this, it is proposed that section 11(1)(f) of the VAT Act be repealed.

#### *Time period to deduct notional input tax*

A vendor is allowed a notional input tax deduction on the acquisition of second-hand goods when such goods are acquired under a non-taxable supply from a resident of South Africa for the purpose of making taxable supplies in terms of section 16(3) of the VAT Act. When the vendor subsequently exports the second-hand goods, the vendor may apply zero-rating in terms of section 11(1)(a) of the VAT Act unless the supplier of the second-hand goods or a connected person has deducted notional input tax on the acquisition thereof under section 16(3) of the VAT Act. Similarly, in the case of an indirect export by a qualifying purchaser, the VAT Refund Administrator may only refund the qualifying purchaser to the extent that the VAT charged exceeds the notional input tax deduction.

Where the seller had not claimed the notional input tax at the date of sale but obtained a valid and completed VAT 264 as per section 20(8) of the VAT Act, the presumption is that there is an intention to claim the notional input tax at a later stage, so the sale cannot be zero-rated and must be standard rated instead.

The limitation on the refund and the implication on the zero-rating only apply when the supplier claimed the notional input tax, and the supplier has five years to claim the tax. This creates a risk that the fiscus will incur a financial loss if SARS refunds the full amount including the notional input tax portion on the basis that it was not claimed by the seller, and the vendor later claims the notional input tax. It is proposed that section 16(3) of the VAT Act be amended to restrict the deduction of the notional input tax to a tax period not later than the tax period in which the supply of the second-hand goods takes place, subject to the five-year prescription rule.

#### *Electronic services and intermediaries*

The 2024 amendments to section 54(2B) of the VAT Act included the introduction of the concept of a written agreement between the intermediary and the principal supplier. Where a principal makes a supply of electronic services via an intermediary's platform, the intention was to hold the intermediary liable to account for the VAT on the electronic services provided. It has come to government's attention that this poses compliance risks for SARS in that SARS must engage the principal to recover the VAT, and intermediaries may have difficulty in entering into agreements with smaller foreign electronic principals, who are often also most likely to be non-compliant, to account for the VAT on their behalf. It is thus proposed that section 54(2B) of the VAT Act be amended to state that the default situation is that the intermediary accounts for the VAT, unless there is an agreement to the contrary. The joint and several liability will still apply.

#### *Leasehold improvements*

A problem arises where leasehold improvements are supplied for no consideration to a lessor who is not a vendor (for example, a lessor who is below the VAT registration threshold or only makes exempt supplies). The adjustment under section 18C of the VAT Act must be made by a lessor who is a vendor where leasehold improvements are applied for non-taxable purposes. Based on the current wording of the provision, if the lessor is not a vendor, section 18C does not apply. This means that a lessor who is not a vendor will receive the benefit of leasehold improvements in respect of VAT that was effectively not incurred by that lessor. It is proposed that the VAT Act be amended so

that this treatment is no longer restricted to lessors who are vendors and that a specific declaration channel be made available in this regard.

## Carbon tax

### *Refunds for carbon budget compliance*

The 2025 Taxation Laws Amendment Bill provides for refunds of taxes paid on greenhouse gas emissions exceeding the mandatory carbon budgets allocated to companies by the Department of Forestry, Fisheries and the Environment if companies comply with the five-year carbon budget. Stakeholders thought that the wording of the proposed section 17A(2) of the Carbon Tax Act (2019) on the carbon budget refund, which refers to “the immediately preceding tax period”, is unclear and creates uncertainty regarding which tax period is meant. To provide policy certainty to taxpayers and remove any ambiguity in the legislation, it is proposed that the reference to the immediately preceding tax period be deleted.

Furthermore, it is proposed that the legislation clarify that a refund may be claimed in the third year for the first two tax periods and for the remaining tax periods. Therefore, from year three to five, and over the five-year carbon budgeting period, a refund may be claimed in the sixth year. This will address concerns about inaccuracies in the emissions and tax liability assessments for the first two tax periods and over the five-year carbon budgeting period. The proposed amendments will come into effect on a date to be determined by the Minister of Finance.

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

Commercial and institutional sector entities have invested in back-up diesel generators to address concerns about load-shedding and electricity supply shortages. The generators are mainly used during supply disruptions for short periods of time and the additional capacity is not fully utilised. Stakeholders are of the view that the cost of complying with the carbon tax is significantly higher than the tax liability of companies falling within this sector. To ease the compliance burden on companies, it is proposed that the capacity-based threshold for the commercial/institutional activity (Intergovernmental Panel on Climate Change code 1A4a) be replaced with an emissions threshold of 25 000 tonnes of carbon dioxide equivalent effective from 1 January 2026.

## Tax administration

### *Customs and Excise Act*

#### *Providing enabling provision relating to Admission Temporaire/Temporary Admission Carnets (ATA Carnets)*

The ATA Carnet system, established under the ATA and Istanbul Conventions, enables the temporary admission of certain goods such as commercial samples, professional equipment and exhibition items into foreign territories without the payment of duties or taxes. Carnets were historically issued in paper form by the National Guaranteeing Associations and manually processed at border posts. The World Customs Organization and the International Chamber of Commerce have launched an electronic ATA Carnet Project, which mandates fully digitised carnets. To ensure that South Africa can implement the new requirements of the international agreement, an amendment to the

Customs and Excise Act is proposed to enable the Commissioner to issue rules relating to the issuing, use and submission of international carnets when goods are temporarily imported or exported.

*Amendments to facilitate the administration of carbon tax refunds*

The insertion of section 17A in the Carbon Tax Act in 2025 provides for a refund where an entity complies with carbon budgets over a five-year period. Carbon tax refunds are administered in terms of the Customs and Excise Act and a two-year prescription period applies for customs and excise refund claims. It is therefore proposed that the Customs and Excise Act be amended to facilitate the administration of carbon tax refunds claimed over a longer period.

*Discretion to exempt non-compliance in relation to rebates in Schedules No. 3, 4 and 6*

Section 75(10) of the Customs and Excise Act gives the Commissioner broad discretion to exempt or condone non-compliance by taxpayers who fail to meet conditions or requirements prescribed by rule or in the notes to Schedules No. 3, 4 and 6 in respect of any goods specified in an item of these Schedules. The modern legislative approach is to move away from broad discretions and provide criteria for the exercise of discretions to enhance clarity and certainty. It is proposed that the discretion be redrafted accordingly.

*Separating carbon fuel levy from general fuel levy*

When the carbon fuel levy was introduced pursuant to the Carbon Tax Act, SARS systems were not designed to facilitate the separate payment of these levies. As a result, the carbon fuel levy applicable to petrol and diesel was included as part of the general fuel levy provided for in Part 5A of Schedule No. 1 to the Customs and Excise Act. Since the implementation of the carbon fuel levy, new tariff items attracting this levy have been introduced by the Taxation Laws Amendment Act (2024). Systems changes were required to accommodate the integration of these new tariff items, and the carbon fuel levy can now be separated from the general fuel levy. It is proposed that a new Part 5C be inserted into Schedule No. 1 of the act to provide separately for the administration of the carbon fuel levy.

*Amendments in relation to electronic heated tobacco products*

Taxing electronic heated tobacco products based on tobacco content (weight) rather than by stick (quantity) is considered a more effective public health strategy because it reduces the industry's ability to control the tax base and encourages healthier consumer choices. It is proposed that the statistical unit of measure "per 10 sticks" be changed to "per kilogram net" for electronic heated tobacco products.

*Income Tax Act*

*Excluding certain exempt entities that are companies from the definition of "provisional taxpayer"*

The definition of "provisional taxpayer" in the Fourth Schedule of the Income Tax Act excludes certain entities that are subject to partial taxation. The exclusion of these entities was mainly aimed at reducing their compliance burden, for example, the difficulty in determining how provisional tax should apply to amounts subject to exemption only up to a specified threshold. In terms of paragraph (b) of the definition of "provisional taxpayer", any company is a provisional taxpayer. It

is thus proposed that fully exempt entities and certain partially exempt entities, which are regarded as companies, should also be excluded from being classified as provisional taxpayers.

*Additional requirement with regard to the obligation to withhold employees' tax for non-resident employers*

The Fourth Schedule of the Income Tax Act was amended by the Tax Administration Laws Amendment Act (2023) to extend the obligation to withhold employees' tax to non-resident employers conducting business through a permanent establishment (PE) in South Africa. It has been argued that this amendment can have anomalous consequences if the employee in question is not also effectively connected to the PE. For example, a non-resident employer with a PE in South Africa could employ a South African resident employee in its home country who does not have any connection to the South African PE. In such circumstances, the non-resident employer would have a withholding obligation in relation to the South African resident employee although employment is not exercised in South Africa. Hence it is proposed that the PE requirement for non-resident employers should be amended to include an additional requirement that the employee is effectively connected to the PE in South Africa.

*Reviewing penalty regime for underestimation of provisional tax*

To trigger the penalty for underestimating provisional tax, a taxpayer must first underestimate their taxable income outside acceptable tolerances. If the taxpayer submits an estimate that is within the acceptable tolerance but pays no provisional tax, the underestimation penalty cannot be imposed. The only penalty applicable in these instances is the lesser late payment penalty. It is proposed that, with effect from 25 February 2026, timely payment of the amount of the estimate be required before it may be relied on. There are existing rules to ensure that there is no duplication of the underestimation and the late payment penalties. Furthermore, the R1 million cap for relying on amounts based on historical assessments, rather than current estimates, will be increased to R1.8 million for years of assessment commencing on or after 1 March 2026.

*Value-Added Tax Act*

*Expanding documentary requirements for second-hand goods*

Second-hand goods remain part of the illicit economy. There is no requirement under the VAT Act or Tax Administration Act (2011) for second-hand goods dealers to be licensed or have documents prescribed under any other relevant acts, such as the Second-Hand Goods Act (2009). The Second-Hand Goods Act seeks "to regulate the business of dealers in second-hand goods and pawnbrokers, in order to combat trade in stolen goods; to promote ethical standards in the second-hand goods trade; and to provide for matters connected therewith".

Section 21 of the Second-Hand Goods Act requires dealers to keep a record in a prescribed form containing certain information, with additional information prescribed under section 24 of that act for dealers in second-hand motor vehicles. To mitigate the risk of fraudulent notional input tax claims, it is proposed that the documentation requirements for second-hand goods vendors under section 20(8) of the VAT Act be extended to those prescribed under the Second-Hand Goods Act and its regulations.

*Additional information required on tax invoice on acquisition of second-hand goods subsequently supplied by vendor*

The zero-rate on exports does not apply to second-hand goods on which the supplier has deducted notional input tax. In this case, the supplier must levy VAT equal to the notional input tax deducted to recoup the notional input tax. Similarly, in the case of an indirect export by a qualifying purchaser, the VAT Refund Administrator may only refund the qualifying purchaser to the extent that the VAT charged exceeds the notional input tax deduction.

To ease compliance for purchasers and administration, it is proposed that section 20 of the VAT Act be amended to require that the tax invoice issued by the supplier on the subsequent supply of second-hand goods on which a notional input tax was claimed must reflect the purchase price paid by the vendor on acquisition and the amount of notional input tax previously claimed.

*Removing distinction between eFilers and non-eFilers*

To encourage vendors to submit returns and make payments electronically, vendors using eFiling are permitted to do so on the last business day of the month in which filing is required, rather than on the 25th of that month. As the vast majority of VAT vendors now make use of eFiling, the objective of increasing uptake has been achieved. Hence, it is proposed that the distinction be removed by creating a single, simplified system requiring all VAT vendors to submit returns and make payments on the last business day of the month.

*Tax Administration Act**Permitting pre- or post-deposit screening of refunds by banks*

The Tax Administration Act requires banks to report suspicious tax refunds to SARS and hold the refunds for up to two business days while SARS investigates. SARS is working with banks to explore screening potential refunds prior to their deposit in taxpayers' accounts. This will expedite legitimate refunds. It is therefore proposed to explicitly permit pre- or post-deposit screening of refunds by banks.

*Interest relief on defaults disclosed during voluntary disclosure application*

In the recent *Medtronic International Trading S.A.R.L* case, the Constitutional Court held that it is not possible to combine a voluntary disclosure application with a request for remission of interest under the various tax acts without legislative authority to this effect.

It is proposed that provision be made to specifically permit applicants for voluntary disclosure relief to simultaneously apply for the separate remission of interest, under the provisions of the relevant tax act, in respect of the defaults disclosed in the voluntary disclosure application. It is further proposed that this amendment take effect from 1 March 2026 to assist potential applicants without affecting existing applications.

*Tax compliance status pending the outcome of a request for remission of penalty*

Section 164(6) of the Tax Administration Act suspends the taxpayer's obligation to pay tax pending SARS' decision on the suspension of payment request. In terms of section 256 of the act, a taxpayer must be indicated as "tax compliant" during this interim period. Section 256 of the act does not provide for a scenario where a taxpayer's obligation to pay tax is automatically suspended pending

the outcome of a request for remission of penalties in accordance with section 215(3) of the act. It is proposed that this anomaly be addressed. It is further proposed that the periods for which a suspension under sections 164 and 215 of the act continues after a request has been rejected by SARS be aligned to 10 business days.

## **Men's Cricket World Cup 2027**

### *Facilitation of event*

Government maintains a standard suite of allowable customs duty rebates, tax dispensations and temporary import exemptions applicable to international sporting events hosted in the country.

In preparation for the Men's Cricket World Cup 2027, which will be jointly hosted in South Africa, Namibia and Zimbabwe, it is proposed that South Africa apply its customs duty rebates and temporary import exemptions for international events to facilitate the import of essential goods such as pharmaceutical products, non-alcoholic beverages, foodstuffs and promotional materials. Temporary import provisions are also available for personal effects, professional equipment and approved machinery or goods for use during the tournament.

In parallel, income-generating activities connected to the event will continue to be governed by South Africa's existing network of bilateral double tax agreements to prevent double taxation for non-resident participants and service providers. Relevant domestic tax provisions, notably paragraph 11(b) of part I of the Ninth Schedule to the Income Tax Act, may also be invoked where appropriate.

## **TECHNICAL CORRECTIONS**

In addition to the amendments described above, the 2026 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.

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