

## INTRODUCTION

### MAIN TAX PROPOSALS

#### In brief

- The revised tax revenue estimate for 2024/25 is R1.85 trillion, which is R16.7 billion less than expected in the 2024 Budget.
- To address spending needs, tax policy proposals are designed to raise R28 billion in additional revenue in 2025/26 and R14.5 billion in 2026/27.
- Government proposes to increase the value-added tax (VAT) rate by 0.5 percentage points in 2025/26 and by 0.5 percentage points in 2026/27.
- To provide relief to lower-income households, government proposes additional VAT zero rating of essential food items and no changes to the fuel levy.
- Building on the progress made in revitalising the South African Revenue Service (SARS), government will continue to protect and broaden the tax base.

#### The main tax proposals for 2025/26 are:

- The 2025 Budget tax proposals are designed to increase revenue collection. In addition, guidance is provided on the future of the carbon tax.
- Revenue measures are expected to raise R28 billion in 2025/26 and R14.5 billion in, 2026/27, adding significantly to tax collections over the medium term.
- The largest contribution over the medium term is from the increases in the VAT rate,
- while personal income tax is increased in 2025/26 by not adjusting the tax brackets, rebates and medical tax credits for inflation.
- To mitigate the impact of these increases on households, the basket of VAT zero-rated foodstuffs will be expanded and
- the general fuel levy will not be increased.
- Excise duties on alcohol and tobacco products will be adjusted above the expected inflation rate.

2024/25		2025/26	
Taxable income (R)	Rates of tax	Taxable income (R)	Rates of tax
R0 – R 237 100	18% of each R1	R0 - R237 100	18% of each R1
R237 101 - R370 500	R42 678 + 26% of the amount above R237 100	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	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	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	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	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	R1 817 001 and above	R644 489 + 45% of the amount above R1 817 000
<b>Rebates</b>		<b>Rebates</b>	
Primary	R17 235	Primary	R17 235
Secondary	R9 444	Secondary	R9 444
Tertiary	R3 145	Tertiary	R3 145
<b>Tax threshold</b>		<b>Tax threshold</b>	
Below age 65	R95 750	Below age 65	R95 750
Age 65 and over	R148 217	Age 65 and over	R148 217
Age 75 and over	R165 689	Age 75 and over	R165 689

## Increasing the VAT rate

The first 0.5 percentage point increase in the VAT rate will take effect on 1 May 2025 and the second 0.5 percentage point increase will take effect on 1 April 2026. In making this decision, government carefully considered the potential contributions of each of the main tax instruments. VAT is an efficient source of revenue. It is broad based, and its design is simple with minimal exceptions. Moreover, South Africa's VAT rate is still relatively low compared with peer countries

## Consideration of further VAT zero rating

The VAT system currently zero rates 21 essential food items in an effort to make them more affordable for lower-income households. Government proposes to extend the list of zero-rated basic foods to mitigate the effect of the VAT rate increases. From 1 May 2025, zero rating will be extended to include edible offal of sheep, poultry, goats, swine and bovine animals; specific cuts such as heads, feet, bones and tongues; dairy liquid blend; and tinned or canned vegetables.

## Adjustment of transfer duty

As part of the periodic reviews of monetary values in tax tables, the monetary thresholds for transfer duties will be adjusted by 10 per cent to compensate for inflation. The transfer duty tax rates will remain unchanged. Table 4.6 indicates the adjusted values and is proposed to become effective on 1 April 2025.

**Table 4.6 Transfer duty rates and bracket adjustments**

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

## WHO PAYS THE TAXES

Taxable Bracket R	Registered Individuals		Income Tax Payable	
	Number	%	R Billion	%
0 - 96 000	6 557 001	45.4	-	0
96 001 – 150 000	1 640 119	11.4	13,7	1.7
150 001 – 250 000	1 774 242	12.3	25,9	3.2
250 001 – 350 000	1 101 021	7.6	43,4	5.4
350 001 – 500 000	1 306 047	9.0	101,6	12.5
500 001 – 750 000	1 089 046	7.5	136,8	16.9
750 001 – 1 000 000	408 789	2.8	95,6	11.8
1 000 001 – 1 500 000	344 392	2.4	128,8	15.9
1 500 000 +	224 959	1.6	265,3	32.7
<b>Total</b>	<b>14 445 616</b>	<b>100.0</b>	<b>811,1</b>	<b>100.0</b>

Regards

*André & Petra*