DAVEY'S Locker

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Editors Note:

In this newsletter we address salient features of the National Budget, 25 February 2026, pertaining to the 2026/27 tax year. Tax relief is granted to individuals for personal tax thresholds, capital gains tax thresholds and the donations tax annual exemption.

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BUDGET SPEECH 2026/27 TAX YEAR

1. INDIVIDUALS

There are no changes to the actual rates of tax, but relief is provided as the tax bracket thresholds and rebates are increased. The maximum marginal rate for natural persons remains at 45% and is reached when taxable income exceeds R1 878 601 (previously R1 817 001).

The minimum rate of tax remains at 18% on taxable income not exceeding R245 100 (previously R237 100).

The primary rebate for all natural persons is increased to R17 820 (previously R17 235. The additional rebate for persons aged 65 years and older is increased to R9 765 (previously R9 444). Persons aged 75 and older are granted a further R3 249 (previously R3 145).

The tax-free portion of interest income remains at R23 800 for taxpayers under 65 years, and R34 500 for persons aged 65 years and older. In addition, the tax-free savings dispensation for other approved investments, including collective investment schemes is increased to R46 000 (previously R36 000) per tax year.

Local dividends tax remains at a flat 20% rate which was effective 22 February 2017.

Foreign dividends also remain effectively taxed at a flat rate of 20%, but this may be reduced in terms of Double Tax Treaties.

A final withholding tax on interest from a RSA source to a non-resident remains at 15%, subject to Double Tax Treaties.

An individual is exempt from the payment of provisional tax if the individual does not carry on any business and the individual's taxable income –

- Will not exceed the tax threshold (see 4 below) for the tax year, or
- From interest, foreign dividends and rental will be R30 000 or less for the tax year.

The Section 10(1)(o)(ii) exemption for foreign employment income of tax residents remains at R1,25 million, effective 1 March 2020.

2. COMPANIES AND CLOSE CORPORATIONS

The rate of normal tax remains at 27%.

The final withholding dividends tax remains at a flat rate of 20%.

Tax-exempt recipient bodies (e.g. Retirement Funds) will suffer no withholding tax on dividends upon production of a tax-exemption certificate.

3. TRUSTS

The flat rate remains at 45%, although distributions in the same tax year to RSA resident beneficiaries are taxed in the beneficiaries' hands.

4. INDIVIDUAL TAX THRESHOLDS

Liability for tax is as follows:

Under 65 years:	R 99 000 (previously R 95 750)
65 to 74 years:	R153 250 (previously R148 217)
75 years and older:	R171 300 (previously R165 689)

INCOME TAX: INDIVIDUALS AND SPECIAL TRUSTS

Taxable income (R)	**Rates of tax**
0 – 245 100	18% of taxable income
245 101 – 383 100	R 44 118 + 26% of taxable income above R 245 100
383 101 – 530 200	R 79 998 + 31% of taxable income above R 383 100
530 201 – 695 800	R125 599 + 36% of taxable income above R 530 200
695 801 – 887 000	R185 215 + 39% of taxable income above R 695 800
887 001 – 1 878 600	R259 783 + 41% of taxable income above R 887 000
1 878 601 and above	R666 339 + 45% of taxable income above R1 878 600

TRUSTS OTHER THAN SPECIAL TRUSTS – RATE OF TAX – 45%

TAX REBATES:

PRIMARY	R17 820 (previously R17 235)
SECONDARY (Age 65 and Over)	R 9 765 (previously R 9 444)
PLUS AGE 75 AND OVER	R 3 249 (previously R 3 145)

5. ESTATE DUTY AND DONATIONS TAX

The rate of estate duty and donations tax remains at 20% for dutiable estate amounts of R30 million or less and increases to 25% for dutiable estate amounts over R30 million.

The estate duty abatement (exempt threshold) remains at R3,5 million per person and a surviving spouse may also benefit automatically from any unused deduction in the first-dying spouse's estate. i.e. The abatement remains a combined maximum R7 million for the second-dying spouse.

There is a similar treatment of Donations Tax, namely, 20% for donations of R30 million or less, which increases to 25% for donations over R30 million, being the cumulative value of all donations on or after 1 March 2018.

The first R150 000 (previously R100 000) of amounts donated in each tax year by a natural person remains exempt from donations tax. Donations between spouses are fully exempt.

6. CAPITAL GAINS TAX (CGT)

- The annual capital gain exclusion for individuals is increased to R50 000 (previously R40 000).
- The primary residence exclusion from capital gains tax is increased to R3 million (previously R2 million).
- The capital gain exclusion at death is increased to R440 000 (previously R300 000).
- The effective rate of CGT is the range of 7.2% to 18% for individuals, 21,6% for companies and 36% for Trusts, although correctly structured Trusts can result in the lower individual beneficiary rate being applicable.

7. TRANSFER DUTY

The rates and thresholds remain the same: Property costing less than R1,210 000 will attract no duty. A 3 percent rate applies between R1,210 001 and R1,663,800, 6 percent between R1,663 801 and R2,329,300, 8 percent between R2,329,301 and R2,994,800, 11 percent between R2,994,801 and R13,310 million and 13 percent thereafter.

8. RETIREMENT FUNDS (The revised tables are as below)

Retirement Fund Lump Sum Withdrawal Benefits

Taxable Income	Rates of Tax
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 Retirement Benefits or Severance benefits

Taxable Income	Rates of Tax
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

- Tax Harmonisation of Retirement Fund Contributions

  As from 1 March 2016 all retirement funds (pension, provident and retirement annuity funds) are treated similarly for tax contribution purposes.

  The tax deduction formula of 27,5% per annum (with a cap of R430 000 (previously R350 000)) of the greater of taxable income and remuneration applies to members of all retirement funds, including provident funds.

- Annuitisation

  Pension and Retirement Annuity (RA) Funds require a compulsory annuity purchase upon retirement with two-thirds of such Fund benefits value while Provident Fund benefits value as at 1 March 2021, may be commuted in full, after which the annuitisation principle also applies to such subsequent contributions and growth thereon. The threshold below which a full fund benefit from a Pension, Provident or RA is allowed to be commuted is increased to R360 000 (previously R247 500).

- "Two-Pot" Retirement System

  This was implemented 1 September 2024 and allows retirement fund members, certain limited annual access to the savings pot element of their retirement fund benefit value.

9. MEDICAL EXPENSES

- Taxpayers may in determining tax payable deduct monthly contributions to medical schemes (a tax rebate to be known as a medical scheme fees tax credit) up to R376 (previously R364) for each of the taxpayer and the first dependant on the medical scheme and R254 (previously R246) for each additional dependant.

- An individual who is 65 and older, or if that person, his or her spouse or child is a person with a disability, 33.3% of qualifying medical expenses paid and borne by the individual and an amount by which medical scheme contributions paid by the individual exceed 3 times the medical scheme fees tax credits for the tax year.

- Any other individual, 25% of an amount equal to qualifying medical expenses paid and borne by the individual and an amount by which medical scheme contributions paid by the individual exceed 4 times the medical scheme fees tax credits for the tax year, limited to the amount which exceeds 7.5% of taxable income (excluding retirement fund lump sums and severance benefits).

10. VAT

The rate remains at 15%. The compulsory VAT registration threshold is increased to R2,3 million (previously R1 million) turnover per twelve month period, effective from 1 April 2026.

11. TURNOVER TAX REGIME FOR MICRO BUSINESSES

(Includes individuals and companies with a maximum annual turnover of R2.3 million but excludes professional services businesses)

2025/26		**2026/27**	
Threshold (R)	**Rates of tax**	**Threshold (R)**	**Rates of tax**
R0 – R335 000	0%	R0 – R600 000	0%
R335 001 – R500 000	1% of the amount above R335 000	R600 001 – R950 000	1% of the amount above R600 000
R500 001 – R750 000	R1 650 + 2% of the amount above R500 000	R950 001 – R1 400 000	R3 500 + 2% of the amount above R950 000
R750 001 and above	R6 650 + 3% of the amount above R750 000	R1 400 001 and above	R12500 + 3% of the amount above R1 400 000

12. FOREIGN EXCHANGE

The offshore investment allowance remains at R10 million per adult person per calendar year. In addition, the R1 million individual single discretionary allowance remains.

12. VOLUNTARY DISCLOSURE PROGRAM

Taxpayers who have undisclosed income whether local or foreign, may avail themselves of the permanent normal SARS Voluntary Disclosure Program (VDP) contained in the Tax Administration Act, in order to mitigate penalties.

As regards unauthorised foreign assets, a person may approach the SA Reserve Bank (SARB) for regularisation and each case is considered on its own merits.

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