

FROM HEADWINDS TO TAILWINDS

The 2026 National Budget Speech comes at a pivotal moment for South Africa's economy.

Budget Speech
25 February 2026

MEMBER ANALYSIS
25 February 2026



#TrustedWithTheFuture | saica.org.za

FOREWORD BY THE CEO

From a National Budget perspective, 2025 was a year that demanded reflection on what was working as well as what needed further refinement. For the first time in South African history, we had three separate versions of the National Budget. Despite this undesired outcome, South Africa proved its resilience when standing face-to-face with an undesired situation – the Government of National Unity (GNU) rallied together, with this culminating in the May 2025 Budget Speech.

Fortunately for the nation, some much needed winds of change started blowing following the May Budget Speech, with the below coming to the fore:

- broader consensus within government on reforms;
- increased collaboration with the private sector on infrastructure related projects;
- the commencement of a review of the municipal funding model and access to funding;
- the promise of improved public consultation in the compilation of the national budget.

At the South African Institute of Chartered Accountants (SAICA), we have adopted "the winds of change" as the theme for this year's budget analysis. This theme not only reflects how past failure can be turned into future success, but also acknowledges that real, meaningful and positive change can only take place on the backdrop of decisive action by government (i.e. planning and then implementing as planned).

The question on many lips following the May 2025 Budget Speech is whether the winds of change that started blowing in 2025 will continue well into 2026. The 2026 National Budget signals willingness to learn from past errors, with the following evident in their acknowledgement that taxpayers have been overly burdened over the past 2 years – thus leading to a decision to implement inflationary adjustments to personal income tax rates and various tax thresholds. Further indication of government's acknowledgement that things need to change (preferably for the better) is evident in further steps taken by it to ensure fiscal sustainability. As with previous years, success hangs heavily on effective implementation and accountability in instances where implementation fails due to mismanagement.

SAICA looks forward to continued collaboration with government as we work on turning headwinds into tailwinds and make the necessary changes required to ensure that the winds that blow over the nation are winds that positively impact the country as a whole. As you review this analysis, we encourage you to consider your role in ensuring the winds of change continue blowing the nation in a positive direction.

OVERVIEW

Budget 2026 can be summarised in two concepts, “slow but steady” and “back to basics”. Economic growth, revenue surpluses, spending declines and debt service cost all saw slow but steady improvements. The budget was exceeded by R20 billion, mostly attributable to a commodity price increase as royalties and mining corporate taxes are expected to exceed projections. Taxpayers will not only heave a sigh of relief for no income tax increases, and also welcome the adjustments to tax brackets and thresholds on various amounts in income tax, capital gains and even penalty threshold relief. The largest is probably the increase in the VAT threshold from R1 million to R2,3 million for small businesses, which SAICA members have advocated for for a long time.

Tax debt collections are also slow but steady, coming in slightly below target as SARS still implements its expanded debt collection infrastructure. The Minister acknowledges the pressure of the high tax burden and his concerns of its sustainability, with the tax-to-GDP ratio rising from 25,2% to 25,9% (Budget 2025: 25,6%), meaning that notwithstanding all the tax relief, overall the budget is continuing to extract even more money from the economy.

On the governance side we see Treasury and the Minister going back to basics. Infrastructure remains the key focus to rebuild the economy, with various finance and guarantee instruments in place to incentivise the private sector investment continues to be rolled out. This also includes an affirmation of the R1 trillion over three years public sector infrastructure spend.

The serious state of local government continues to feature in the budget, and it is welcomed that interventions are expanded to force compliance and ensure infrastructure and maintenance spends are in fact happening. The Minister also continues his tough love approach of withholding funding from spheres local government who do not conform to financial governance requirements.

If there is concern as relates to Budget 2026, it's that structurally the budget has not changed much whilst we are quickly running out of 'tarmac' on the runway of 'infrastructure keeping the economy alive', most particularly as relates to water and sanitation. For perspective, the National Development Plan planned R2,310 trillion and not R1 trillion over the medium term to achieve the required economic growth. It is unclear what the expected timelines to secure significant turnarounds are, even if somehow the private sector responds positively to governments invitation to collaborate. Similarly, debt-to-GDP again missed its target, rising 1% to 78,9%. Future declines are based more on the upwards revised GDP growth than debt declining, the latter growing by R1 trillion to R6.94 trillion in the medium term. Given the current political complexities in South Africa that the Minister has to navigate, we hope that once he has established a stable fiscal base, implementation and change matters will be ramped up quickly.

TAX PROPOSALS

Some of the more significant tax proposals are noted below:

- Full inflationary adjustments to tax brackets and medical tax credits
- Adjustments to various tax thresholds with the aim of assisting small businesses and encouraging saving
- Proposed reforms to the Special Economic Zone and Urban Development Zones regimes following consultation
- Inflationary adjustments to sin taxes
- From 1 April 2026, the general fuel levy is increased by less than inflation to R4,10/litre for petrol and R3,93/litre for diesel
- Road Accident Fund (RAF) levy will be increased by 7c/litre to R2.25/litre from 1 April 2026
- Carbon fuel levy will increase to 19c/litre for petrol and 23c/litre for diesel from 1 April 2026

Tax proposals for individuals

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

Section 9HB of the Income Tax Act provides rollover relief for asset transfers between spouses, covering trading stock, livestock, and capital assets. However, it does not address capital allowance assets, meaning the transferor must recoup allowances under section 8(4)(k), while the transferee cannot inherit them.

The proposal is to amend section 9HB so that recoupments are prevented on transfers of allowance assets and accumulated allowances can carry over to the transferee spouse. This would align the treatment of allowance assets with other asset classes and ensure continuity of tax relief between spouses.

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

Currently, Section 56 of the Income Tax Act exempts donations between spouses from donations tax. Government has identified tax avoidance schemes where high-net-worth individuals stagger their cessation of South African tax residence. In these arrangements, assets are transferred to a spouse who has already become non-resident, allowing the couple to benefit from both the donations tax exemption and reduced exit tax liability under Section 9H. To close this loophole, the proposal is to limit the exemption to donations made to a spouse who is still a South African tax resident, effective 25 February 2026. This ensures the exemption applies only in line with its original policy intent and prevents avoidance of both donations tax and exit tax.

Extending the eligibility for the medical scheme fees tax credit

Members of certain statutory medical schemes are currently excluded from the medical scheme fees tax credit because these schemes fall outside the Council for Medical Schemes' authority. The proposal is to extend the tax credit to such members, provided the schemes meet equivalent benefit, governance, and solvency standards to those required under the Medical Schemes Act (1998).

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

The Income Tax Act allows a living annuity to be commuted into a lump sum if its value falls below R125 000. Currently, the law is interpreted inconsistently – some apply the limit per policy, while others apply it cumulatively per insurer or fund.

Applying the limit per policy risks undermining retirement income security by enabling early commutation of multiple small annuities and encouraging tax-driven restructuring. The proposal is to amend the definition of “living annuity” in section 1 to make clear that the R125 000 de minimis limit must be applied cumulatively across all annuities held with the same insurer or fund.

Tax proposals for corporates

Extending the rehabilitation fund regime

Since 2006, mining companies have been able to use tax-deductible rehabilitation funds, with fund growth exempt from tax, to cover environmental rehabilitation and closure costs. Nuclear facilities face similar legislative requirements for decommissioning and environmental preservation.

It is proposed that the rehabilitation fund regime be extended to nuclear facilities, allowing them the same tax treatment as mining operations.

Withdrawing the proposal to align the two different interest limitation rules

In 2024, amendments were made to align the interest deduction formula in section 23N with changes to section 23M. However, concerns have since been raised that this alignment is unnecessary because the two sections apply to different types of transactions.

It is now proposed that the 2024 amendment be withdrawn, with section 23N left unchanged.

Aligning short-term insurance taxation with IFRS 17 terminology

While most of section 28 of the Income Tax Act was updated to reflect International Financial Reporting Standard (IFRS) 17, section 28(3B)(a) was inadvertently omitted from these consequential amendments. Currently, this subsection still uses outdated terms, referring to “liabilities on investment contracts” and “insurance liabilities relating to premiums and claims”.

It is proposed that section 28(3B)(a) be amended to align the deduction with the amounts deducted under subsection (3) or (3A) and included under subsection (4), thereby aligning the tax treatment of insurance liabilities transferred between short-term insurers with the requirements of IFRS 17.

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

Section 9D(6) requires a CFC's net income to be determined in its functional currency and then translated into rands using the average exchange rate, when including in the income of an SA shareholder. Section 25D(5), however, requires a DTMC shareholder to first convert that rand amount back into its own functional currency and then re-translate into rands using the exchange rate applicable to the DTMC's year of assessment, creating complex and duplicative translation steps.

This interaction can distort taxable income. The proposal is to amend the law so that where a DTMC is the shareholder of a CFC, section 9D(6) will not require translation into rands, thereby removing the anomaly and simplifying the process.

VAT related tax proposals

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

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

Supply of gold to banks

Refineries use pooled gold inputs, making it difficult to separate unprocessed primary gold from recycled or manufactured sources. Section 11(1)(f) of the VAT Act currently zero-rates certain gold supplies, but compliance is complex and requires lengthy SARS audits to verify.

It is proposed that **section 11(1)(f) be repealed**, removing the zero-rating provision to simplify administration and reduce compliance burdens.

Time period to deduct notional input tax

Vendors can claim a notional input tax deduction on second-hand goods acquired under non-taxable supplies. When such goods are exported, zero-rating may apply unless the supplier or a connected person has claimed the notional input tax. If the supplier has a valid

VAT 264, the presumption is that they intend to claim later, meaning the sale must be standard-rated.

This creates a risk of fiscal loss if SARS refunds the full VAT on the basis that it was not claimed by the seller, and the supplier later claims the notional input tax. To address this, it is proposed that section 16(3) of the VAT Act be amended to require the deduction to be made no later than the tax period in which the supply of the second-hand good occurs, subject to the five-year prescription rule.

Electronic services and intermediaries

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

Leasehold improvements

Under current rules, section 18C of the VAT Act requires adjustments for leasehold improvements only where the lessor is a vendor. If the lessor is not a vendor, the provision does not apply, meaning they benefit from improvements without bearing VAT costs.

It is proposed that the VAT Act be amended so this treatment also applies to non-vendor lessors, with a specific declaration channel introduced to manage compliance.

Carbon tax related tax proposals

Refunds for carbon budget compliance

The 2025 Taxation Laws Amendment Bill provides for refunds of taxes paid on greenhouse gas emissions exceeding the mandatory carbon budgets allocated to companies by the Department of Forestry, Fisheries and the Environment if companies comply with the five-year carbon budget. Stakeholders raised concerns that the wording of the proposed section 17A(2) of the Carbon Tax Act (2019) on the carbon budget refund, which refers to "the immediately preceding tax period", is unclear and creates uncertainty regarding which tax period is meant.

To remove ambiguity, it is proposed that the reference to the "immediately preceding tax period" will be deleted. The legislation will clarify that refunds may be claimed in the third year for the first two tax periods, and again in the sixth year for the remaining periods of the five-year carbon budgeting cycle. This ensures accuracy in emissions and tax liability assessments. The amendments will take effect on a date set by the Minister of Finance.

Carbon tax thresholds for 1A4a activities

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

Tax administration related tax proposals

Customs and Excise Act

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

The ATA Carnet system allows temporary duty-free admission of goods like commercial samples, professional equipment, and exhibition items. Historically paper-based, it is now being digitised under an international project led by the World Customs Organization and International Chamber of Commerce.

To enable South Africa's compliance, an amendment to the Customs and Excise Act is proposed, empowering the Commissioner to issue rules for the electronic issuing, use, and submission of carnets for temporary imports and exports.

Amendments to facilitate the administration of carbon tax refunds

Section 17A of the Carbon Tax Act, introduced in 2025, provides for refunds where entities comply with carbon budgets over a five-year cycle. These refunds are administered under the Customs and Excise Act, which currently applies a two-year prescription period to refund claims.

To accommodate the longer timeframe for carbon tax refunds, it is proposed that the Customs and Excise Act be amended to allow administration of such claims beyond the standard two-year period.

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

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

Separating carbon fuel levy from general fuel levy

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

Amendments in relation to electronic heated tobacco products

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

Income Tax Act

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

The definition of "provisional taxpayer" in the Fourth Schedule excludes certain partially taxed entities to reduce compliance burdens. Currently, paragraph (b) classifies any company as a provisional taxpayer, which unintentionally includes fully exempt and some partially exempt entities regarded as companies.

It is proposed that these fully exempt and specified partially exempt entities also be excluded from the definition of provisional taxpayer.

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

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

Reviewing penalty regime for underestimation of provisional tax

Currently, a taxpayer can avoid the underestimation penalty if their estimate is within tolerance levels, even if no provisional tax is paid, leaving only the late payment penalty. It is proposed that, from 25 February 2026, taxpayers must pay the estimated amount on time for it to be relied upon, with safeguards to prevent duplication of penalties.

Additionally, the cap for using historical assessments instead of current estimates will be raised from R1 million to R1.8 million for years of assessment starting on or after 1 March 2026.

Value-Added Tax Act

Expanding documentary requirements for second-hand goods

Second-hand goods remain vulnerable to illicit trade, and dealers are not currently required under the VAT Act or Tax Administration Act to meet licensing or documentation standards set out in the Second-Hand Goods Act. That Act requires dealers to maintain prescribed records to combat stolen goods and promote ethical practices.

To reduce fraudulent notional input tax claims, it is proposed that the documentation requirements for second-hand goods vendors under section 20(8) of the VAT Act be extended to align with those prescribed in the Second-Hand Goods Act and its regulations.

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

The zero-rate on exports does not apply to second-hand goods on which the supplier has deducted notional input tax. In this case, the supplier must levy VAT equal to the notional input tax deducted to recoup the notional input tax. Similarly, in the case of an indirect export by a qualifying purchaser, the VAT Refund Administrator may only refund the qualifying purchaser to the extent that the VAT charged exceeds the notional input tax deduction. To ease compliance for purchasers and administration, it is proposed that section 20 of the VAT Act be amended to require that the tax invoice issued by the supplier on the subsequent supply of second-hand goods on which a notional input tax was claimed must reflect the purchase price paid by the vendor on acquisition and the amount of notional input tax previously claimed.

Removing distinction between e-Filers and non-e-Filers

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

Tax Administration Act

Permitting pre- or post-deposit screening of refunds by banks

Banks are currently required to report suspicious tax refunds to SARS and hold them for up to two business days while investigations take place. SARS is working with banks to screen refunds before they are deposited, which would speed up legitimate payments.

It is proposed that legislation explicitly permit both pre- and post-deposit screening of refunds by banks.

Interest relief on defaults disclosed during voluntary disclosure application

In the recent *Medtronic International Trading S.A.R.L* case, the Constitutional Court held that it is not possible to combine a voluntary disclosure application with a request for remission of interest under the various tax acts without legislative authority to this effect. It is proposed that applicants for voluntary disclosure relief be allowed to simultaneously apply for remission of interest under the relevant tax act for the defaults disclosed. This amendment, effective 1 March 2026, will assist future applicants without affecting existing applications.

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

Section 164(6) of the Tax Administration Act suspends the taxpayer's obligation to pay tax pending SARS' decision on the suspension of payment request. In terms of section 256 of the act, a taxpayer must be indicated as "tax compliant" during this interim period. Section 256 does not provide for a scenario where a taxpayer's obligation to pay tax is automatically suspended pending the outcome of a request for remission of penalties in accordance with section 215(3) of the act. It is proposed that this anomaly be addressed. It is further proposed that the periods for which a suspension under sections 164 and 215 continues after a request has been rejected by SARS be aligned to 10 business days.

Tax proposals – Amended tax rates

Individuals

Income tax rates for natural persons and special trusts Year of assessment ending 28 February 2027 (full inflationary adjustments)	
Taxable income (R)	Taxable rates (R)
R0 - R245 100	18% of taxable income
R245 101 - R383 100	R44 118 + 26% of the amount above R245 100
R383 101 - R530 200	R79 998 + 31% of the amount above R383 100
R530 201 - R695 800	R125 599 + 36% of the amount above R530 200
R695 801 - R887 000	R185 215 + 39% of the amount above R695 800
R887 001 - R1 878 600	R259 783 + 41% of the amount above R887 000
R1 878 601 and above	R666 339 + 45% of the amount above R1 878 600

Income tax rates for natural persons and special trusts Year of assessment ending 28 February 2026	
Taxable income (R)	Taxable rates (R)
R0 - R237 100	18% of taxable income
R237 101 - R370 500	R42 678 + 26% of the amount above R237 100
R370 501 - R512 800	R77 362 + 31% of the amount above R370 500
R512 801 - R673 000	R121 475 + 36% of the amount above R512 800
R673 001 - R857 900	R179 147 + 39% of the amount above R673 000
R857 901 - R1 817 000	R251 258 + 41% of the amount above R857 900
R1 817 001 and above	R644 489 + 45% of the amount above R1 817 000

Tax thresholds		
	2026/27 R	2025/26 R
Below 65 years of age	99 000	95 750
Aged 65 and below 75	153 250	148 217
Aged 75 and over	171 300	165 689

Tax rebates		
	2026/27 R	2025/26 R
Primary – all natural persons	17 820	17 235
Secondary – persons aged 65 and below 75	9 765	9 444
Tertiary – persons aged 75 above	3 249	3 145

Threshold adjustments

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

FROM HEADWINDS TO TAILWINDS

The 2026 National Budget Speech comes at a pivotal moment for South Africa's economy.



Budget Speech
25 February 2026



#TrustedWithTheFuture | saica.org.za