



BUDGET SUMMARY: A CALM YEAR WITH SOME POSITIVE CHANGES

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After the dramatic back-and-forth around last year's VAT discussions - where the National Treasury (NT) had to present the budget three times before it was finally approved in May 2025- this year's budget felt much calmer by comparison. One of the reasons for this smoother budget is the significant increase in commodity prices. This created a *tax windfall* for the government, with gross tax revenue for 2025/26 being revised upward by **R21.3 billion**. Thanks to this unexpected boost, the government was able to avoid previously proposed tax increases and had more room to allocate funds where needed.

Although the overall budget may have seemed "boring," several updates are genuinely positive, as a summary:

Higher Single Discretionary Allowance (SDA)

To help account for inflation and currency changes, the annual limit for the SDA has been increased from **R1 million to R2 million per calendar year**.

Tax Bracket Adjustments

There are **no increases in personal income tax rates**, but taxpayers will benefit from:

- Higher income brackets before paying higher tax rates (called *bracket creep relief*), and
- Increases in the rebates (the amounts deducted from the tax you owe).
This means you get to keep a little more of what you earn.

Tax-Free Savings Increase

The annual limit for tax-free savings (including approved investments such as collective investment schemes) has been increased from **R36,000 to R46,000 per tax year**, helping individuals save more efficiently.

Retirement Fund Contribution Increase

The maximum tax-deductible contribution to retirement funds has gone up from **R350,000 to R430,000** a year. This gives high earners more opportunity to save for retirement in a tax-efficient way.

Capital Gains Tax (CGT) Improvements

Several CGT exemptions have been increased, providing more breathing room when assets are sold or transferred:

- **Annual exclusion:** Now **R50,000** (previously R40,000).
- **Primary residence exclusion:** Increased to **R3 million** (previously R2 million).
- **Exclusion at death:** Increased to **R440,000** (previously R300,000).



INVESTMENT AND MARKET INSIGHTS

The *effective* CGT rates remain:

- **Individuals:** 7.2% to 18%
- **Companies:** 21.6%
- **Trusts:** 36% (may be reduced if the trust distributes the gain correctly to beneficiaries within the tax year)

Tax Rates for Companies and Trusts

- **Companies & Close Corporations:** Normal tax rate remains **27%**.
- **Trusts:** Flat rate remains **45%**, unless income is distributed to South African beneficiaries in the same tax year, in which case it is taxed in their hands (usually at a lower rate).

Overall, while this year's budget may not have delivered any dramatic surprises, it points to a period of cautious but meaningful progress. With economic growth expected to improve from 1.4% in 2025 to 1.6% in 2026, and gradually reaching 2% by 2028, the outlook reflects a slow but steady recovery. The government's commitment to investing more than R1 trillion in public-sector infrastructure over the medium term signals a strong focus on long-term development and service delivery.

These investments- spread across state-owned companies, provinces, and municipalities- are intended to support future growth, unlock economic potential, and create a more resilient environment for individuals, businesses, and communities. While challenges remain, this budget provides a sense of stability and direction, laying a foundation for more optimistic momentum in the years ahead.

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