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2025/2026 Budget Proposals

Tax Overview

12 March 2025

By the Werksmans Tax Team

Introduction

Minister of Finance Enoch Godongwana was scheduled to deliver his fourth Budget speech of his term on 19 February 2024 and the first under the Government of National Unity (GNU).

However, at the eleventh hour it became apparent that the proposed revenue generating policy of increasing the VAT rate by 2% was not endorsed by the majority. An emergency cabinet meeting was convened by the President a few hours before the scheduled Budget speech culminating in a postponement of the Budget to 12 March.

At the time, it was widely reported that the Commissioner of the SARS did not view the proposed increase in VAT as a plausible solution to increase tax collection as he had mentioned that we were already on the precipice of a point where an increase in rates may in fact result in negative returns. The Minister was insistent that the budget must strike a balance between the public interest, economic growth and fiscal sustainability.

As they say, a good negotiation is one where both parties walk away equally unhappy and perhaps that is the case with the Budget 2.0. Instead of increasing the VAT rate by 2%, it will be increased by a half percentage point on 1 May 2025 to 15.5%, and the second half percentage point increase to 16% will take effect on 1 April 2026. The increase in the VAT rate was sold on the basis that the basket of VAT zero-rated foodstuffs will be expanded and that there will be no increase to the general fuel levy, and that most of the VAT collection is in any event paid by higher-income households.

In addition to the VAT increase, the delay in the Budget may have encouraged a decision to avoid an inflationary adjustment to the tax tables which typically gives relief for bracket creep in relation to individual taxes, rebates and medical tax credits. In not adjusting the tax tables there is no need to adjust the payroll, which would have required immediate attention given that we are already 12 days into the new tax year. This is the second consecutive year where no inflationary adjustment has been made. As a consequence, even the lower to middle earning taxpayers will be paying tax purely on inflationary increases. This measure is expected to raise revenue of R19.5 billion.

These two key revenue measures are expected to raise R28 billion in 2025/26 and R14.5 billion in 2026/27.

As far as fiscal sustainability is concerned, aside from increases to the VAT rate, the Minister confirmed that an increase in the corporate tax rate was not on the agenda as the current rate was one of the highest and exceeded the OECD average, which already placed the country at a competitive disadvantage as an investment destination. It was acknowledged that the implementation of the global minimum corporate tax, with multinational corporations (MNEs) with annual revenue exceeding €750 million subject to an effective tax rate of at least 15% regardless of where there profits are located, tempered the need to increase the corporate income tax rate.

It was also noted that raising personal income tax rates is likely to be inefficient as taxpayers make adjustments to reduce their tax liabilities, they potentially reduce the incentive to work and save and that the measures implemented to raise personal income taxes over the last decade generated less revenue than expected. This begs the question whether keeping the tax brackets static will achieve the targeted revenue.

While corporate income tax collection has fared better than expected , it was noted that recent personal income tax collections, which have been bolstered with larger-than-expected tax receipts from withdrawals when the two-pot retirement reform came into effect on 1 September 2024, have nevertheless been revised downwards. Personal income tax remains the largest contributor to revenue collection making up almost 40% of total tax revenue.

The fiscal dependency on a small tax base is illustrated by the 2023 SARS statistics which indicate that 2.6% of the population or 1.66 million taxpayers contribute approximately 76% of the total personal income tax collection. Similarly, approximately 72% of the corporate income tax collection is derived from just over 1050 companies. The statistics also show that the tax base is shrinking.

It is logical that a broad tax base, combined with relatively low tax rates and improved tax administration supports sustainable revenue-raising and economic growth over the long term.

There is no wonder then that the Budget, as has been the case in prior years, has sought to prioritise broadening the tax base while improving tax compliance and administrative efficiency. The latter has been previously described by the Commissioner of the SARS as the "compliance dividend".

Enhancing SARS' capacity and capability in tax compliance is to be achieved by leveraging artificial intelligence and data science. The Budget has allocated an additional R3 billion to facilitate digital upgrades, automation, and improvements in taxpayer services and compliance efforts.

Other areas of priority include investment in infrastructure and debt reduction. Debt reduction is a key priority given that debt servicing costs account for 22 cents of every rand of government expenditure.

In addition to the tax changes, the Budget documentation sets out a considerable number of proposed amendments to the various fiscal Acts. Many of these are either of a highly technical or esoteric nature, and therefore the overview reports on those believed to be of more widespread interest to individuals and companies. For tax changes announced at this Budget, draft legislation and responses to consultations would normally be published in July. The legislation would then be introduced towards the end of the year.

INDIVIDUALS

Personal income tax and CGT

Individuals earning more than R1.817 million of taxable income per year will be taxed at 45%, with the top effective rate of CGT remaining at 18%. The first R40 000 of exempt capital gains also remains unchanged. For a second consecutive year, the personal income tax brackets and the primary, secondary and tertiary rebates have not been increased.

Wealth tax

There is no express mention of a "wealth tax" as proposed by the Davis Tax Committee other than to note that SARS is collecting and analysing wealth-related data through its High-Net-Worth Individuals Unit, and that at this stage no final decision has yet been made on the proposal.

The collection of wealth-related data commenced in 2023 following the introduction of the requirement that all provisional taxpayers with assets above R50 million be required to declare specified assets and liabilities at market values in their 2023 tax returns.

Cross-border tax treatment of retirement funds

In certain circumstances, South African residents who worked abroad are not taxed on lump sums, pensions and annuities from foreign retirement funds for previous employment outside of South Africa. Some double tax agreements give the taxing rights of pension payments to the country of residence.

If a double tax agreement gives South Africa the right to tax the pension payments and South Africa's domestic laws do not impose tax, the payment will be received totally tax-free. It is proposed that changes be made to the rules that currently exempt pension receipts in these circumstances.

Taxation of trusts and their beneficiaries

The Income Tax Act, 1962 (the ITA) contains the so-called tax attribution rules which, in so far as they relate to local trusts, essentially say that if a person makes a donation to a trust and any income arises as a result of that donation, that income is deemed to be the income of the donor (and by implication taxed in the donor's hands). The ITA also contains provisions which address the taxation of trusts and distributions from a trust to its beneficiaries. In order to ensure that there is not double taxation, the distribution rule is made subject to the attribution provision which means that when income accrues to a trust, one must first look to see if that income can be attributed to, and be taxed in the hands of, the donor. If the attribution rules do not apply (for example because the donor is deceased), the provisions which determine if the amount is taxed in the trust or in the hands of a beneficiary then need to be considered.

The conduit principle is well-established in trust taxation parlance and says that if the trustees vest an amount of income in a beneficiary in the same year in which it arises in the trust, the trust is disregarded, and the income is taxed in the hands of the beneficiary. In 2023 amendments were made to the distribution provision to limit this flow-through principle to resident beneficiaries. This means that if the trustee vests an amount of income in a non-resident beneficiary in the year in which it arises in the trust, that income is taxed in the trust. A potential issue arises when the attribution rules deem the income of the trust to be the donor's, which is taxed in the donors' hands, but the trustees have awarded the income to a non-resident and so it is now taxed in the trust. The provisions in their current form do not clarify the interaction between the two sections when the trustees of a local trust award income to a non-resident in the same year in which it arises in a trust to which the attribution rules apply. It is proposed that this be reviewed.

Collective Investment Schemes (CIS)

Asset-for-share transactions and amalgamation transactions involving a CIS

The corporate roll-over relief rules specifically allow a person to transfer assets on a tax-free basis to a CIS under an asset-for-share transaction or amalgamation transaction. The corporate roll-over relief, coupled with the fact that a CIS is not subject to CGT on the disposal of its capital assets has, in the view of National Treasury, resulted in an unintended loophole which allows holders of shares in listed companies to transfer such shares on a tax-free basis to a CIS which is then able to dispose of the listed shares on a tax-free basis.

At the end of 2024, National Treasury issued a discussion document on the tax treatment of CISs' which highlighted this apparent loophole, and the Budget proposes that the provisions relating to asset-for-share transactions and amalgamation transactions be reviewed to address this loophole.

Capital distributions by a CIS

A CIS is treated as being fiscally transparent to the extent that it distributes its receipts and accruals of an income nature to its participatory interest holders within 12 months of the year end. The amounts so distributed are not subject to tax in the hands of the CIS and are rather subject to tax in the hands of the participatory interest holders in accordance with the conduit principle.

It is industry practice for a CIS to distribute its receipts and accruals of an income nature to it participatory interest holders within 12 months to ensure that the participatory interest holders are subject to tax on such receipts and accruals.

The tax position is less clear where a CIS is liquidated and makes a distribution out of its capital. Any payment at this stage could be regarded as proceeds from the disposal of the participatory interests but there is no separate rule which governs the taxation of going concern payments out of the capital of the CIS. The Budget proposes that the tax treatment of these capital distributions be considered and clarified.

Continued consultation on the taxation of a CIS

As noted above, the disposal of assets held on capital account by a CIS, is not subject to CGT as a result of a specific CGT exclusion. However, this exclusion does not extend to the disposal by a CIS of assets held on trading account and there is no other exclusion in the ITA for such disposals. It follows that profits derived by a CIS from such disposals are fully subject to income tax in its hands. The distinction between capital and revenue gains derived by a CIS and how a CIS is to be taxed has been under review since 2018, which culminated in the release of the discussion document at the end of 2024. This document made three main proposals relating to the taxation of a CIS, namely that (i) a CIS should be made fully tax transparent; (ii) a trading or turn-over threshold should be provided for a CIS such that if the trades are within a specified turnover ratio, they will be taxed as capital; and (iii) hedge funds should be removed from the CIS tax framework. It is reiterated that consultations on the tax treatment of a CIS will continue in 2025.

Amending the Fourth Schedule to allow for a nominated employer in a group of companies to collect employees' tax

National Treasury will consider amending the Fourth Schedule to the ITA to allow for a group of companies to nominate a single employer company to withhold employees' tax for all employees in the group and for any related employee share scheme trusts.

Closing loopholes in relation to the ring-fencing of assessed losses

Section 20A of the ITA contains the so-called ringfencing of losses provision when taxpayers make losses from year to year in respect of certain trades without an apparent prospect of making profits. Thus, these losses cannot be used to shelter other taxable income, but the section only applies to persons in the 45% marginal rate category. Taxpayers whose income falls below the maximum marginal rate threshold continue to offset these losses against their other income, resulting in tax revenue losses. National Treasury is proposing to reduce the threshold at which the ring-fencing is applied.

CORPORATES

Renewable energy allowance

In 2023, the South African government introduced a temporary incentive for renewable energy, to promote renewable energy production and to encourage rapid private investment to alleviate the energy crisis. The incentive, contained in section 12BA of the ITA, was for purposes of enhancing the renewable energy tax incentive hitherto available in section 12B of the ITA, and was stated to be available for two years from 1 March 2023 until and including 28 February 2025.

The incentive allowed businesses to deduct 125% of the costs of qualifying investments, which would create a cash flow benefit in the early years of a project.

The 2024 Budget noted that government would reconsider the leasing provisions and the generation threshold of 1 MW under the original incentive, ie in section 12B. In the Budget, it has been proposed by Treasury that these two design features, leasing provisions and the generation threshold of 1 MW under the original incentive, remain unchanged.

Interest deduction limitation rules

Section 23M of the ITA limits the deductibility of interest for South African resident debtors where the creditor is a non-resident which is in a "controlling relationship" with the debtor, or where the non-resident creditor has acquired funding from a party with which it has a controlling relationship.

The section contains rules for calculating "adjusted taxable income", thereby necessitating a precise interpretation of the term "interest". While "interest" is defined under section 23M(1), this definition includes additional amounts that qualify as "interest". The proposed amendment seeks to narrow the scope of this definition, aligning it solely with the definition of "interest" in section 24J of the ITA.

Another proposed amendment extends the application of section 23M to encompass back-to-back lending arrangements, even in the absence of a controlling relationship between the creditor and debtor.

Roll-over relief in respect of listed shares

Section 42 of the ITA, dealing with so-called "asset-for-share transactions", provides corporate roll-over relief where a person disposes of an asset having an embedded unrealised gain to a company in exchange for the issue of equity shares by the company, if the person holds a "qualifying interest" in the company at the close of the day on which the asset is disposed of to the company. The general rule is that the company is treated as having acquired the asset for the same tax cost as applicable to the disposer (i.e. the company effectively steps into the shoes of the person insofar as the tax attributes of the asset are concerned).

The general rule does not apply where the asset constitutes a listed share and the company acquires at least (i) 35% of the equity shares in the listed company or (ii) 25% of the equity shares in the listed company and the company is the majority shareholder in the listed company. In this case, the tax cost of the listed shares will be equal to their market value on the date of the asset-for-share transaction. In other words, the tax cost of the listed shares is "stepped-up" to their current market value in the hands of the company, notwithstanding that the person does not realise any capital gain on their transfer to the company.

The Budget notes that the policy intent was that the step-up in tax cost in the case of listed shares should only apply where the transferor holds less than 20% of the equity shares in the listed company before the asset-for-share transaction, and amendments will be made to give effect to this intent.

Refining amendments to the anti-avoidance provisions dealing with preference share financing transactions

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

Third-party backed preference shares are effectively treated as debt for income tax purposes as any dividend on such shares is deprived of its tax exemption. There are exceptions to this provision, the most common of which applies where the company issuing the third-party backed preference shares uses the resultant subscription capital to acquire equity shares in an operating company from an unconnected party (Target Company), referred to as a "qualifying purpose".

National Treasury has identified transactions which have been structured to avoid the rules. It is not clear from the policy proposals what these anti-avoidance transactions involve, but amendments will be introduced to counter them. This has been an area of focus for National Treasury over the last two years, in which the rules relating to what constitutes a "qualifying purpose" were amended.

Refining the definition of a "hybrid equity instrument"

National Treasury has identified transactions which circumvent the definition of a "hybrid equity instrument" in relation to preference shares. The rules seek to tax distributions in respect of preference shares as normal income where, in the main, the preference share is redeemable within three years of the date of issue. National Treasury is proposing to amend the "hybrid equity instrument" definition to counter certain identified areas of circumvention (which were not elaborated on).

INTERNATIONAL TAX

Controlled foreign company (CFC) rules

CFCs and exit tax

The CFC rules provide that South African residents who hold more than 50% of the participation or voting rights in a CFC must include in their income a proportional ownership percentage of the net income earned by that CFC.

When a foreign company ceases to be a CFC it is deemed to have disposed of all its worldwide assets at market value on the date immediately before the date it ceased to be a CFC, which gives rise to a capital gain triggering CGT in the shareholders' hands, colloquially referred to as an "exit tax". The CFC rules require that the "net income" of the CFC be calculated as if the CFC were a taxpayer and, in certain cases, tax resident in South Africa.

It has come to government's attention that some arrangements between South African holding companies and their foreign subsidiaries, which are CFCs, involve the CFCs acquiring all of the shares in the South African holding companies without triggering an exit tax. It has therefore been proposed that the rules be amended to ensure that the exit tax is triggered in this case.

As explained in the Budget documentation, the proposals as well as the mischief which is sought to be addressed are vague and could give rise to potential absurdities (e.g. a wholly-owned CFC holding 100% of the shares in the holding company). There will hopefully be clarity on the proposals once the draft legislation is published.

High-tax exemption

The CFC rules provide for a so-called "high-tax exemption", in terms of which a CFC's income is not attributed to its South African shareholders if the CFC pays tax at a certain threshold in its country of residence (67.5% of the tax it would have paid in South Africa).

The calculation of the foreign tax paid by that CFC takes into account taxes on income in any jurisdiction outside of South Africa but does not currently take into account the fact that in certain jurisdictions, such as Malta, a tax refund is granted to the shareholder of a CFC for the taxes paid by the CFC. For example, a Maltese company pays tax at 35% on its corporate income, but a credit equal to 6/7 of the tax paid is paid to the shareholder, resulting in a net-effective tax of 5%. The current high-tax exemption would not take into account the credit that is refunded to the shareholder resulting in the high-tax exemption being claimed.

It is therefore proposed that the CFC rules, in particular the rules which determine whether a CFC qualifies for the high-tax exemption, be amended to take into account any refunds received by shareholders of CFCs for taxes paid by the CFC, when calculating whether or not the foreign taxes paid by the CFC for that foreign tax year are at least equal to 67.5% of the notional South African tax.

Taxation of realised and unrealised foreign exchange gains

Where a cross-border foreign currency debt exists between connected persons, the current legislation contains rules which defer the taxation of the foreign currency gains and losses that arise until such time as the debt is repaid or when and to the extent to which such debt is settled or disposed of in any other manner. The way that the legislation reads is that if a debt is paid off over time, the deferred gain on the whole debt is taxed only when the debt is finally and fully paid.

It is proposed that the deferred exchange differences be triggered on the portion of a debt paid during the year of assessment. This change would result in the earlier taxation of foreign currency gains and losses.

INDIRECT TAXES

VAT

Nearly all of the increase in revenue is effected through direct taxes. As noted, there is an increase in the VAT rate from 15% to 15.5% effective from 1 May 2025 and a second increase to 16% to take effect on 1 April 2026.

To curb VAT fraud and abuse, SARS implements risk-mitigating measures throughout the VAT product life cycle, including the requirement for VAT registration.

In this regard, when voluntary VAT registration applications are submitted, SARS **may** require a site inspection to be conducted to verify that the enterprise business address given on the application exists and the premises are conducive to conducting the activities reflected on the application. This site inspection requirement is not contained in either the Tax Administration Act, 2011 (the TAA) or the Value-Added Tax Act, 1991.

It is proposed in the Budget that the provisions of either Act be expanded to include inspections for VAT purposes when there is a voluntary VAT registration application.

Customs

Customs voluntary disclosure programme

The TAA currently enables taxpayers to regularise non-compliance with tax laws through the voluntary disclosure programme. This does not extend to underpayment of customs and excise duties. National Treasury is proposing to amend the Customs and Excise Act, 1964 to introduce a customs and excise voluntary disclosure programme.

Adjustments to bills of entry

National Treasury is proposing amendments to the Customs and Excise Act to introduce flexibility for mass adjustments to several bills of entry through a single document. This will likely relate to cases where a transfer pricing adjustment is made that effects the value of the imported goods or where a supplier has issued several revised invoices.

TAX ADMINISTRATION

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

The understatement penalty regime sanctions and acts as a deterrent to a taxpayer's actions (or omissions) that negatively affect the submission or content of the taxpayer's tax returns.

The penalty imposed for a taxpayer's understatement (which is a prejudice to SARS or the fiscus due to the taxpayer's actions or omissions), is determined on the basis of an *Understatement Penalty Table* set out in the TAA. The Understatement Penalty Table categorises taxpayer behaviour, which is ultimately sanctioned, and it sets out the extent of the penalty applicable thereto.

An understatement penalty will not be imposed, however, where the taxpayer's understatement results from a *bona fide* inadvertent error (i.e., the error was made by the taxpayer while acting in good faith and without intention to deceive.) The term "*bona fide inadvertent error*" has been interpreted to mean an *"innocent misstatement by a taxpayer on his or her return, resulting in an understatement, while acting in good faith and without intention to deceive."*

The Budget provides that the scope of the bona fide inadvertent error should be explicitly linked with "substantial understatement" behaviour in the Understatement Penalty Table, which results in the lowest level of penalty of 10%, as it is not appropriate to apply to the other factual tests or behaviours in the Understatement Penalty Table such as no reasonable grounds for the tax position taken by the taxpayer.

We consider this to be a response to the finding of the Supreme Court of Appeal in The *Thistle Trust v Commissioner for the South African Revenue Service and Coronation Investment Management SA (Pty) Limited v Commissioner for the South African Revenue Service* which found in favour of the taxpayers on the imposition of understatement penalties that the holding of a tax opinion meant that, even if the taxpayer was wrong, there was a bona fide inadvertent error (these aspects were not dealt with in the Constitutional Court as it was not necessary for the court to do so having regard to its findings on the merits).

EXCHANGE CONTROLS

There is still no sign of the long-awaited new Circular on loop structures, but according to the Budget, research is being conducted on the impact of recent reforms to modernise the foreign-exchange system to promote trade and investment. Part of this research includes a review by the IMF of the increase of foreign exposure limits for institutional investors to 45%.

The review recommended that the institutional limit not be reduced from 45% as the reputational, implementation and administrative costs would outweigh any potential benefits.

The annual single discretionary allowance of R1m is colloquially referred to as the "travel allowance" and is what individuals typically use when travelling abroad (but it is available for other expenditures as well, including investment). When a traveller who specifically uses it for travel, and declares it as such, returns to South Africa, he or she must sell the unused foreign currency back to an Authorised Dealer within 30 days (ie convert it back to rand). Going forward, travellers will now be able to deposit unused foreign currency into a foreign currency account at an Authorised Dealer within 30 days of their return.

In accordance with Financial Action Task Force recommendations, the existing policy on cross-border remittances will be expanded to include informal money value transfer services.

Tax Rates and Thresholds

Individuals and Special Trusts

Personal income tax rate and bracket adjustments

2025/26		2024/25	
Taxable Income (R)	**Rates of Tax**	**Taxable Income (R)**	**Rates of Tax**
0 – 237 100	18% of each R1	0 – 237 100	18% of each R1
237 101 – 370 500	R42 678 + 26% of the amount above R237 100	237 101 – 370 500	R42 678 + 26% of the amount above R237 100
370 501 – 512 800	R77 362 + 31% of the amount above R370 500	370 501 – 512 800	R77 362 + 31% of the amount above R370 500
512 801 – 673 000	R121 475 + 36% of the amount above R512 800	512 801 – 673 000	R121 475 + 36% of the amount above R512 800
673 001 – 857 900	R179 147 + 39% of the amount above R673 000	673 001 – 857 900	R179 147 + 39% of the amount above R673 000
857 901 – 1 817 000	R251 258 + 41% of the amount above R857 900	857 901 – 1 817 000	R251 258 + 41% of the amount above R857 900
1 817 001 and above	R644 489 + 45% of the amount above R1 817 000	1 817 001 and above	R644 489 + 45% of the amount above R1 817 000

Rebates

	2025/26	2024/25
	R	**R**
Primary	17 235	17 235
Secondary (Persons 65 and older)	9 444	9 444
Tertiary (Persons 75 and older)	3 145	3 145

Tax threshold

	2025/26	2024/25
	R	R
Below age 65	95 750	95 750
Age 65 to below 75	148 217	148 217
Age 75 and older	165 689	165 689

Annual income tax payable and average tax payable comparison (taxpayers younger than 65):

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

Source: National Treasury

Retirement fund lump sum withdrawal benefits

2025/26	
Taxable Income (R)	**Rate of Tax (R)**
0 – 27 500	0% of taxable income
27 501 – 726 000	18% of taxable income above 27 500
726 001 – 1 089 000	125 730 + 27% of taxable income above 726 000
1 089 001 and above	223 740 + 36% of taxable income above 1 089 000

Retirement fund lump sum benefits or severance benefits

2025/26	
Taxable Income (R)	**Rate of Tax (R)**
0 – 550 000	0% of taxable income
550 001 – 770 000	18% of taxable income above 550 000
770 001 – 1 155 000	39 600 + 27% of taxable income above 770 000
1 155 001 and above	143 550 + 36% of taxable income above 1 155 000

Capital gains tax effective rate (%)

	2025/26	2024/25
For individuals and special trusts	18%	18%
Companies	21.6%	21.6%
Trusts	36%	36%

Capital gains exemptions

Description	2025/26 R	2024/25 R
Annual exclusion for individuals and special trusts	40 000	40 000
Exclusion on death	300 000	300 000
Exclusion in respect of disposal of primary residence (based on amount of capital gain or loss on disposal)	2 million	2 million
Maximum market value of all assets allowed within definition of small business on disposal when person over 55	10 million	10 million
Exclusion amount on disposal of small business when person over 55	1.8 million	1.8 million

Corporate income tax rates

Income tax – Companies

For the financial years ending on any date between 1 April 2025 and 31 March 2026, the following rates of tax will apply:

Type	Rate of Tax %	
	2025/26	2024/25
Companies (other than gold mining companies and long-term insurers)	27	27
Personal service providers	27	27
Foreign resident companies earning income from a South African source	27	27
Dividends Tax	20	20

Tax regime for small business corporations

2025/26		2024/25	
Taxable income	**Rate**	**Taxable income**	**Rate**
1 – 95 750	0% of taxable income	1 – 95 750	0% of taxable income
95 751 – 365 000	7% of taxable income above R95 750	95 751 – 365 000	7% of taxable income above R95 750
365 001 – 550 000	18 848 + 21% of taxable income over 365 000	365 001 – 550 000	18 848 + 21% of taxable income over 365 000
550 001 and above	57 698 + 27% of the amount above R550 000	550 001 and above	57 698 + 27% of the amount above R550 000

Income tax rates for trusts

Rate of Tax %	
2025/26	2024/25
45	45

Tax free portion of interest

		2025/26 R	2024/25 R
Interest	- under 65 - over 65	23 800 34 500	23 800 34 500

Withholding tax – non-residents	Rate of tax %
Dividends	20%
Interest	15%
Royalties	15%
Foreign entertainers and sportspersons	15%

Transfer Duty

The transfer duty table affecting sales on or from 1 April 2025, and which applies to all types of purchasers, is as follows:

Value of property (R)	Rate (R)
0 – 1 210 000	0% of property value
1 210 001 - 1 663 800	3% of property value above R1 210 000
1 663 801 - 2 329 300	13 614 + 6% of the value above 1 663 800
2 329 301 - 2 994 800	53 544 + 8% of the value above 2 329 300
2 994 801 – 13 310 000	106 784 + 11% of the value above 2 994 800
13 310 001 and above	1 241 456 + 13% of property value above R13 310 000

Medical tax credits

Description (monthly amounts)	2025/26 R	2024/25 R
Medical scheme fees tax credit, in respect of benefits to the taxpayer	364	364
Medical scheme fees tax credit, in respect of benefits to the taxpayer and one dependent	728	728
Medical scheme fees tax credit, in respect of benefits to each additional dependant	246	246

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About us

Established in the early 1900s, Werksmans Attorneys is a leading South African corporate and commercial law firm, serving multinationals, listed companies, financial institutions, entrepreneurs and government.

Operating in Gauteng and the Western Cape, the firm is connected to an extensive African legal alliance through LEX Africa. LEX Africa was established in 1993 as the first and largest African legal alliance and offers huge potential for Werksmans' clients seeking to do business on the continent by providing a gateway to Africa.

With a formidable track record in mergers and acquisitions, banking and finance, business rescue and restructuring, commercial litigation and dispute resolution, Werksmans is distinguished by the people, clients and work that it attracts and retains.

Werksmans' more than 200 lawyers are a powerful team of independent-minded individuals who share a common service ethos. The firm's success is built on a solid foundation of insightful and innovative deal structuring and legal advice, a keen ability to understand business and economic imperatives and a strong focus on achieving the best legal outcome for clients.