

THE SOUTH AFRICAN BUDGET SPEECH 2026

Introduction

South African Minister of Finance, Enoch Godongwana, delivered his annual budget speech on 25 February 2026. Following controversy in 2025 when this event had to be postponed because of resistance to a proposed increase in the VAT rate, this year's event proceeded without any such incident.

The mood of the presentation was more positive than in recent years with the Minister noting, among other things, that South Africa (SA) has been removed from the FATF grey list, secured its first credit rating update in 16 years and that borrowing costs have eased.

No increase in personal and corporate taxes was announced with the budget documentation highlighting that SA taxes are high by international standards and that a large portion of total income tax is paid by a relatively small number of taxpayers. It is stated that beyond a certain point, increases in tax rates may not generate additional revenue and are detrimental to economic growth. Ultimately (so the commentary continues) the best option to increase revenue is by broadening the tax base and growing the economy.

Pro taxpayer adjustments of various brackets, rates, rebates and other exemptions

Following a few years of no relief for taxpayers the Minister has proposed adjustments over a wide spectrum.

Tax brackets, rebates and credits

- Personal income tax brackets, rebates and tax thresholds have been adjusted to compensate individuals for inflation (3.4%).
- Medical tax credits are increasing from R364 to R376 for the first two members, and from R246 to R254 for additional members.
- The CGT exclusion at death is increasing from R300 000 to R440 000.

CONTACT US

If you think we may be able to help you and your family, please contact us for a discussion.

enquiries@stonehagefleming.com | +27 21 301 0800 | + 27 11 544 2900

SOUTH AFRICAN TAX ADVISORY UPDATE

25 February 2026



NOW AND FOR FUTURE GENERATIONS

- The CGT exclusion in respect of the disposal of a primary residence is increasing from R2 million to R3 million.
- The CGT annual exclusion for individuals is increasing from R40 000 to R50 000.
- The annual limit for tax-free savings investments is increasing from R36 000 to R46 000.
- The retirement fund contribution deduction limit is increasing from R350 000 to R430 000.
- The exemption from donations tax for donations made by entities other than a natural person is increasing from R10 000 to R20 000.
- The exemption from donations tax for donations made by individuals is increasing from R100 000 to R150 000.
- Other tax exemptions and benefits also apply in respect of employment and small businesses.
- The above thresholds will come into effect from 1 March 2026.

Other taxes and levies

- The general fuel levy will increase by 9 cents per litre for petrol and 8 cents per litre for diesel.
- The carbon fuel levy will go up by 5 cents per litre for petrol and 6 cents per litre for diesel.
- The Road Accident Fund levy will increase by 7 cents per litre.
- There will be increases on alcohol and tobacco excise duties in line with inflation. From 2027 onwards, adjustments will take effect on 1 April.

VAT

- The compulsory VAT registration threshold for small businesses is increasing from R1 million to R2.3 million.
- The voluntary VAT registration threshold for small businesses is increasing from R50 000 to R120 000.
- The above VAT registration thresholds will come into effect on 1 April 2026.

Tightening up requirements to withhold employees' tax for non-resident employers

- Amendments during the last few years to the relevant legislation extended PAYE withholding obligations to non-resident employers with a SA permanent establishment (PE). This has created potential anomalies—such as requiring PAYE withholding for employees who have no connection to the SA PE and perform no services in

CONTACT US

If you think we may be able to help you and your family, please contact us for a discussion.

enquiries@stonehagefleming.com | +27 21 301 0800 | + 27 11 544 2900

SA. To remedy this, it is proposed that the withholding obligation apply only where the employee's services are effectively connected to the SA PE.

Changes to provisional tax

- Government proposes tightening the provisional tax underestimation regime by requiring both a compliant estimate and timely payment to avoid underestimation penalties (effective 25 February 2026).
- The threshold for relying on historical assessed income (i.e. the basic amount) for purposes of the underestimation of provisional taxes will increase from R1 million to R1.8 million for years of assessment commencing on or after 1 March 2026.

Collective investment schemes (CIS)

- The taxation of CISs has been under discussion for a number of years, with draft legislation being proposed but not taken forward following industry feedback. It has now been announced that National Treasury will release a response document for further consultation.
- Treasury proposes that all returns from regular CISs and retail investment hedge funds be taxed as capital, to encourage savings and provide certainty.

Gambling

- Treasury has proposed a 20% national tax on gross online-gambling revenue, in addition to existing provincial taxes. The proposal is contained in a discussion paper currently under consultation, with comments closing on 27 February 2026. Following stakeholder workshops, draft legislation reflecting the final proposal will be released for public comment later in 2026.

Donations between spouses

- Donations between spouses are exempt from donations tax. SARS has identified tax-driven arrangements where spouses stagger their cessation of SA tax residency, allowing significant assets to be donated to a spouse who is

CONTACT US

If you think we may be able to help you and your family, please contact us for a discussion.

enquiries@stonehagefleming.com | +27 21 301 0800 | + 27 11 544 2900

SOUTH AFRICAN TAX ADVISORY UPDATE

25 February 2026



NOW AND FOR FUTURE GENERATIONS

already non-resident—thereby avoiding donations tax and reducing the exit tax. To curb this, the spousal donations tax exemption will apply only to donations made to a spouse who is a SA tax resident, effective 25 February 2026.

Exchange control changes

- The single discretionary allowance limit for private individuals is increased from R1 million to R2 million per calendar year for all purposes, including travel, gifts, remittances, investments and donations.
- The interest rate cap(s) on inward foreign loans is removed, subject to loans being market related and reported to the Reserve Bank.
- Crypto assets will be included in the Reserve Bank's capital flows management framework.
- To promote SA as a competitive financial and investment hub for the African continent, the HoldCo concept for corporations will be expanded. This will allow asset managers to manage their portfolios locally in foreign currency as corporations are permitted to do. This will enable asset managers to intermediate in global capital flows, particularly those invested in Africa, and attract and manage the foreign savings of SA investors.
- The limit for miscellaneous imports, services or subscription payments made via credit or debit cards is increased from R50 000 to R100 000 per transaction.
- The limit for miscellaneous payments to non-residents, for example, for sponsorships, office and warehouse expenses, demurrage or refunds, is increased from R100 000 to R200 000 per transaction.
- The limit to SA bank notes that can be carried in cash when entering or exiting SA is increased from R25 000 to R100 000.

As always, if you have any queries or would like to discuss the draft legislation in more detail, please contact your Relationship Manager, or our in-house tax specialists.

CONTACT US

If you think we may be able to help you and your family, please contact us for a discussion.

enquiries@stonehagefleming.com | +27 21 301 0800 | + 27 11 544 2900

SOUTH AFRICAN TAX ADVISORY UPDATE

25 February 2026



NOW AND FOR FUTURE GENERATIONS

CONTACT DETAILS

CAPE TOWN

First Floor, North Block
Waterway House, 3 Dock Road
Victoria & Alfred Waterfront
Cape Town 8001
South Africa
T +27 21 301 0800

Dr Charl du Toit

charl.dutoit@stonehagefleming.com

Paula Bagraim

paula.bagraim@stonehagefleming.com

Rupert Worsdale

rupert.worsdale@stonehagefleming.com

Lizanne Mentz

lizanne.mentz@stonehagefleming.com

Kendra Saunders

kendra.saunders@stonehagefleming.com

JOHANNESBURG

First Floor
54 Glenhove Road Melrose
Johannesburg 2196 South
Africa
T +27 11 544 2900

Bernie Herberg

bernie.herberg@stonehagefleming.com

Luan Fouche

luan.fouche@stonehagefleming.com

Divan van Heerden

divan.vanheerden@stonehagefleming.com

CONTACT US

If you think we may be able to help you and your family, please contact us for a discussion.
enquiries@stonehagefleming.com | +27 21 301 0800 | + 27 11 544 2900

SOUTH AFRICAN TAX ADVISORY UPDATE

25 February 2026



NOW AND FOR FUTURE GENERATIONS

Disclaimer

This document has been prepared for information only. Draft laws and regulations contained herein are subject to change and may differ from the final versions. Accordingly, this document may not be relied upon as a statement of the law or regulatory requirements, or as an indication of policy. No information provided herein may in any way be construed as advice. Professional advice must be sought before any action is taken based on the information provided herein. The distribution or possession of this document in certain jurisdictions may be restricted by law or other regulatory requirements. Persons into whose possession this document comes should inform themselves about and observe any applicable legal and regulatory requirements in relation to the distribution into, or possession of this information, in that jurisdiction. This document has been approved for issue in South Africa by Stonehage Fleming Financial Services (Pty) Ltd, an authorised Financial Services Provider (FSP No. 9587). © Copyright Stonehage Fleming 2026. All rights reserved.

CONTACT US

If you think we may be able to help you and your family, please contact us for a discussion.

enquiries@stonehagefleming.com | +27 21 301 0800 | + 27 11 544 2900