International Tax
South Africa Highlights 2025

Updated January 2025

Recent developments

For the latest tax developments relating to South Africa, see Deloitte tax@hand.

Investment basics

Currency: South African Rand (ZAR)

Foreign exchange control: Exchange control is administered by the South African Reserve Bank, which has delegated powers to authorized dealers (banks licensed to deal in foreign exchange). South Africa does not impose exchange controls on nonresidents, but exercises exchange controls over residents and transactions between residents and nonresidents.

Accounting principles/financial statements: IFRS applies. Financial statements must be prepared annually. In accordance with Companies Act requirements, certain companies must have their financial statements audited; for others, an independent review is required.

Principal business entities: Companies are classified as profit or nonprofit companies. With regard to profit companies, the Companies Act distinguishes between four different types of companies: the private company, personal liability company, state-owned company, and public company. A branch of a foreign company is required to register as an external company. The most commonly adopted forms of doing business by foreign investors are private companies and branches.

Corporate taxation

Rates	
Corporate income tax rate	27%
Branch tax rate	27%
Capital gains tax rate	0%/27% (on 80% of gains)

Residence: A corporation is resident if it is incorporated in South Africa or effectively managed in South Africa (unless the corporation is deemed to be exclusively resident in another jurisdiction for purposes of the tax treaty with that other jurisdiction).

Basis: Residents are taxed on worldwide income; nonresidents are taxed on South African-source income and on capital gains arising from the disposal of immovable property and assets of a permanent establishment in South Africa. Foreign-source income derived by residents is subject to corporation tax in the same way as South African-source income. Branches are generally taxed in the same manner as subsidiary companies.

Taxable income: Income tax is imposed on a company's profits, which consist of business/trading income, passive income, and capital gains. Expenses incurred in the production of income may be deducted in computing taxable income.

Rate

General

The corporate income tax rate is 27%. The tax rate applies to both companies and branches.

Surtax

There is no surtax.

Alternative minimum tax

There is no alternative minimum tax.

Global minimum tax (Pillar Two)

The Global Minimum Tax Act applies retroactively to fiscal years commencing on or after 1 January 2024 and introduces rules that generally are in line with the global anti-base erosion (GloBE) or "Pillar Two" model rules published by the OECD/G20 Inclusive Framework on BEPS that are designed to ensure that large multinational enterprises (MNEs) pay a minimum level of tax on the income arising in each jurisdiction in which they operate, including an income inclusion rule (IIR) and a domestic minimum top-up tax (DMTT). The Global Minimum Tax Administration Act, which also applies retroactively to fiscal years commencing on or after 1 January 2024, provides for the administration of the Global Minimum Tax Act.

Taxation of dividends: Dividends received from a foreign company are, in principle, subject to income tax, although various exemptions exist (e.g., a foreign dividend is exempt where the recipient holds at least 10% of the equity shares and voting rights of the payer company). Where a foreign dividend is taxable, a credit for withholding tax suffered is generally available.

Capital gains: Only 80% of capital gains is included in taxable income and taxed at the normal income tax rate. However, gains on the sale of substantial foreign shareholdings are exempt if certain conditions are satisfied.

Losses: Trading losses may be carried forward indefinitely while the company is trading. For years of assessment ending on or after 31 March 2023, to the extent that a company's balance of assessed losses carried forward from the preceding year of assessment exceeds 80% of taxable income, the company will be eligible to deduct the higher of ZAR 1 million and 80% of taxable income. The carryback of losses is not permitted.

Foreign tax relief: Foreign tax paid on foreign-source income may be credited against South African tax on the same income, but the credit is limited to the amount of South African tax payable on the foreign income. Other limitations may also apply.

Participation exemption: A participation exemption may apply to capital gains derived by a resident company on the disposal of a substantial shareholding in a foreign company. To qualify for the exemption, the following conditions must be fulfilled:

- The resident company must (alone or together with any other person forming part of the same group of companies) hold an interest of at least 10% of the equity shares and voting rights in the foreign company for at least 18 months before the disposal (unless the equity shares were acquired from a group company and the resident company and that other company in aggregate held the equity shares for at least 18 months);
- The interest must be disposed of at no less than market value; and
- The interest must be disposed of to a nonresident, but may not be disposed of to:
  - A nonresident that is a controlled foreign company (CFC) or a connected person of the resident company;
  - A nonresident company that formed part of the same group of companies as the resident company during an 18-month period preceding the disposal; or
  - A nonresident company, the shareholders of which, immediately after the disposal, are substantially the same as the shareholders of any company in the group of companies disposing of the shares.

The participation exemption does not apply to the disposal of shares in a CFC to the extent that the value of that CFC is directly or indirectly attributable to assets located, issued, or registered in South Africa.

Holding company regime: Under the headquarter company regime, the dividend, interest, and royalty withholding taxes and some transfer pricing rules do not apply. Exchange control relief is granted to qualifying headquarter companies.

Under the functional currency rules, certain entities—including foreign branches, CFCs, and headquarter companies (where ZAR is not the functional currency)—may rely on their functional currency (i.e., the currency of the primary economic environment in which the business operations are conducted) for tax purposes.

Incentives: Incentives may be in the form of a cost-sharing cash grant and/or additional tax allowances/relief, such as: a deduction for research and development; urban development and infrastructure development allowances; preferential rates for entities located in a special economic zone; public-private partnership grants; grants for critical infrastructure investments; grants for shared services centers; environmental expenditure deductions; a carbon-reducing exemption; energy-saving allowances; deductions in respect of expenditure incurred in exchange for the issuance of venture capital company shares; mining income tax incentives; oil and gas income tax incentives; and a film allowance.

Compliance for corporations

Tax year: A corporation may apply for the tax year to be the same as its accounting/financial year.

Consolidated returns: Consolidated returns are not permitted; each company must file a separate return.

Filing and payment: Companies are required to file their income tax returns annually, within a period prescribed by the South African Revenue Service (SARS) (normally, within 12 months of the company's financial year end). Advance provisional tax payments must be made twice a year, based on estimates of the final tax amount—the first during the first six months of the company's financial year, and the second before the end of the year. Where the provisional tax payments are less than the final tax liability, an additional payment of provisional tax may be made within six months after the end of the tax year.

Penalties: Penalties and interest are imposed for failure to comply with certain tax obligations.

Rulings: Binding rulings are available from the tax authorities on the interpretation of most provisions of the Income Tax Act.

Individual taxation

Rates for 2025 tax year (1 March 2024–28 February 2025)		
Individual income tax rate	**Taxable income (ZAR)**	**Rate**
	1-237,100	18% of taxable income
	237,101-370,500	42,678 + 26% of taxable income above 237,100
	370,501-512,800	77,362 + 31% of taxable income above 370,500
	512,801-673,000	121,475 + 36% of taxable income above 512,800
	673,001-857,900	179,147 + 39% of taxable income above 673,000
	857,901-1,817,000	251,258 + 41% of taxable income above 857,900
	1,817,001 and above	644,489 + 45% of taxable income above 1,817,000
Capital gains tax rate	Same as progressive rates above (on 40% of gains)	

Residence: An individual is resident if: (i) "ordinarily resident" in South Africa; or (ii) physically present in South Africa for more than 91 days in the current tax year and in each of the five preceding tax years, and physically present in South Africa for a period exceeding 915 days in the aggregate in those five preceding tax years. This excludes a person that is deemed to be exclusively resident in another jurisdiction for purposes of the application of a tax treaty between South Africa and such other jurisdiction.

Basis: Residents are taxed on worldwide income. Nonresidents are taxed on South African-source income and on capital gains from the disposal of immovable property or an interest in immovable property situated in South Africa and assets of a permanent establishment in South Africa.

Taxable income: Taxable income is gross income, less exempt income and allowable deductions. Gross income from employment includes all remuneration in cash or in kind, including bonuses, allowances, and taxes reimbursed or paid on the employee's behalf. Dividends from South African companies are exempt from income tax but are subject to "dividends tax" (a withholding tax on dividends) at a rate of 20%. The tax on lump sums received from a pension, provident, or retirement annuity fund is calculated differently, depending on whether the payment is a result of resignation, withdrawal, or retirement.

Rates: Rates are progressive up to 45%.

Capital gains: Only 40% of capital gains is included in taxable income, and is taxed at the normal progressive tax rates applicable to individuals.

Deductions and allowances: Subject to certain restrictions, deductions are granted for contributions to pension and retirement annuity funds, certain donations, and travel and motor vehicle expenses. Deductions for medical expenses have been converted to medical tax credits.

Foreign tax relief: Foreign tax paid on foreign-source income may be credited against South African tax on the same income, but the credit is limited to the amount of South African tax payable on the foreign income. Other limitations may also apply.

Compliance for individuals

Tax year: The tax year for individuals ends on 28 February (29 February in a "leap year").

Filing status: Spouses generally are taxed separately. Individuals who are "married in community of property" are taxed jointly on a 50/50 basis on all passive income.

Filing and payment: Tax returns must be filed by a date published by the SARS. Tax on employment income is withheld by the employer under the Pay As You Earn (PAYE) system and remitted to the tax authorities. Income not subject to PAYE is self-assessed—individuals must make tax payments at six-month intervals during the tax year, with the option to make a "top-up" payment within six months after the end of the tax year.

Penalties: Penalties and interest apply for failure to comply with certain tax obligations.

Rulings: Binding rulings are available from the tax authorities on the interpretation of most provisions of the Income Tax Act.

Withholding tax

Rates

Type of payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	0%	20%	20%	20%
Interest	0%	0%	15%	15%
Royalties	0%	0%	15%	15%

Dividends: Dividends paid by one resident company to another resident company generally are exempt from dividends tax. Dividends paid to individuals, trusts, and nonresidents are subject to a 20% withholding tax (subject to the provisions of an applicable tax treaty in the case of nonresidents). Dividends paid by a headquarter company are exempt from withholding tax.

Interest: Interest paid to or for the benefit of a nonresident is subject to a 15% withholding tax (subject to the provisions of an applicable tax treaty), to the extent that such interest accrues from a source within South Africa. Interest paid by a headquarter company is exempt from withholding tax in certain circumstances.

Interest paid to a resident is not subject to withholding tax.

Royalties: The rate of the withholding tax on royalties paid to a nonresident is 15% (subject to the provisions of an applicable tax treaty). Royalties paid by a headquarter company are exempt from withholding tax in certain circumstances.

Royalties paid to a resident are not subject to withholding tax.

Fees for technical services: There is no withholding tax on fees for technical services.

Branch remittance tax: There is no branch remittance tax.

Other: Where a purchaser of South African immovable property makes a payment to a nonresident, the purchaser must withhold a percentage of the amount payable, depending on whether the seller is an individual, a company, or a trust.

A final withholding tax of 15% is withheld on gross payments to nonresident entertainers and sportspersons who earn income in South Africa.

Anti-avoidance rules

Transfer pricing: Transfer pricing legislation requires a South African taxpayer to follow arm's length principles in transactions with "connected persons" or "associated enterprises" outside South Africa. The taxpayer has the responsibility for adjusting non-arm's length prices giving rise to a tax benefit to arm's length pricing when completing its tax return. Such a transfer pricing adjustment (often referred to as a primary adjustment) also triggers a secondary adjustment in the form of a deemed dividend—which is subject to dividends tax.

An ultimate parent entity (UPE) resident in South Africa that is part of an MNE group with prior-year consolidated turnover of at least ZAR 10 billion is required to comply with the South African country-by-country (CbC) reporting regulations; a threshold of EUR 750 million applies to MNE groups headquartered outside South Africa.

Transfer pricing documentation essentially is mandatory for all South African taxpayers with "potentially affected transactions" (i.e., transfer pricing transactions). Additional transfer pricing record-keeping requirements apply if certain thresholds are met.

If the aggregate of potentially affected transactions for the year exceeds ZAR 100 million, the South African taxpayer is required to keep certain general records (some of which overlap with a master file requirement). For each category of transaction (e.g., management fees, sales of goods) with potentially affected transactions exceeding ZAR 5 million, significant additional records must be kept to support the pricing of the transactions. Significant additional information also is required where a "tested party" to a transaction is based outside of South Africa, and where the transaction involves financial assistance.

If the prescribed thresholds described above are not met, a South African taxpayer with transfer pricing transactions is still required to keep sufficient records to support the arm's length nature of the transactions. It is understood that such records include appropriate transfer pricing documentation.

See also "Interest deduction limitations," below.

Interest deduction limitations: Thin capitalization and debt pricing provisions, which are part of the general transfer pricing rules, require transfer pricing adjustments to be made in respect of excessive interest payable by South African companies on debt provided by a nonresident connected person or associated enterprise in relation to the South African borrower (for these purposes, nonresident connected persons include persons with a direct or indirect participation of at least 20% of the South African company's equity). The main test for thin capitalization purposes is to assess the commercial terms and conditions of an agreement concluded between independent parties, as compared to the terms and conditions concluded between a South African taxpayer and a nonresident connected person.

In addition to thin capitalization and debt pricing rules, provisions in the Income Tax Act restrict the deductibility of interest on loans obtained in connection with acquisitions and reorganizations. There also are provisions regulating the deductibility of interest (including foreign exchange losses) in respect of a debt owed to a person, where the interest is not subject to tax in South Africa and the funds are obtained directly or indirectly from a person that is in a controlling relationship (holding, whether alone or together with connected persons, at least 50% of the equity shares or voting rights) with the debtor.

Controlled foreign companies: A CFC is a foreign company in which one or more South African residents broadly hold, directly or indirectly, more than 50% of the participation or voting rights. Under the CFC rules, an amount equal to the net income earned by a CFC in relation to a South African resident is subject to tax in the hands of the South African resident, unless an exemption applies. Tax paid in the foreign jurisdiction generally may be offset against the South African tax payable.

Anti-hybrid rules: Debt instruments with equity features are referred to as "hybrid debt instruments." Instruments that are equity in substance but that are legally "couched" in the form of debt are likely to be subject to the anti-avoidance rules contained in the Income Tax Act. These provisions essentially reclassify interest on hybrid debt instruments and "hybrid interest" as "dividends in specie" (dividends distributed in a form other than cash) for the issuer and the holder of the instrument. The dividends in specie are deemed declared and, therefore, are treated as paid by the issuer and accrued to the holder of the instrument on the last day of the year of assessment of the issuer. Under the anti-avoidance rules, the issuer is denied an interest deduction against taxable income.

Economic substance requirements: There are no economic substance requirements in the South African income tax law or common law.

Disclosure requirements: For purposes of the administration of the Income Tax Act, the tax authorities may require any taxpayer or any other person to submit information, documents, or other items. South Africa also has expanded its reportable arrangement provisions to alert the tax authorities to transactions that may give rise to a tax benefit. A reportable arrangement is defined in the Tax Administration Act, and a list of reportable arrangements has been published in the government gazette.

Exit tax: Under the Income Tax Act, an exit charge/tax applies to both individuals and companies upon ceasing to be a South African resident.

Individuals are deemed to dispose of all of their assets (other than immovable property situated in South Africa, as well as certain other assets under limited circumstances) at market value on the day before ceasing to be a South African resident, and any unrealized capital gains on the assets are subject to tax. Individuals are deemed to reacquire the assets on the day they cease to be a resident.

Companies are deemed to dispose of all of their assets (other than immovable property situated in South Africa, as well as certain other assets under limited circumstances) at market value on the day before ceasing to be a South African resident, and any unrealized capital gains on the assets are subject to tax. Companies are deemed to reacquire the assets on the day they cease to be a resident. Companies are also deemed to declare and pay a dividend consisting solely of a distribution of an asset in specie equal to the market value of all shares in the company, less contributed tax capital. Further adverse tax consequences may potentially also apply to a company that ceases to be a South African tax resident. In addition, a corporate shareholder, among others, holding at least a 10% equity interest in the company ceasing to be a resident is deemed to have disposed of its shares in the exiting company at market value and to have reacquired those shares at that market value.

General anti-avoidance rule: Statutory general anti-avoidance rules apply.

Value added tax

Rates	
Standard rate	15%
Reduced rate	0%

Taxable transactions: VAT is imposed on the supply of goods and services, and on the importation of goods and the supply of imported services.

Rates: The standard rate is 15%; certain transactions are zero-rated or exempt.

Registration: A person making standard or zero-rated supplies of more than ZAR 1 million per year is required to register. Nonresidents that carry on an enterprise in, or partly in, South Africa are required to register. All foreign suppliers of electronic services to South African customers are required to register for VAT in South Africa in respect of supplies of e-commerce services. These foreign suppliers fall into the compulsory VAT registration category, which has a monetary threshold of ZAR 1 million to trigger a VAT registration liability.

Filing and payment: VAT returns generally must be submitted every two months, but businesses with an annual turnover in excess of ZAR 30 million must submit monthly returns. Returns must be submitted within 25 days after the end of the tax period. Payment in full must accompany the return. For businesses that file their VAT returns and make payments electronically, the VAT must be paid no later than the last business day of the month after the end of the tax period.

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals.

Social security contributions: The employer must contribute the equivalent of 1% of gross income for each employee (up to a capped amount), plus a similar 1% deduction from the employee, to the Unemployment Insurance Fund (UIF).

Payroll tax: A 1% payroll levy ("skills development levy") is imposed on employers, but companies with annual payroll costs below ZAR 500,000 are exempt.

Capital duty: There is no capital duty.

Real property tax: Municipal authorities impose a real estate tax, known as "rates," on the occupation of real property. Rates are deductible in calculating corporation tax liability. (See also "Transfer tax," below.)

Transfer tax: Transfer duty at progressive rates up to 13% is payable on the acquisition of immovable property, where the transaction is not subject to VAT.

Stamp duty: Securities transfer tax is imposed on the transfer of securities (including shares), at a rate of 0.25% of the higher of the market value and the consideration paid.

Net wealth/worth tax: There is no net wealth tax or net worth tax.

Inheritance/estate tax: Estate duty at a rate of 20% or 25% is payable on the worldwide net estate of an individual who dies while ordinarily resident in South Africa (the 25% rate applies to a net estate exceeding ZAR 30 million). There is a standard deduction of ZAR 3.5 million per estate and certain other deductions are allowed, the most important of which is the deduction for assets accruing to a surviving spouse. Estate duty also is payable on the net South African-situated estate of a person who dies while not ordinarily resident in South Africa. The same deductions and exemptions are applicable.

Other: Donations (gift) tax applies to certain donations by resident companies and individuals.

For donations by companies, the tax is payable by the resident donor at a rate of 20% of the property valued in excess of ZAR 10,000, or at a rate of 25% where aggregate taxable donations exceeding ZAR 30 million have been made since 1 March 2018. Certain exemptions apply (e.g., donations by public companies and between South African group companies).

For donations by individuals, the tax is payable where the resident donor donates property valued in excess of ZAR 100,000 in the aggregate per annum. The tax is imposed at a rate of 20% or 25% on such excess, as set forth above. Certain donations are exempt from donations tax, including donations between spouses and donations to approved public benefit organizations.

Tax treaties: South Africa has concluded more than 70 tax treaties. The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (BEPS MLI) entered into force for South Africa on 1 January 2023.

For information on South Africa's tax treaty network, visit Deloitte International Tax Source.

Tax authorities: South African Revenue Service (SARS)

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