Key Takeaways | Tax

South African Budget 2025/26

March 2025

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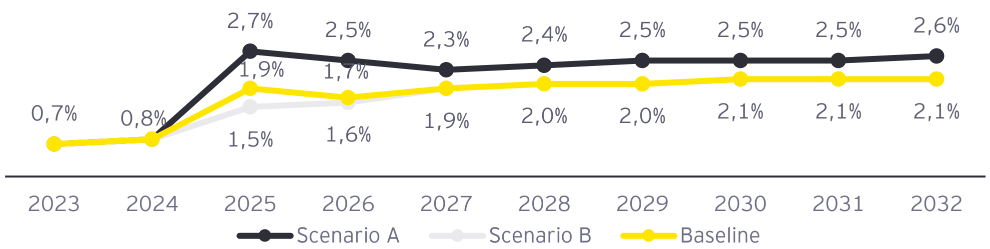
01 Economic Outlook

The National Treasury (NT) initially tabled a budget on 19 February 2025, aimed at offsetting the fiscal pressure of increased spending with additional tax measures aimed at bolstering revenues, and simultaneously anchoring debt at a level commensurate to what the balance sheet for "SA Inc." could accommodate. This postponed version of the budget faced significant public and political backlash due to its proposal for a 2% VAT hike. The March iteration of the budget aims to achieve similar fiscal outcomes by tempering the proposed VAT increase (subsequent 0.5 percentage point hikes in 2025 and 2026), and not adjusting PIT, rebates and medical credit bands for inflation to still enable additional spending on infrastructure and the social wage. Given the complexity facing the South African fiscal position, this budget aims to optimise trade-offs between revenue generation, economic activity, and increased pressure to spend.

The NT anticipates real GDP to grow in line with market expectations over the medium-term given (i) an improved energy outlook, (ii) moderating inflationary pressures both locally and globally, and (iii) an easing interest rate environment. This outlook is not without downside risks, though, including the potential for global trade disruptions, and geopolitical events that breed instability and uncertainty for our small open economy.

Fig: National Treasury GDP Growth Scenarios (%, y/y)

The Treasury generates forecast scenarios under different assumptions; these scenarios indicate a >2% real growth rate from 2028 onwards.

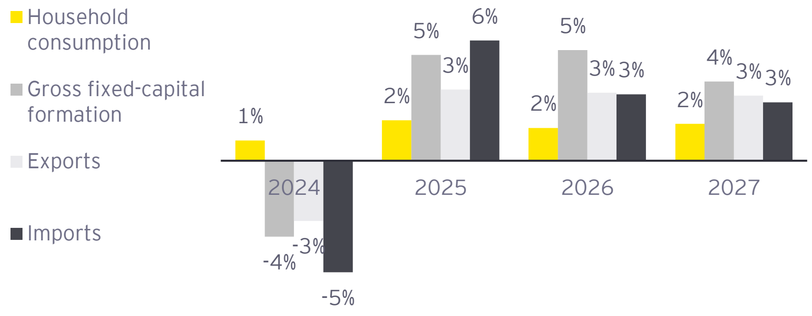


Source: National Treasury

It notes that "domestic risks to the economic outlook are balanced while global risks skew to the downside". The upside scenario is predicated on rapid infrastructure investment program leading to increased energy security, improved transport volumes, and heightened business confidence, resulting in real GDP growth peaking at 2.7% in 2025 and generating an additional R1.06 trillion in GDP relative to the baseline. The downside scenario, anticipates a shock from slowing global growth and trade fragmentation results in subdued business activity and inflation exceeding baseline levels, causing GDP growth to slow slightly to 1.5% in 2025.

Fig: Real GDP Growth Projections over the MTEF (%, y/y)

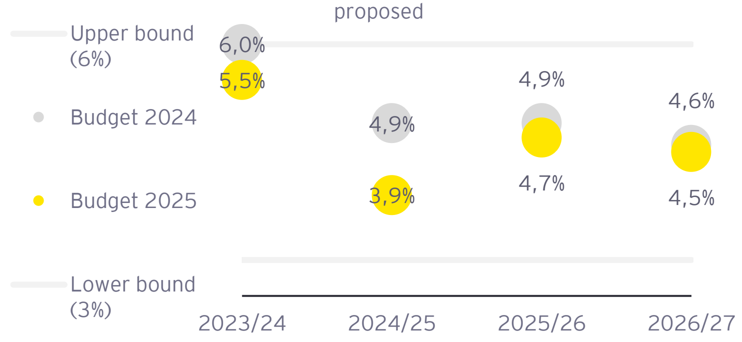
Gross Fixed Capital Formation is anticipated to be the fastest growing component of GDP in real terms over the MTEF, indicating a shift in investor sentiment and a drive by government to spend on infrastructure



Source: National Treasury

Fig: CPI Inflation Projections over the MTEF (%, y/y)

Inflation is expected - as of Budget 2025 - to settle at a lower level as compared to Budget 2024. The inflation rate forecasts relative to those predictions tabled in February 2025 are also lower, in the wake of lower VAT increases proposed



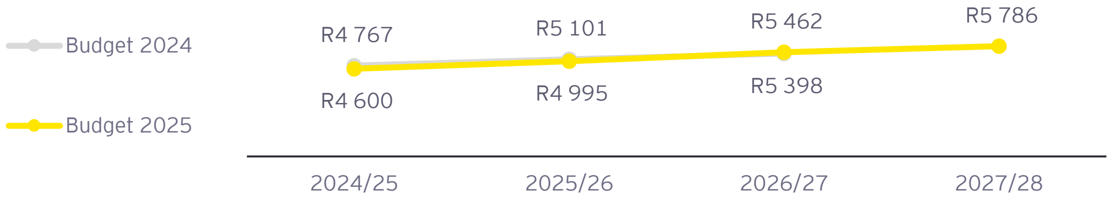
Source: National Treasury

02 Fiscal Outlook

The most noteworthy development from Budget 2025 is the suggestion to increase VAT from 15 to 15.5% on 1 May 2025, and then to 16% in (most likely) April of 2026. This increase is anticipated to generate additional revenues relative to prior year's budget as shown below:

Fig: VAT Revenue Forecast (Rbn)

Given spending needs, and reticence to induce additional debt, the VAT rate will increase incrementally to 16% by 2026, raising an additional ~R43bn over the MTEF - lower than the additional ~R60bn anticipated to be raised in the February Budget



Source: National Treasury

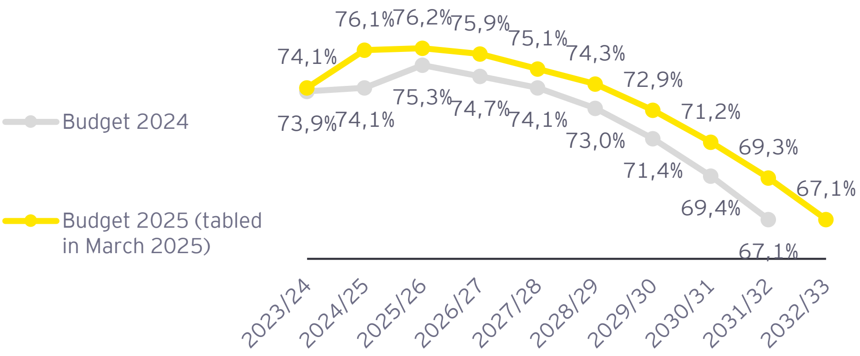
This increase in revenue is anticipated to be allocated to (i) an increase in expenditure on Early Childhood Development (ECD), (ii) increased allocations for education spending and healthcare services (with a focus on hiring additional resources and infrastructure development), and (iii) rebuilding commuter rail lines. Interestingly, while the increase was originally touted as covering some costs associated with the public sector wage bill increase as set out in the February budget, the March budget tabled makes no mention of funding the wage bill increase through VAT.

The proposal to increase VAT was weighed up against an increase in Personal and Corporate Income Tax (PIT and CIT) and was found to have a more favourable revenue and economic outcome according to the Treasury. The adverse, regressive effects of the VAT increase are anticipated to be partially offset by a lengthening of the zero-rated VAT item list, withholding an increase in fuel levies, and an increase in social grant allocations above inflation.

Budget 2025 further emphasised that any future expenditure increases would necessitate being financed through a combination of deprioritising underperforming budget programs and implementing additional tax increases, such as a proposed tax on foreign retirement fund payouts, while safeguarding the country's debt profile. This emphasis on a fiscally consolidated outlook comes off the back of risks that have materialised to the downside since Budget 2024 – an adverse public sector wage outcome, the need to spend more on critical services and the court order associated with the SRD grant, which added pressure to an already constrained fiscal space.

Fig: Debt to GDP Ratio (%)

The Debt-to-GDP ratio is anticipated to stabilise at a higher level than as predicted in Budget 2024, peaking in 2025/26 at 76.2%, and tapering off closer to ~70% by the start of the next decade



Source: National Treasury

Fig: Expenditure Breakdown (Scaling Budget Down to R100, 2025/26)

Out of every R100 spent in 2024/25 according to Budget 2025, in excess of R60 goes to maintaining the social wage (health, education and social protection). However, almost 20% of expenditure is allocated to servicing debt

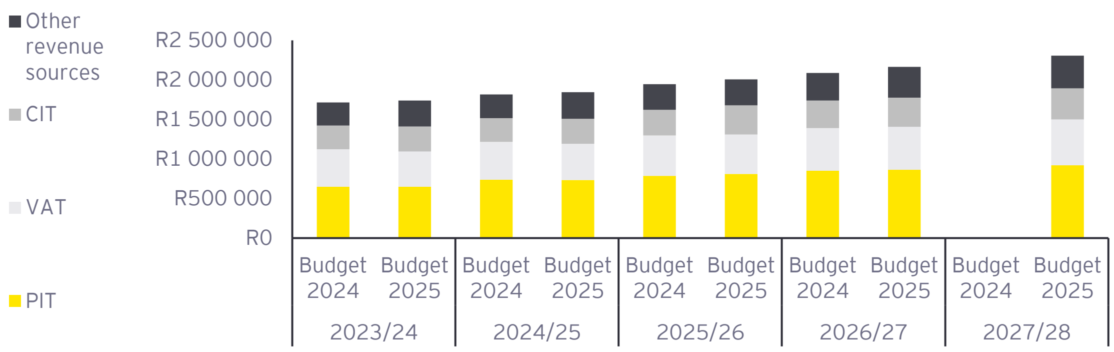
Source: National Treasury

03 Taxes

Across the Medium-Term Expenditure Framework (MTEF), revenues are anticipated to be higher in Budget 2025 than was initially anticipated in Budget 2024

Fig: Tax Contributions to Total Tax Revenues (Rmn)

Actualised VAT increases, as well as effective increases in PIT collection, add to tax revenues collectable relative to prior year's budget estimates



Source: National Treasury

The following key measures announced during the 2025 Budget are related to tax and incentives:

- 21 additional food items have been zero-rated
- In contrast to the budget tabling in February 2025, no inflation adjustments were made on PIT tax brackets, rebates, or medical aid credits
- The employment tax incentives has remained stable (R1500 for the first month, and R750 per month thereafter), although the formula relating to the incentive calculation will be adjusted.
- Excise duties on alcoholic beverages and tobacco-related products have increased by 6.8% and >4.8% respectively
- From 2 April 2025, the carbon fuel levy will increase to 14c per litre of petrol, and 17c per litre for diesel
- Ad valorem excise duties on smartphones have been removed where purchase prices fall below R2 500

As a result of these changes, along with the phased increase in the VAT rate, the Tax-to-GDP ratio has deteriorated modestly since the prior year's budget.

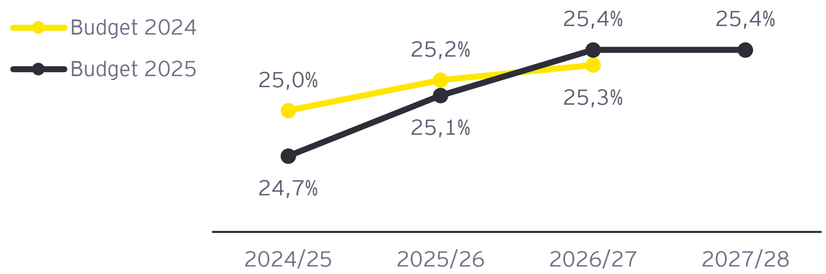
Fig: Tax Proposal Impacts (Rmn)

R million	2025/26	2026/27	2027/28
		Effect of tax proposals	
Gross tax revenue (before 2025 Budget tax proposals)	1 978 132	2 119 319	2 259 354
2025 Budget proposals	28 000	14 500	
Direct taxes	19 500	20 634	21 960
Personal income tax			
No inflationary adjustment to tax brackets and rebates	18 000	19 067	20 324
No inflationary adjustment to medical tax credits	1 500	1 567	1 636
Indirect taxes	8 500	23 523	24 885
Value-added tax (VAT)			
Increase in VAT rate – 2025/26	13 500	14 344	15 196
Increase in VAT rate – 2026/27	-	15 500	16 420
Additional zero rating	-2 000	-2 128	-2 262
Fuel levy			
No adjustment to general fuel levy	-4 000	-4 257	-4 535
Diesel refund relief for primary sectors	-	-1 000	-1 065
Specific excise duties			
Above-inflation increase in excise duties on alcohol and tobacco	1 000	1 064	1 131
Net impact of tax proposals	28 000	44 158	46 845
Gross tax revenue (after tax proposals)	2 006 132	2 163 477	2 306 199

Source: National Treasury

Fig: Tax-to-GDP ratio (%)

The Tax-to-GDP ratio presented in Budget 2025 is anticipated to deteriorate moderately relative to Budget 2024, indicating higher tax pressures on economic activity than in the prior year



Source: National Treasury

04 Personal Taxes

Highlights

- Reconsiderations for the tax treatment of foreign retirement funds received by South African residents for previous employment abroad
- Closing loopholes in the ring-fencing of assessed losses applicable to natural persons
- Changing the brackets in calculating the ETI to align with minimum wages
- Revenue collections from retirement savings withdrawals amount to R11.6 billion over a six-month period
- No changes to medical tax credits
- Review of the taxation of trusts and their non-resident beneficiaries
- There is no proposed increase to tax rates and brackets

- Since the introduction of the two-pot system in September 2024, revenue collections from withdrawals amount to R11.6 billion as of end-February 2025. Withdrawals are expected to continue into the medium term as fund members access their savings component.
- Personal income tax brackets and rebates will not be adjusted for inflation in 2025/26. The personal income tax proposals are expected to raise revenue of R19.5 billion.
- Effective from 1 March 2025, the formula to calculate the Employment Tax Incentive (ETI) and the eligible income bands will be adjusted to allow employers to claim the maximum value of R1 500 per month for employees earning between R2 500 and R5 500 monthly (previously R 2 000 and R 4 500). The incentive value will decline as wages increase, tapering to zero at a monthly income of R7 500 (previously R6 500).
- Changes are to be made to the rules that currently exempt lump sums, pensions and annuities received by residents from foreign retirement funds for previous employment outside South Africa. Government believes that the current treatment results in double non-taxation, especially where South Africa is granted the taxing right by a relevant treaty.
- With regards to the ring-fencing of assessed losses, Government is of the view that the current limitation in the application of section 20A to individuals in the highest marginal tax bracket, 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 the assessed loss ring-fencing rules apply, be reviewed and amended.
- In 2023, rule amendments limited the flow-through principle to resident beneficiaries. Government noted that the interaction between sections 7 and 25B of the Income Tax Act could have unintended tax effects on non-resident trust beneficiaries. A review of these aspects is proposed.

05 VAT

Highlights

- Proposed VAT rate increase from 15% to 15.5% effective 1 May 2025
- Expansion of the list of zero-rated foodstuffs
- VAT treatment of testing services supplied to non-residents to be reviewed

Proposed Rate Increase

The VAT rate will increase by 0.5 percentage points on 1 May 2025, and by another potential 0.5 percentage points on 1 April 2026.

To mitigate the impact on lower-income households, the list of zero-rated foodstuffs will be expanded from 1 May 2025 to include some edible offal. This will include specific cuts such as heads, feet, bones and tongues. Dairy liquid blend and tinned or canned vegetables will also be zero-rated.

The rate increase will have a major administrative impact on business. Vendors will need to assess the impact and make the necessary changes in a very short period. The most important changes that need to be considered are:

- Changes to accounting systems and tax invoices
- Changes to product labelling and price lists
- The impact on existing contracts
- Supplies that span the effective date of the increase

Changes to the Indirect Export Regulation

Under certain conditions, exports by sea or air can qualify for a VAT zero-rate even if the goods are delivered by the supplier at the airport or harbour. It is proposed that the rules governing the delivery of such goods to relevant authorities and operators at ports and airports be reviewed to enhance administration and compliance.

Reviewing the VAT treatment of testing services supplied to non-residents

Businesses offering testing services or clinical trials to non-residents may not always qualify for zero-rating. Current legislation prohibits zero-rating if a patient in South Africa benefits from the services or if samples tested are not exported from South Africa. This limits the zero-rating even if results are consumed abroad by non-residents. Consequently, these entities face challenges in competing globally, as other jurisdictions allow zero-rating. It is proposed to amend the legislation to permit zero-rating for such services, boosting competitiveness internationally.

05 VAT

Highlights (cont...)

- The VAT treatment of insurance provided at no cost to be reviewed
- Proposed revision of the dispute framework for imported goods

The Insurance definition in the VAT Act

Following the Constitutional Court's ruling in Capitec Bank Limited v CSARS, Treasury will review the definition of 'insurance' in the VAT Act. It is anticipated that Treasury will amend the VAT legislation to prohibit an input tax deduction for insurance payouts related to insurance provided at no charge.

Proposed revision to the dispute framework for VAT on imported goods

The proposed amendments will unify the dispute resolution mechanisms in the Customs and Excise Act and the Tax Administration Act to provide clarity and resolve disputes more efficiently.

06 Corporate Tax

Highlights

- Measures aimed at extending the anti-avoidance rules for third-party backed shares, refining the definition of "hybrid equity instrument", and clarifying the deduction order for offsetting balance of assessed losses, donations and transfers from policyholder funds of long-term insurers
- Proposals to limit relief for asset-for-share transactions to disposing shareholders holding <20% of the equity shares in the target company before the transaction, and review provisions to prevent unintended tax avoidance in section 42 and section 44 transactions with untaxed realized gains involving collective investment schemes

Business (general)

The proposals concerning corporate tax include:

- Addressing the circumvention of the anti-avoidance rules pertaining to third-party backed shares where the funds derived from the issue of such shares are used for a qualifying purpose.
- Refining the definition of a "hybrid equity instrument" concerning preference shares to prevent the potential circumvention of the anti-avoidance measure.
- Clarifying the order for the set-off of the balance of assessed losses, deductions for donations and transfers from policyholder funds of long-term insurers.

Corporate rollover relief

Government recommends the following amendments and reviews concerning the corporate reorganisation rules:

- Clarifying that relief provided in respect of listed shares in terms of an asset-for-share (section 42) transaction should apply only to shareholders who hold less than 20% of the listed shares in the target company before the transaction.
- Review of the provisions where relief is provided for asset-for-share (section 42) and amalgamation (section 44) transactions resulting in unintended tax avoidance where there were changes in shareholding in listed companies to a collective investment scheme with realised gains not being taxed on transfer.

06 Corporate Tax

Highlights (cont...)

- Measures aimed at refining the definition of "interest" in calculating "adjusted taxable income" under section 23M; excluding interest limitation rules for back-to-back lending without a controlling relationship and clarifying the treatment of foreign exchange differences where there is no accrual for the creditor

Interest limitation rules

Proposed changes to the interest limitation rules in section 23M and section 23N include:

- Clarification that the definition of "interest" in section 23M only pertains to interest deductions tested for limitation and that the section 24J "interest" definition should be used to calculate "adjusted taxable income".
- Interest limitation rules should not apply to back-to-back lending arrangements where there is no controlling relationship between the ultimate lending institution and the debtor.
- Clarifying how foreign exchange differences should be treated when foreign exchange gains do not accrue to creditors. Specifically, to clarify that the objective is to first test whether the underlying debt should be limited, and if so, to then limit the foreign exchange differences thereon.
- In 2024, the definition of "adjusted taxable income" and limitation formula in section 23N were amended to align with the definition and formula in section 23M. Government proposes to review the impact of these amendments in 2025 in consideration for additional proposals in the 2026 Budget, ahead of the effective date of such amendments being 1 January 2027.

07 International Tax

Highlights

- Measures to prevent circumvention of the CFC exit charge where the CFC acquires all the shares of the South African holding company
- Proposal to include refunds/tax credits received by a shareholder in the assessment of the CFC high-tax exemption
- Proposal to recognise exchange differences on debts between connected parties on a pro-rata basis as the debt is realised
- Aligning foreign tax rebates in relation to employment income with the exclusions for prohibited deductions in relation to remuneration

Controlled Foreign Companies (CFC)

Section 9H (exit charge), when a foreign company stops being classified as a CFC, it is treated as if it has disposed of its global assets immediately prior to that change. The net income of a CFC is calculated as if the entity were a tax resident in South Africa. The government has identified certain structures that enable the circumvention of the exit charge, specifically when a CFC acquires all the shares in the South African parent company. Amendments to Section 9H are proposed to ensure that the exit charge is applied in these instances.

The current high-tax exemption states that the net income of a CFC's does not need to be imputed where the tax paid by the CFC in the foreign country is at least 67.5% of the tax it would have paid in South Africa. The current exemption does not consider in refunds to shareholders of foreign companies for tax paid by the foreign company declaring the dividend (franked dividend). The proposal is for these refunds/tax credits be included in the evaluation of whether the high-tax exemption applies.

Section 24I

Currently, exchange differences arising from debts between connected parties may be deferred until the debt is realised in certain situations. It is proposed that these exchange differences should be recognised on a pro-rata basis as the debt is realised during an assessment year. Furthermore, there is a proposal for clarification regarding the tax treatment of exchange differences on debts that are not recorded in the Annual Financial Statements.

Sections 6quat and 23(m)

Section 6quat(1C) provides for a rebate on foreign taxes paid against taxable income in South Africa. Meanwhile, Section 23(m) prohibits deductions related to any remuneration received from employment. The exclusions in Section 23(m) currently do not mention Section 6quat(1C). It is proposed that the exclusions be amended to include deductions specified in Section 6quat(1C).

07 International Tax

Highlights (cont...)

- Proposed amendment to the definition of "equity shares" to include shares in foreign companies
- Proposals to ensure the flow-through principle is limited to resident beneficiaries only in relation to income from vested and discretionary trusts

Equity shares

The current definition of equity shares does not include shares in a foreign company. The proposed amendment is to update the definition of "equity share" to include foreign companies.

Trusts and their beneficiaries

The current wording of the Income Tax Act does not achieve the objective of limiting the flow-through principle to resident beneficiaries due to the interaction between the deeming rules in section 7 and the tax treatment outlined in section 25B. This interaction could lead to unintended consequences, particularly in cases involving non-resident beneficiaries. The proposed amendment is to ensure that the flow-through principle is limited to resident beneficiaries of income from vested and discretionary trusts while also addressing the potential complications arising from the taxation of trusts when non-residents are involved.

08 Financial Services

Highlights

- Tax and accounting alignment in respect of certain dividends for covered persons such as banks and brokers
- Consideration to align ongoing payments from Collective Investment Schemes with the capital distribution rules
- Clarity for the tax treatment of first loss after capital instruments as defined in the Financial Sector Regulation Act (2017)

- It is proposed that dividends received by covered persons from shares used to hedge financial liabilities (for example instruments such as equity linked notes) should not qualify for an exemption as is currently the case. The purpose is to align the tax and accounting treatment of the income (i.e., the dividend) as is envisaged by section 24JB that applies to covered persons. This section allows the deduction or inclusion of expenses and income (gains and losses) in line with the accounting treatment. As such, the proposed amendment would align the treatment of dividends to the principles of section 24JB.
- Holders of participatory interests in a collective investment scheme (CIS) would generally receive distributions that are regarded as investment income with specific taxation rules, whereas distributions that qualify as capital distributions do not have a specified tax treatment. In certain circumstances payments received from the liquidation of a CIS will be seen as proceeds from the disposal of an interest in the CIS whereas other types of capital distributions may not necessarily have the same treatment. The tax treatment of capital distributions from the CIS will be considered to eliminate anomalies that may arise.
- The Prudential Authority recently issued Prudential Standard RA03 for Designated Institutions under the Financial Sector Regulation Act, 2017 which introduced 'FLAC' instruments. These instruments are defined as unsecured debt instruments issued by a designated institution (e.g., a bank) or its holding company. These FLAC instruments are designed to ensure that banks have sufficient loss-absorbing capacity in the event of financial distress. Similar to other regulatory capital instruments such as Tier 1 and 2 instruments, the current tax rules would not specifically cater for FLAC instruments. It is therefore proposed that the tax treatment of these new instruments be clarified.

09 Tax Administration

Highlights

- Introduction of a Customs and Excise Voluntary Disclosure Programme
- Refinement of "bona fide inadvertent error" in the understatement penalty regime
- AI-Driven Digital Modernisation in Tax Administration

- At the time of the 2024 MTBPS, SARS was allocated R3,5 billion over the medium term to modernise its operations and enhance taxpayer services. The focus is on leveraging technology, data science and artificial intelligence (AI) to foster efficiency and transparency in tax administration while combating exploitation by criminal syndicates. R500m has been budgeted in the 2025/2026 year.
- SARS has proposed amendments to allow for the delegation of customs officers' functions to individuals in service of organs of state or institutions, as well as the designation of specific officials for enforcement purposes.
- A significant development is the proposed introduction of a Customs and Excise Voluntary Disclosure Programme (VDP), to encourage customs and excise compliance.
- A review is proposed to develop a unified dispute mechanism for VAT and customs-related issues.
- SARS is tightening VAT registration processes by introducing enhanced verification measures, including mandatory site inspections for voluntary VAT registrations. This aims to prevent abuse and fraudulent claims.
- There have been numerous disputes regarding the interpretation of "bona fide inadvertent error". To clarify its application and limit contentious interpretations, SARS has proposed refining the application of "bona fide inadvertent error" in the understatement penalty regime to explicitly link it to "substantial understatement". The aim is to eliminate the mixing of factual tests with taxpayer behaviour.
- These reforms signal a continued focus on compliance, dispute resolution efficiency, and enforcement measures.

10 Customs & Excise

Highlights

- Above inflation increases in "sin taxes", but relief on fuel levy, RAF levy, health promotion levy and low-cost smart phones
- Diesel refund relief system to be expanded

Above inflation increases in "sin taxes", but relief on fuel levy, RAF levy, health promotion levy and low-cost smart phones

Government proposed a 6.75% increase in excise duties on alcoholic beverages, pipe tobacco and cigars, and a 4.75% increase on cigarettes, cigarette tobacco and vaping products - effective 12 March 2025. There was a Discussion Paper released at end of 2024 to change the alcohol taxation policy framework. There will be public consultations during 2025. It is also interesting to note that from 2026 the rates will be increased from 1 April rather than the current Budget day.

The general fuel levy, Road Accident Fund (RAF) levy, and customs and excise levy will remain unchanged and there will be no increase in the health promotion levy.

To promote digital inclusion for low-income households, ad valorem excise duty on smartphones will only apply to imported devices priced above R2,500, effective 1 April 2025.

Diesel refund relief system to be expanded

Current tax regulations enable farming, mining and forestry businesses to qualify for diesel refunds. To simplify the administration of the diesel refund system, government plans to introduce a new diesel refund system for all eligible diesel purchases declared to SARS, with amendments to the Customs and Excise Act expected to take effect from 1 April 2026.

10 Customs & Excise

Highlights (cont...)

- Various administrative changes in Customs

Various administrative changes in Customs

To facilitate modernization and enhanced tax compliance, proposed amendments to the Customs and Excise Act include:

- Allowing the Commissioner to delegate customs officer functions to other organs of state
- Establishing a VDP for customs and excise
- Additional flexibility in adjusting bills of entry to streamline customs processes especially for annual price adjustments
- Reviewing fuel industry legislation to align with the shift from local manufacturing to importing refined petroleum products
- To assess the dutiability of waste derived from processing imported goods, to provide relief for waste disposed of sustainably.

SARS will further deploy technology to simplify its processes and reduce inspection times at ports of entry by adopting scanning technology and intelligent image analysis.

11 Energy & Sustainability

Highlights

- The 2025 Carbon Tax Rate will increase by 24% from R190 to R236 per ton CO2e as previously announced. The carbon fuel levy will increase by 3c per litre for petrol (to 14c per litre) and diesel (to 17c per litre). The carbon tax cost recovery for the liquid fuels sector increases from 0.69 c per litre to 0.99 c/litre from 1 January 2025. This is to align with the increase in the headline rate of the carbon tax
- There are limited changes proposed to the carbon tax allowances until 2030, following the recent consultation process on the Carbon Tax Phase Two Discussion Paper
- It is proposed to extend the section 12L Energy Efficiency Allowance to 31 December 2030

- It is proposed to extend the section 12L Energy Efficiency Allowance to 31 December 2030 (i.e., it will remain as an income tax allowance).
- Maintain the basic allowance (60% for fuel combustion and 70% for process and fugitive emissions) until 31 December 2030. Given concerns raised during the submissions on the Carbon Tax Phase Two Discussion Paper, options to reduce the basic allowance will be considered from 1 January 2031.
- Retain the 30% trade intensity threshold for the trade exposure allowance.
- Increase in the carbon offset allowance by 5% from 1 January 2026. The allowance will increase to 10% for process/fugitive emissions and 15% for fuel combustion to allow gradual expansion of the local carbon market.
- Future allowance increases may be considered in response to changes in the carbon markets. NT will consider including additional offset standards under the carbon tax.
- Extend the utilisation period for carbon offsets approved before the introduction of carbon tax until 31 December 2028 (previously 31 December 2025).
- Remove electricity generation levy on non-renewable sources and replace it with carbon tax, whilst extending revenue neutrality on price of electricity to 31 December 2030. This includes extending the Renewable Energy Premium to ensure that carbon tax in the price of electricity remains revenue neutral i.e. the same as the current electricity levy of 3.5c/Kwh.
- Extension of the carbon budget allowance until 31 December 2025 for the voluntary carbon budget system.
- Introduction of a Performance Benchmark for the electricity generation sector of 0.94 tons CO2e/MWh from 1 January 2026.

11 Energy & Sustainability

Although the electricity levy will be replaced with carbon tax, the electricity levy has been included in the revenue forecast up to 2027/2028 as shown in the table below (Table 3 Main Budget). NERSA rejected Eskom's application to increase the electricity price because of the increase in carbon tax. The revenue forecast demonstrates that NERSA and NT are aligned. NT have forecasted there will no net increase in carbon tax/electricity levy collection due to these proposed changes.

	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028
R '000	**Actual**	**Actual**	**Actual**	**Estimate**	**Estimate**	**Estimate**	**Estimate**
Electricity Levy	R 7 890 565	R 7 374 436	R 7 139 414	R 7 572 273	R 7 711 986	R 7 851 177	R 7 998 812
Carbon Tax	R 1 397 618	R 1 590 394	R 2 072 191	R 2 025 700	R 2 334 079	R 2 682 148	R 2 940 820

Source: National Treasury

12 Incentives

Highlights

- Continued government support from the DTIC grant programmes of R18,4 billion over the medium-term expenditure framework
- New DTIC industrial development support programme for electric vehicle production
- Many sectors are enjoying tax relief as a result of the section 11D R&D tax incentive
- Proposed extension of the urban development zone tax incentive by five years to 31 March 2030

Investing in strategic infrastructure, supporting job creation and maintaining a growth-friendly fiscal policy will underpin government policy over the medium term.

Department of Trade Industry and Competition

To stimulate economic recovery and financial sustainability for public entities, the Department of Trade Industry and Competition ("DTIC") continues to support the main sector businesses through various incentive programmes under the DTIC. Government estimates to spend R18,4 billion (FY2023/24: R14,7 billion) over the medium-term expenditure framework.

The grant programmes include the automotive investment scheme, business process outsourcing, film and television production incentives, special economic zones, clothing and textile competitiveness programmes, the industrial park revitalisation programme and industrial development support for electric vehicle production.

R1 billion is set aside for an expected new programme to be launched called the industrial development support programme, to enhance the local production and assembly of new-energy vehicles, batteries and projects focused on operational efficiency and competitiveness in new manufacturing projects.

Section 11D research & development tax incentive

An interesting note is that trends in tax expenditure (2019/20 - 2022/23) illustrate more than 65% of the tax expenditure has supported the financial intermediation, insurance, real estate and business services sector and the manufacturing sector. The R&D tax incentive is still open for applications to National Treasury in relation to qualifying R&D expenditure incurred before 31 December 2033.

Urban development zone tax incentive

In 2003, the Urban Development Zone (UDZ) tax incentive available under section 13quat of the Income Tax Act was introduced to promote urban renewal in 15 designated inner cities. It is proposed that the sunset date for this incentive be extended by five years to 31 March 2030. The extension is aimed at allowing for certainty and planning for investors, and adequate time to consult with municipalities.

13 Transfer duty

Highlights

- Transfer duties to be adjusted by 10 per cent to compensate for inflation
- The transfer duty tax rates will remain unchanged
- The tables provided below indicate the adjusted values and are proposed to become effective on 1 March 2025

Transfer duty rates and bracket adjustments

2024/25		2025/26	
Property value (R)	**Rates of tax**	**Property value (R)**	**Rates of tax**
R0 - R1 100 000	**0% of property value**	**R0 - R1 210 000**	**0% of property value**
R1 100 001 - R1 512 500	3% of property value above R1 100 000	R1 210 001 - R1 663 800	3% of property value above R1 210 000
R1 512 501 - R2 117 500	R12 375 + 6% of property value above R1 512 500	R1 663 801 - R2 329 300	R13 614 + 6% of property value above R1 663 800
R2 117 501 - R2 722 500	R48 675 + 8% of property value above R2 117 501	R2 329 301 - R2 994 800	R53 544 + 8% of property value above R2 329 300
R2 722 501 - R12 100 000	R97 075 + 11% of property value above R2 722 501	R2 994 801 - R13 310 000	R106 784 + 11% of property value above R2 994 800
R12 100 001 and above	R1 128 600 + 13% of property value above R12 100 000	R13 310 001 and above	R1 241 456 + 13% of property value above R13 310 000

Source: National Treasury

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