

2026

Budget Speech

Overview

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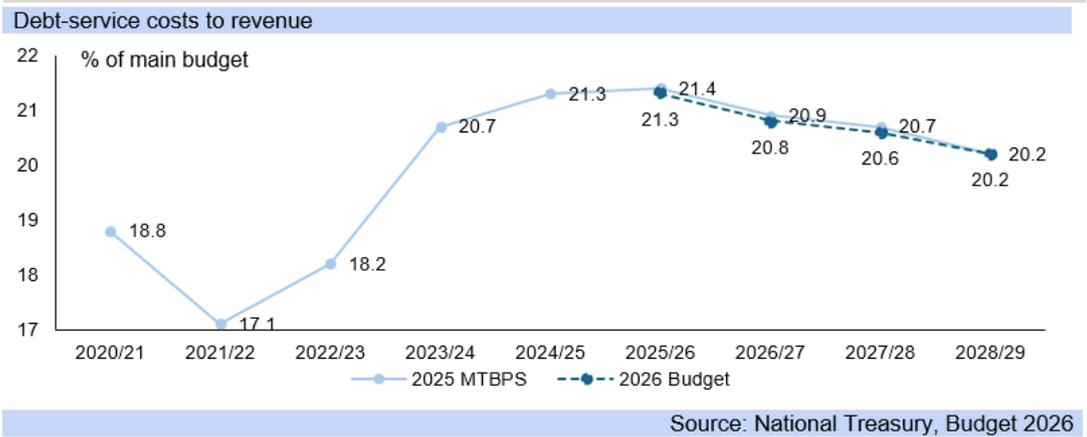
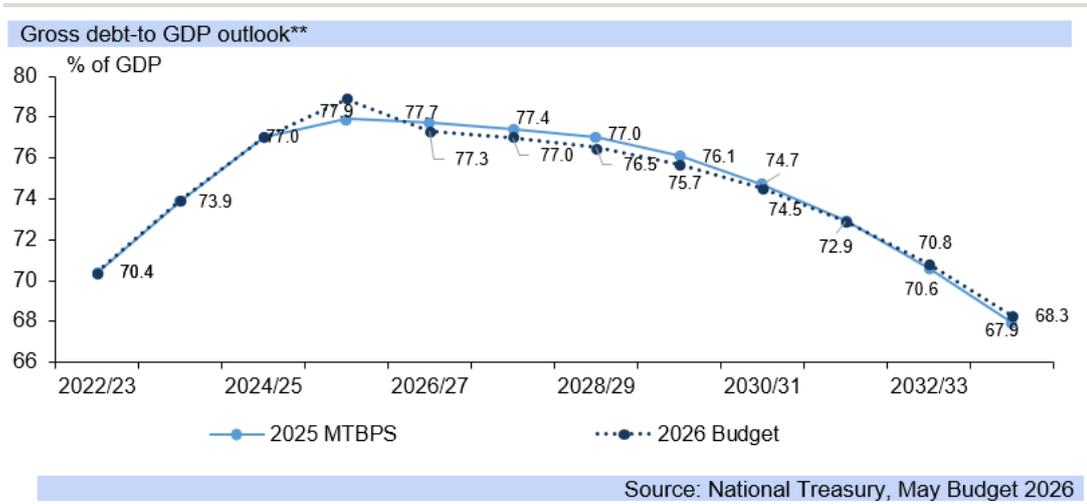
Tax & Exchange Control





Budget note: debt stabilisation as expected this year, modest tax relief, SA in line for further credit rating

Wednesday 25 February 2026



Revisions to main budget revenue estimates							
R billion/% of GDP	2026 Budget	Deviation from the 2025 Budget	2026/27 Deviation from the 2025 Budget	2026 Budget	Deviation from the 2025 MTBPS	2027/28 Deviation from the 2025 Budget	2028/29 2026 Budget ²
Revenue							
Gross tax revenue	2,127.0	-16.2	-14.8	2,248.6	-20.8	-37.9	2,376.2
Non-tax revenue	33.4	8.0	2.6	28.7	4.1	-2.1	29.5
SACU ¹	-78.4	-0.0	-0.2	-87.7	-0.1	1.1	-86.2
National Revenue Fund receipts	–	-0.8	-0.9	1.1	-0.2	0.6	1.2
Main budget revenue	2,082.0	-9.0	-13.4	2,190.8	-17.0	-38.4	2,320.6
	25.4%			25.4%			25.6%

Source: National Treasury, Budget 2026

1. Southern African Customs Union. Amounts made up of payments and other adjustments
2. The main budget revenue for 2028/29 estimated in the 2026 Budget, is R15.7 billion lower than the estimate in the 2025 MTBPS

Revisions to non-interest expenditure for 2025/26

R million	2025/26
Non-interest expenditure (2025 Budget)	1,884,384
Upward expenditure adjustments	66,671
Allocations in the 2025 AENE ¹	19,961
Increase in the contingency reserve announced in 2025 MTBPS	8,519
Additions to the provincial equitable share ²	16,173
Allocations for additional pressures (Special Appropriation (2025/26 financial year) Bill) ³	8,498
Allocations of expenditure announced in the 2025 MTBPS (Special Appropriation (2025/26 financial year) Bill) ⁴	13,519
Downward expenditure adjustments	-50,747
Provisional allocations not appropriated	-18,712
National government projected underspending	-9,802
Drawdown of contingency reserve	-13,519
Declared unspent funds	-8,714
Technical adjustments⁵	6,224
Revised non-interest expenditure (2026 Budget)	1,906,532
Change in non-interest expenditure from 2025 Budget	22,148
Upward expenditure adjustments	66,671
Allocations in the 2025 AENE ¹	19,961
Increase in the contingency reserve announced in 2025 MTBPS	8,519

Source: National Treasury, Budget 2026

1. 2025 Adjusted Estimates of National Expenditure
2. Includes expenditure announced in the 2025 Budget, allocations for the impact of population changes and early retirement
3. Passenger Rail Agency of South Africa, Durban Container Terminal, debt owed to Sentech by SABC and share subscription for the International Finance Corporation
4. Transnet capital projects, rebuilding of Parliament, capitalisation of the Credit Guarantee Vehicle, Sentech dual illumination costs and 2026 municipal elections
5. NRF payments and skills development levy

Consolidated fiscal framework							
R billion/percentage of GDP	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
		Outcome		Revised	Medium-term estimates		
Revenue	1,902.4	1,950.2	2,053.8	2,231.7	2,345.4	2,467.3	2,612.7
	28.1%	27.4%	27.8%	28.8%	28.6%	28.6%	28.8%
Expenditure	2,146.6	2,256.7	2,389.8	2,578.9	2,669.7	2,768.1	2,893.4
	31.7%	31.7%	32.3%	33.2%	32.6%	32.1%	31.9%
Non-interest expenditure	1,830.8	1,893.1	1,996.7	2,150.7	2,228.9	2,307.8	2,413.1
	27.1%	26.6%	27.0%	27.7%	27.2%	26.8%	26.6%
Budget balance	-244.2	-306.5	-336.0	-347.2	-324.3	-300.8	-280.7
	-3.6%	-4.3%	-4.5%	-4.5%	-4.0%	-3.5%	-3.1%

Source: National Treasury, Budget 2026

- Gross debt is expected to peak at 78.9%/GDP in the current tax year, then drop below 75%/GDP in five years' time. Revenue lifted by R29bn, withdrawing the R20bn tax proposal, and the rand was little changed at R15.88/USD.
- We estimated a R26bn revenue overrun (see Budget Preview, 3rd February, contact details below), but the fiscus expects a greater lift in the pace of revenue collection in the remainder of 2025/26, which ends in March of the 2026 calendar year.
- There are no tax increases proposed over the medium-term expenditure framework period (MTEF) either, of 2026/27 to 2028/29, save the counterbalancing effect of a R1bn rise in the carbon fuel levy but a R1bn inflation drop in the general fuel levy.
- This is as revenue was adjusted upwards in the MTEF as well, now running at 5.0% y/y to 6.0% y/y, all main budget figures. The revenue overrun in 2026/27 with this year's, is close to R55bn resulting in tax relief (for bracket creep) as expected.
- For this year, 2025/26, which is near complete, debt service costs are revised lower, by about R6bn, the general fuel levy stayed unchanged and less than R1bn increase in public sector costs, adding to the positive outcome overall.
- South Africa runs a primary balance surplus over the forecast period, indicative of fiscal sustainability improving. The budget deficit is projected to fall from -4.5%/GDP this year, to -3.1% of GDP by 2028/29.
- Credit ratings upgrades are expected from S&P (currently BB) in the next eighteen months and by Fitch (BB-) and Moodys (BB equivalent) over three years if debt/GDP nears 75% as economic growth accelerates to 3.0% y/y by 2030/31.
- A fiscal anchor would help achieve fiscal consolidation and credit rating upgrades, and will be proposed in the MTBPS later this year. Key also is that non-interest expenditure falls to 26.6% of GDP by 2028/29 from 27.7% of GDP currently.
- While a good budget from a financial market perspective, the outcome was largely factored in for the rand, although the JSE gained, with revenue benefiting from windfalls from the jump in precious metals prices and agricultural production.

Please scroll down to the second section below

Macroeconomic outlook - Summary

Real percentage growth	2025	2026	2027	2028
	Estimated		Forecast	
Household consumption	3.1	1.8	2.0	2.2
Gross fixed-capital formation	-2.0	2.4	3.3	3.9
Exports	-2.0	1.6	2.4	2.9
Imports	1.0	3.0	2.9	3.1
GDP growth	1.4	1.6	1.8	2.0
Consumer price index (CPI) inflation	3.2	3.4	3.3	3.2
Current account balance (% of GDP)	-0.9	-1.0	-1.2	-1.3

Source: National Treasury, Budget 2026

Public-sector infrastructure expenditure and estimates - summary

R billion/	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	MTEF
	Outcomes			Revised Estimate	Medium-term estimates			
Energy	38.7	46.1	50.6	59.2	69.0	74.4	70.3	213.6
Water and sanitation	35.4	27.5	48.6	62.7	61.2	60.8	63.2	185.2
Transport and logistics	86.4	75.1	109.6	130.7	135.8	147.4	134.4	417.6
Other economic services	18.9	48.1	21.4	24.6	21.9	21.9	21.7	65.4
Health	11.9	13.1	13.6	15.8	14.5	14.4	14.6	43.5
Education	21.1	14.5	19.8	19.1	18.7	20.2	19.5	58.5
Human settlements ¹	14.3	21.3	17.2	18.1	15.5	16.2	16.7	48.4
Other social services	3.3	0.5	3.5	4.6	3.7	3.1	3.1	9.8
Administration services ²	9.0	10.7	7.4	10.5	8.8	9.3	6.3	24.4
Total	238.8	256.9	291.7	345.2	349.0	367.6	349.7	1,066.4
National departments	13.2	14.2	13.8	16.1	12.8	13.6	13.8	40.2
Provincial departments	60.1	73.2	71.5	78.9	74.1	71.6	72.2	217.8
Local government	64.7	56.8	72.0	71.0	68.9	67.4	69.5	205.7
Public entities ³	26.8	26.4	25.9	40.2	41.9	46.9	43.1	131.9
Public-private partnerships	6.0	6.8	7.1	7.8	8.2	8.3	8.7	25.2
State-owned companies ³	68.0	79.4	101.4	131.2	143.2	159.9	142.4	445.5
Total	238.8	256.9	291.7	345.2	349.0	367.6	349.7	1,066.4

Source: National Treasury, Budget 2026

- Human settlements includes public housing and bulk infrastructure amounting to R48.4 billion over the MTEF period
- Administration services include infrastructure spending by the departments of International Relations
- Public entities are financed by capital transfers from the fiscus and state-owned companies are financed from a combination of own revenue and borrowings

Consolidated operating and capital accounts

R billion/percentage of GDP	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Outcome			Revised	Medium-term estimates		
OPERATING ACCOUNT							
Current revenue	1,881.2	1,915.3	2,023.1	2,198.8	2,322.4	2,448.2	2,591.9
Current payments	1,931.7	2,074.0	2,189.4	2,336.5	2,437.8	2,519.8	2,608.1
"Compensation of employees"	689.3	723.9	760.5	808.6	852.6	891.5	920.2
Goods and services	292.4	314.7	331.6	352.1	362.8	366.8	381.3
Interest payments	315.8	363.6	393.1	428.2	440.7	460.3	480.4
"Current transfers and subsidies"	634.2	671.8	704.2	747.6	781.6	801.3	826.3
Current balance	-50.5	-158.6	-166.3	-137.7	-115.4	-71.6	-16.2
	-0.7%	-2.2%	-2.2%	-1.8%	-1.4%	-0.8%	-0.2%
CAPITAL ACCOUNT							
Capital receipts	0.7	0.7	0.7	0.3	0.4	0.3	0.4
Capital payments	89.8	103.6	113.1	130.3	135.4	146.3	172.2
Capital transfers	78.2	73.1	75.1	90.5	80.7	82.2	84.7
"Capital financing requirement"	-167.3	-176.0	-187.5	-220.4	-215.7	-228.2	-256.5
	-2.5%	-2.5%	-2.5%	-2.8%	-2.6%	-2.6%	-2.8%
Financial transactions ¹	-26.4	28.2	17.7	11.0	11.9	9.6	9.0
Contingency reserve	-	-	-	-	5.0	10.6	17.0
Budget balance	-244.2	-306.5	-336.0	-347.2	-324.3	-300.8	-280.7
	-3.6%	-4.3%	-4.5%	-4.5%	-4.0%	-3.5%	-3.1%

Source: National Treasury, Budget 2026

Consolidated government expenditure by function			
R billion	2025/26	2026/27	Average growth
	Revised estimate	Budget Estimates	2025/26-2028/29
Learning and culture	514.3	527.2	3.4%
Health	295.4	310.4	4.2%
Social development	412.2	446.6	4.2%
Community development	291.0	294.3	3.9%
Economic development	269.1	283.9	5.8%
Peace and security	268.2	274.6	2.8%
General public services	86.5	84.4	1.0%
Payments for financial assets	21.6	10.8	0.0%
Allocated expenditure	2,158.2	2,232.2	3.7%
Debt-service costs	420.6	432.4	3.7%
Contingency reserve	–	5.0	0.0%
Consolidated expenditure¹	2,578.9	2,669.7	3.9%

Source: National Treasury, Budget 2026

1. Consisting of national and provincial government, social security funds and selected public entities. Refer to Annexure W2 on the National Treasury website for a full list of entities included

Budget revenue and outcomes and outlook ¹							
R billion/percentage of GDP	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
		Outcome		Revised	Medium-term estimates		
Taxes on income and profits ²	988,505	1,008,558	1,100,530	1,188,334	1,284,313	1,338,589	1,414,788
of which:							
Personal income tax	600,367	648,911	729,911	786,214	844,820	895,667	947,472
Corporate income tax	344,860	313,097	318,739	346,576	364,262	382,846	405,806
Skills development levy	20,892	22,604	24,448	25,979	27,657	29,406	31,183
Taxes on property	21,238	19,400	22,505	25,952	27,396	28,824	30,370
"Domestic taxes on goods and services"	579,990	616,459	627,973	683,033	718,633	759,053	798,718
of which:							
VAT	422,416	447,557	457,789	497,594	521,363	551,610	580,520
"Taxes on international trade and transactions"	76,068	73,849	79,826	83,649	88,963	94,777	101,093
Gross tax revenue	1,686,697	1,740,870	1,855,270	2,006,947	2,126,962	2,248,628	2,376,153
Non-tax revenue ³	56,201	62,948	44,394	44,838	33,449	29,872	30,682
of which:							
Mineral and petroleum royalties	25,338	15,979	10,636	11,805	12,145	12,762	13,527
Less: SACU4 payments	-43,883	-79,811	-89,874	-73,552	-78,408	-87,665	-86,234
Main budget revenue	1,699,215	1,724,007	1,809,790	1,978,232	2,082,003	2,190,835	2,320,601
Provinces, social security funds and selected public entities	203,149	226,197	243,991	253,443	263,424	276,466	292,137
Consolidated budget revenue"	1,902,364	1,950,204	2,053,781	2,231,675	2,345,427	2,467,301	2,612,738
As percentage of GDP							
Tax revenue	24.9%	24.5%	25.1%	25.9%	26.0%	26.1%	26.2%
Main budget revenue	25.1%	24.2%	24.5%	25.5%	25.4%	25.4%	25.6%
GDP (R billion)	6,768.2	7,114.4	7,398.9	7,756.7	8,188.1	8,615.1	9,077.3
Tax buoyancy	1.11	0.63	1.64	1.69	1.08	1.10	1.06

Source: National Treasury, Budget 2026

1. A more disaggregated view is presented in Tables 2 and 3 of the statistical *annexure*
2. includes dividends tax, interest withholding tax and interest on overdue income tax
3. includes mineral and petroleum royalties, mining leases, departmental revenue and sales of capital assets
4. Southern African Customs Union. Amounts made up of payments and other adjustments

Division of revenue				
	2025/26	2026/27	2027/28	2028/29
R billion	Preliminary outcome		Medium-term estimates	
National allocations	939.4	951.7	939.9	987.9
Provincial allocations	788.8	810.5	845.9	872.4
<i>Equitable share</i>	649.3	670.3	698.6	720.4
<i>Conditional grants</i>	139.4	140.2	147.2	152.0
Local government allocations	178.3	182.3	189.3	195.3
Provisional allocations not appropriated	–	1.3	38.2	39.2
Total allocations	1,906.5	1,945.8	2,013.3	2,094.8
Percentage shares				
National	49.3%	48.9%	47.6%	48.1%
Provincial	41.4%	41.7%	42.8%	42.4%
Local government	9.4%	9.4%	9.6%	9.5%

Source: National Treasury, Budget 2026

- Government lifted its growth forecast for 2025, to 1.4% y/y from 1.2% y/y to 1.6% y/y this year from 1.5% y/y, with 2028 unchanged. It lowered its inflation forecast this year to 3.4% y/y from 3.2% y/y, 2027 and 2028 unchanged at 3.3% y/y and 3.2% y/y
- This has had the impact of reducing the nominal GDP outcome and the Budget notes “(t)he higher debt peak is attributed to weaker nominal GDP growth and increased borrowing in 2025/26”.
- As expected, the Budget notes progress in Operation Vulindlela, but acknowledges “progress with reform implementation has been slow due to the complexity of some reforms and associated legislative and administrative processes”.
- Fixed investment amounts to R1.1trillion over the medium-term in the budget, “54.1 per cent, or R577.4 billion of the total planned infrastructure expenditure will be executed by state-owned companies and public entities”.
- “A debt-stabilising main budget primary surplus this year of 0.9% of GDP, grows to over 1.0% of GDP over the medium term, benefiting from improved revenue collection”, and is expected to “anchor fiscal policy over the medium term”.
- “Debt-service costs are revised down by R10.6 billion over the medium term, driven by improved bond yields, an appreciating rand, and lower inflation and interest rates”, although there is a risk from higher bond yields in market-risk off.
- Tax relief occurs as “(t)hresholds, rebates and duties are adjusted for inflation, - Personal income tax brackets and rebates, and medical tax credits, are adjusted in line with expected inflation”.
- For the usual increase in sin taxes “(e)xcise duties on alcoholic beverages and tobacco products increase in line with inflation”. “Effective 1 April 2026, the compulsory VAT registration threshold increases to R2.3 million”.
- The rise in the VAT threshold aids small businesses, “the tax-free investments annual limit is increased from R36 000 to R46 000”. There is no fiscal slippage, but debt ratios are still projected above the sustainable 60% /GDP mark for EMs.

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

Source: National Treasury, Budget 2026

Estimates of individuals and taxable income, 2026/27										
Taxable bracket	Registered individuals		Taxable income		Income tax before any relief		Tax relief from proposals		Final income tax payable	
R thousand	Number	%	R billion	%	R billion	%	R billion	%	R billion	%
R0 - R99 ¹	5,911,034	–	255.4	–	–	–	–	–	–	–
R99 - R150	2,082,136	25.0	248.6	6.7	15.7	1.8	-1.1	8.2	14.5	1.7
R150 - R250	1,490,061	17.9	290.9	7.8	22.1	2.6	-1.0	6.9	21.2	2.5
R250 - R350	1,182,539	14.2	352.5	9.4	45.1	5.3	-1.5	10.9	43.6	5.2
R350 - R500	1,378,140	16.5	585.2	15.7	99.1	11.5	-2.4	17.7	96.6	11.4
R500 - R750	1,136,023	13.6	694.9	18.6	152.3	17.7	-3.2	23.2	149.1	17.7
R750 - R1 000	423,786	5.1	368.1	9.9	99.5	11.6	-1.6	11.4	97.9	11.6
R1 000 - R1 500	377,415	4.5	454.2	12.2	140.8	16.4	-1.5	11.0	139.3	16.5
R1 500 +	267,761	3.2	741.7	19.9	284.1	33.1	-1.5	10.8	282.6	33.4
Total	8,337,861	100.0	3,736.1	100.0	858.6	100.0	-13.7	100.0	844.8	100.0
Grand total	14,248,895		3,991.5		858.6		-13.7		844.8	

Source: National Treasury, Budget 2026

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

Main Budget Framework							
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2022/23
R billion/percentage of GDP	Outcome			Revised	Medium-term estimates		
Revenue							
Gross tax revenue after proposals	1,686.7	1,740.9	1,855.3	2,006.9	2,127.0	2,248.6	2,376.2
Non-tax revenue	51.0	43.9	35.9	38.2	33.4	28.7	29.5
SACU ¹	-43.7	-79.8	-89.9	-73.6	-78.4	-87.7	-86.2
National Revenue Fund receipts	5.2	19.0	8.5	6.6	–	1.1	1.2
Main budget revenue	1,699.2	1,724.0	1,809.8	1,978.2	2,082.0	2,190.8	2,320.6
	25.1%	24.2%	24.5%	25.5%	25.4%	25.4%	25.6%
Expenditure							
National departments	855.9	826.9	860.5	939.4	951.7	939.9	987.9
Provinces	694.1	706.3	730.6	788.8	810.5	845.9	872.4
Local government	150.7	157.7	167.7	178.3	182.3	189.3	195.3
Contingency reserve	–	–	–	–	5.0	10.6	17.0
Provisional allocations not appropriated	–	–	–	–	1.3	38.2	39.2
Projected underspending	–	–	–	–	–	–	–
Non-interest expenditure	1,700.7	1,690.8	1,758.8	1,906.5	1,950.8	2,023.9	2,111.7
Debt-service costs	308.5	356.1	385.8	420.6	432.4	451.5	469.3
Main budget expenditure	2,009.2	2,046.9	2,144.6	2,327.1	2,383.3	2,475.4	2,581.1
	29.7%	28.8%	29.0%	30.0%	29.1%	28.7%	28.4%
Main budget balance	-309.9	-322.9	-334.9	-348.9	-301.3	-284.5	-260.5
	-4.6%	-4.5%	-4.5%	-4.5%	-3.7%	-3.3%	-2.9%
Primary balance	-1.5	33.2	51.0	71.7	131.2	166.9	208.9
	0.0%	0.5%	0.7%	0.9%	1.6%	1.9%	2.3%

Source: National Treasury, May Budget 2026

1. Southern African Customs Union. Amounts made up of payments and other adjustments. The estimates for 2025/26 and 2026/27 include forecast error adjustments for 2023/24 and 2024/25 respectively

Summary of the consolidated budget					
R million	2025/26		2026/27	2027/28	2028/29
	Budget estimate	Revised estimates	Budget estimates	Medium-term estimates	
National budget revenue¹⁾	1 949 409	1 978 232	2 082 003	2 190 835	2 320 601
<i>Revenue of provinces, social security funds and public entities</i>	251 420	253 443	263 424	276 466	292 137
Consolidated budget revenue²⁾	2 200 828	2 231 675	2 345 427	2 467 301	2 612 738
National budget expenditure¹⁾	2 310 730	2 327 141	2 383 253	2 475 364	2 581 069
<i>Expenditure of provinces, social security funds and public entities</i>	267 952	251 716	286 426	292 766	312 355
Consolidated budget expenditure²⁾	2 578 682	2 578 857	2 669 679	2 768 130	2 893 424

Source: National Treasury, Budget 2026

1) Transfers to provinces, social security funds and public entities presented as part of the national budget.

2) Flows between national and provincial government, social security funds and public entities are netted out.

Summary of the consolidated budget

R million	2025/26		2026/27	2027/28	2028/29
	Budget estimate	Revised estimates	Budget estimates	Medium-term estimates	
Consolidated budget balance	-377 854	-347 182	-324 251	-300 829	-280 686
Percentage of GDP	-4.8%	-4.5%	-4.0%	-3.5%	-3.1%
Redemptions	-171 705	-159 520	-134 753	-284 151	-194 575
Domestic long-term loans	-111 357	-102 905	-98 590	-260 250	-147 724
Foreign loans	-60 349	-56 616	-36 163	-23 901	-46 850
Eskom debt-relief arrangement	-80 223	-80 000	-	-	-10 000
GFECRA settlement	25 000	25 000	56000	-	-
Gross borrowing requirement	-604 782	-561 702	-403 005	-584 981	-485 261
Financing					
Domestic loans	378 168	427 483	269 400	452 000	359 100
Foreign loans	98 949	110 572	53 735	85 768	87 409
Change in cash and other balances	127 665	23 647	79 870	47 212	38 751
Total financing	604 782	561 702	403 005	584 981	485 261

Source: National Treasury, Budget 2026

1) Transfers to provinces, social security funds and public entities presented as part of the national budget.

2) Flows between national and provincial government, social security funds and public entities are netted out.

Revised gross tax revenue projections

R billion	2024/25 ¹	2025/26	2026/27	2027/28	2028/29
Revised estimate	1 855.3	2 006.9	2 127.0	2 248.6	2 376.2
<i>Buoyancy</i>	<i>1.64</i>	<i>1.69</i>	<i>1.08</i>	<i>1.10</i>	<i>1.06</i>
2025 MTBPS	1 855.3	2 005.3	2 143.1	2 269.4	2 396.3
<i>Buoyancy</i>	<i>1.64</i>	<i>1.54</i>	<i>1.40</i>	<i>1.06</i>	<i>1.06</i>
2025 Budget	1 855.3	1 985.6	2 141.8	2 286.5	
<i>Buoyancy</i>	<i>1.48</i>	<i>1.12</i>	<i>1.29</i>	<i>1.05</i>	
Projected variance against 2025 MTBPS	-	1.7	-16.2	-20.8	-20.2
Projected variance against 2024 Budget	-	21.3	-14.8	-37.9	

Source: National Treasury, Budget 2026

1. Actual outcome



Tax & Exchange Control

GERHARD BADENHORST
DIRECTOR
CDH | TAX & EXCHANGE CONTROL



Tax & Exchange Control

VAT Revenue

Total expected VAT revenue for 2026 fiscal year: R497 billion

Increase of approximately R40 billion (8%) over 2025

VAT collections: 24,8% of total tax collections

VAT Rate

Remains unchanged at 15%

Impact on vendors:

- enhanced enforcement and collection procedures
- expanded and more focused audits driven by algorithm enabled and AI risk profiling tools
- increased disputes

VAT Modernisation

- VAT administration and return process remained unchanged since the introduction of VAT
- Announcement in 2023, publication of White Paper on VAT modernisation
- SARS published a further White Paper on modernisation in October 2025
- Completely change the VAT administration and reporting framework
- Introduction of e-invoicing and real-time data transmission to SARS, prepopulated VAT returns
- Implementation in phases over the next few years: certain legislation amendments already introduced
- Impact on businesses

Budget 2026: VAT proposals

- Unchanged: list of zero-rated food items
- Compulsory VAT registration threshold: increase to R2,3 million effective 1 April 2026
- Services rendered to a CCAE or SEZ operator, only zero rated if physically supplied within the Customs Controlled Area under s 11(2)(k)
- Supply of gold to banks, SARB and SA Mint company: zero rating under s 11(1)(f) to be repealed
- Electronic services: s 54(2B): intermediary is deemed to make supplies if it concluded a written agreement with the principal supplier. Section to be amended to deem intermediary the supplier, unless an agreement to the contrary is concluded.

Budget 2026: VAT proposals

- Leasehold improvements: section 18C deems the lessor, being a vendor, to have made a taxable supply of leasehold improvements where the improvements are used for VAT exempt purposes. Section 18C does not apply to non-vendor lessors. **Proposal:** to include a payment mechanism for non-vendors.
- Distinction between eFilers and non-eFilers to be withdrawn. Everyone files on the last business day of the month.

Budget 2026: VAT proposals

Second-hand goods and notional input tax:

- Exports of second-hand goods, zero rating does not apply to the extent a notional input tax deduction was claimed. Risk of claiming input tax only after export date. **Proposal:** cannot claim notional input tax deduction in a tax period after the goods were exported.
- Documentation to support zero rating: **Proposal:** Documents for second-hand goods vendors (traders) to be expanded to those required under section 21 of the Second-Hand Goods Act.
- Exports of second-hand goods are subject to VAT at 15% to the extent that a notional input tax deduction was claimed. **Proposal:** the supplier must issue a tax invoice reflecting the purchase price paid by the vendor and the amount of notional input tax previously claimed.

Tax & Exchange Control

EMIL BRINCKER
DIRECTOR & PRACTICE HEAD
CDH | TAX & EXCHANGE CONTROL



TAX STATISTICS: REVENUE COLLECTION 2024/25

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Net Revenue Collected

R1 855.3 billion
(PY: R1 740.9 billion)



Personal Income Tax (Includes Provisional and PAYE)

Net Revenue
Collected

R733.2 bn
2025

R651.4 bn
2024



Value Added Tax (VAT)

Net Revenue
Collected

R457.8 bn
2025

R447.6 bn
2024



Corporate Income Tax (CIT)

Net Revenue
Collected

R323.2 bn
2025

R316.9 bn
2024



Customs Duties

Gross Revenue
Collected

R76.7 bn
2025

R70.5 bn
2024



Fuel Levy

Net Revenue
Collected

R85.9 bn
2025

R91.5 bn
2024

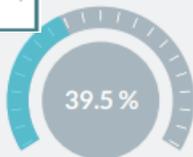


Two-pot
withdrawals
impact

44.7%

PAYE payments received
from the
Financial Intermediation,
Insurance sector

PIT



VAT



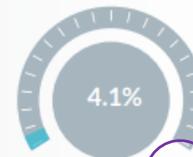
CIT



Fuel Levy



Customs Duties



Increase in
clothing
and tobacco
imports

TAX STATISTICS:PIT

Tax & Exchange Control



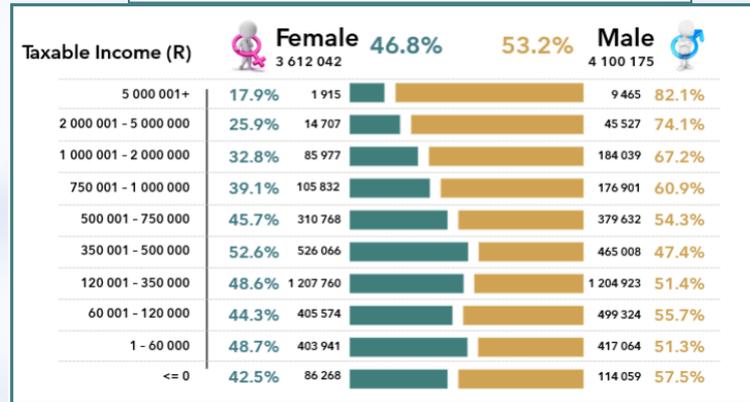
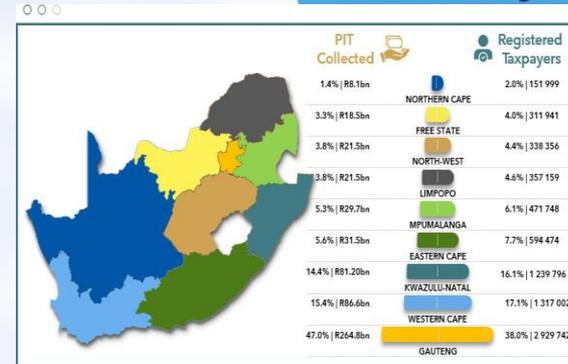
- 1,817,000 taxpayers fell in the upper tax bracket of 45% **(23,6% of assessed taxpayers)**
- 163,702 taxpayers earned in excess of R1.5 million of taxable income and contributed R193.9 billion in tax **(2,13% of assessed taxpayers)**
- 12,630 taxpayer earned in excess of R5 million taxable income **(0,16% of assessed taxpayers)**
- PIT to fall short of estimate

TAX STATISTICS: PIT (cont)

A demographic and geographic analysis of the assessments indicates that:

- 2,929,742 (38.0%) of assessed taxpayers were registered in Gauteng;
- 970,892 (36.0%) of assessed taxpayers in Gauteng lived in the Johannesburg Metro and were taxed on an average taxable income of R480,318;
- 2,061,259 (26.7%) of assessed taxpayers were between 35 to 44 years old;
- 4,064,846 (52.7%) of assessed taxpayers were male; 3,612,042 (46.8%) were female.

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TAX STATISTICS:VAT

For the 2024/25 fiscal year...



900 285 registered VAT vendors
496 858 were active



55.2%
ACTIVE

Active VAT Vendors



Financial Intermediation, Insurance, Real Estate and Business Services sections were the largest sector constituting 40.6% of the total number of active vendors.



Vendors making payments and receiving refunds in the monthly category



TAX STATISTICS:CIT

CIT is the 3rd largest contributor to tax revenue



18.2%

2023/24



17.4%

2024/25

Contraction due to extraordinary payment by manufacturing company that did not repeat in 24/25

More than 4.1 million companies on register as at March 2025

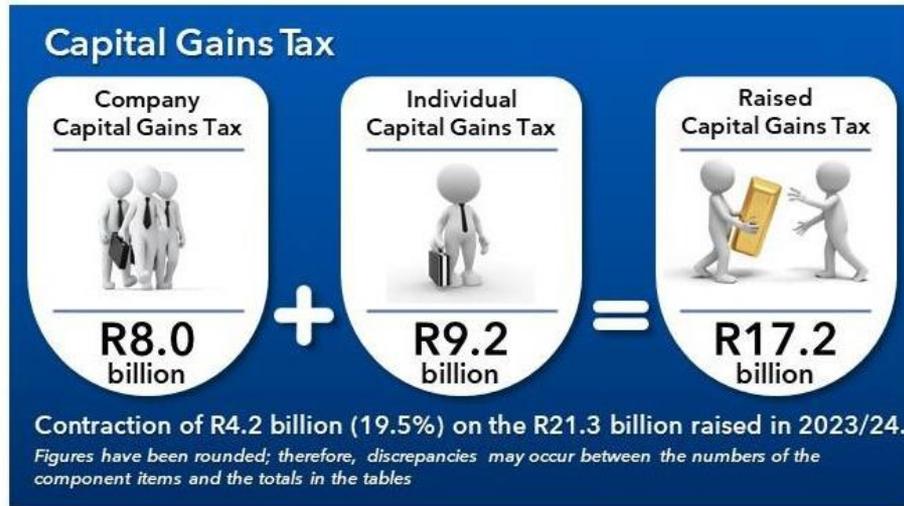
1 228 437

30%

...were assessed
(majority of remainder inactive or dormant)

- Manufacturing sector declined whereas mining sector increased by 29%
- 21.7% of 1,228,043 had a positive taxable income.
- The Financial Intermediation, Insurance, Real Estate and Business Services sector accounted for 22.8% of the assessed companies and was liable for 37.1% of the CIT assessed.
- 557 companies earned R709 billion worth of taxable income resulting in R172 billion worth of tax.

CAPITAL GAINS TAX

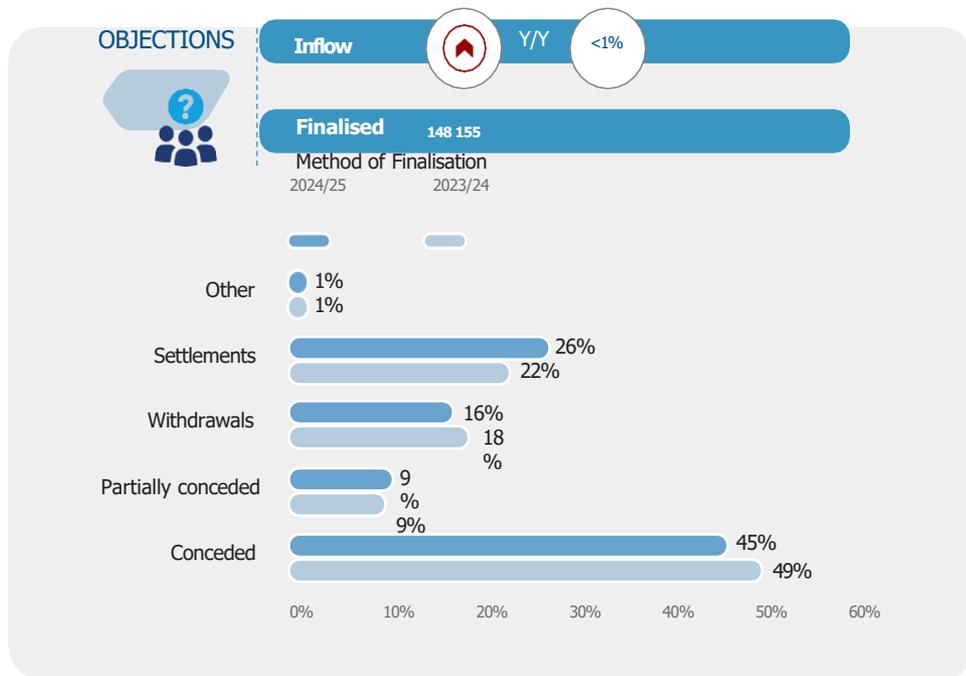


COLLECTIONS

- SARS fell short of estimate by R15 billion
- Overdue scheduled payments declined from R14.6 billion to R6.8 billion
- Estimate pertaining to collection of taxes under global minimum tax (Pillar 2) reduced from R8 billion to R2 billion

TAX LITIGATION

- 145,667 objections were filed whereas 8,447 appeals were received.
- Appeals over R1 million increased to 628.
- 97% of appeals were resolved through ADR.
- SARS won 156 of 188 cases translating to an 83% success rate (compared to a success rate of 86% in the previous year)



DEDUCTION OF INTEREST – SECTION 11G

- Practice Note 31 repealed and substituted by section 11G with effect from 1 January 2026.
- Two types of interest are relevant, i.e. –
 - ✓ Interest on a loan borrowed in order to on-lend to a third party;
 - ✓ Aggregate of interest accrued versus aggregate of interest incurred.
- If one borrows money in order on-lend with no profit, there is no trade.
- Section 11G allows interest deduction up to the interest incurred if amounts are on-lent.
- Interest deducted may not exceed the amount of interest accrued during the year of assessment.
- It is no longer possible to aggregate interest deductions which are not linked to the earning of interest (such as the receipt of dividends).

PREFERENCE SHARES

- Preference shares would be a hybrid equity instrument to the extent that –
 - equity shares in the operating company are disposed of unless proceeds are used to settle the redemption of the preference shares and the settlement of dividends;
 - the preference shares constitute a third party backed share at any stage during a previous year of assessment (even though it may be cured thereafter) (example used of rights being lifted for one day prior to the end of the year of assessment).
- Preference shares are also subject to unrealized foreign exchange gains and losses in terms of section 24I.

UNLISTED REITS

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- Release of draft regulations during December 2025.
- Company must be a wholly owned subsidiary of an insurer, a retirement fund or a short term insurer.
- At the end of the previous year of assessment, 80% or more of the value of the assets, reflected in the AFS, should be directly or indirectly attributable to immovable property and an interest in a property company.
- At least 75% of the revenue as reflected in the statement of comprehensive income of the company is derived from rental revenue.
- Total liabilities or consolidated liabilities is not more than 60% of the total assets or consolidated assets as reflected in AFS.
- Company has gross assets of at least R300 million in its latest AFS.
- Company qualifies for a tax deduction of distributions under section 25BB.

UNLISTED REITS (cont)

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- Audit committee or a separate risk committee is responsible for adopting and implementing an appropriate risk management policy, which must as a minimum be in accordance with industry practice and specifically prohibit the company from entering into any derivative transactions that are not in the normal course of the company's business and must report in the annual report each year that they have monitored compliance with this policy and that the company has in all material respects complied with the policy during the year concerned.
- Effect would be that distributions are deductible whereas no capital gains tax is payable. Allowances cannot be claimed going forward.
- No relief yet to shareholders that are not part of the insurance or retirement industry category.

COLLECTIVE INVESTMENT SCHEMES

- Hedge funds no longer qualify for asset-for-share transactions in terms of section 42 but does qualify for amalgamation transactions (1 January 2027 applicable to years of assessment commencing on or after that date).
- Steinhoff exemption for listed companies substituted such that the step-up in base cost only applies to a person holding less than 20% of the shares in a listed company such that the recipient holds at least 35% of the equity shares in a listed company (or 25% if no other person holds at least an equal or greater amount of equity shares).
- Distribution of capital receipts by a CIS is treated as a capital gain for the holder of the participatory interest (1 March 2026).
- Proposal to exclude qualified investment hedge funds from CIS regime.

PAY NOW ARGUE LATER RULE

VAT JOU GOED EN TREK FERREIRA



- Five requirements for suspension, being –
 - Whether the recovery of the tax will be in jeopardy or whether there is a risk of dissipation of assets
 - Compliance history of the taxpayer
 - Existence of fraud
 - Payment will result in irreparable hardship to the taxpayer not justified by the prejudice to SARS if the amount is not paid
 - Whether the taxpayer has tendered adequate security for the payment of the disputed tax

PAY NOW ARGUE LATER RULE (cont)

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- In the Ferreira case there was fraud, but adequate security tendered by taxpayer (ultimately accepted by SARS)
- No indication that security was considered by SARS committee
- Court substituted decision in the place of SARS (having regard to review proceedings)

PENALTY REGIME FOR UNDERESTIMATION OF PROVISIONAL TAX

- The R1 million cap for relying on amounts based on historical assessments is increased to R1.8 million for years of assessment commencing after 1 March 2026
- Must pay provisional tax before one can argue under estimation penalty should not be imposed

VOLUNTARY DISCLOSURE PROCESS

- Process quite rigid as no prescription is allowed
- Pursuant to the Metcash case, interest will always be imposed
- Ability now to apply for remission of interest

OBLIGATION OF NON-RESIDENT EMPLOYER TO DEDUCT PAYE

- Currently employer must withhold PAYE should it conduct business through a PE in South Africa
- Employee must be connected to the PE

DOMESTIC TREASURY MANAGEMENT COMPANY

Tax & Exchange Control

- Beneficial to the extent that the DTMC can raise funds in foreign currency
- Amendments proposed pertaining to translation gains if the DTMC has CFCs which have to be accounted for in terms of section 9D

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