

OLDMUTUAL

BUDGET SPEECH 2020

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PRIVATE WEALTH
MANAGEMENT

1. Personal Income Tax

For the 2026/27 tax year, personal income tax brackets and rebates will be adjusted in line with expected inflation of 3.4%, providing relief against bracket creep.

Tax rates for natural persons and special trusts – 2026/2027 tax year*	
Taxable income (R)	Rate of tax
1 – 245 100	18% of each R1
245 101 – 383 100	R44 118 + 26% of taxable income above R245 100
383 101 – 530 200	R79 998 + 31% of taxable income above R383 100
530 201 – 695 800	R125 599 + 36% of taxable income above R530 200
695 801 – 887 000	R185 215 + 39% of taxable income above R695 800
887 001 – 1 878 600	R259 783 + 41% of taxable income above R887 000
1 878 601 and above	R666 339 + 45% of taxable income above R1 878 600

*The above table is an extract from the 2026 SARS Budget Tax Guide.

Tax rebates		
	2025/2026 tax year (R)	2026/2027 tax year (R)
Primary rebate	17 235	17 820
Secondary rebate (Age 65 to below 75)	9 444	9 765
Tertiary rebate (Age 75 and older)	3 145	3 249

Tax thresholds		
	2025/2026 tax year (R)	2026/2027 tax year (R)
Below age 65	95 750	99 000
Age 65 to below 75	148 217	153 250
Age 75 and older	165 689	171 300

This means if your annual income is below these amounts, you are not required to pay income tax. The thresholds help ensure that lower-income earners are not burdened with income tax, providing some financial relief.

Trusts (other than Special Trusts) are taxed at 45%.

2. Value-Added Tax (VAT)

The VAT rate will stay unchanged at 15%.

Small businesses

The Budget proposes increases to several key tax thresholds affecting small businesses.

The value-added tax (VAT) compulsory registration threshold has been increased from R1 million to R2.3 million, marking the first adjustment since 2009.

Similarly, the annual turnover limit for the turnover tax regime has been increased from R1 million to R2.3 million, also unchanged since 2009.

In addition, the voluntary VAT registration threshold has been increased from R50 000 to R120 000.

These adjustments aim to provide relief to smaller businesses by reducing compliance burdens and improving alignment with inflation and economic growth since the thresholds were last revised.

3. Estate Duty and Donations Tax

Estate duty rates remain unchanged.

Estate duty rates for persons dying on or after 1 March 2018	
Dutiable estate (R)	Rate of estate duty
0 – 30 000 000	20% of each R1
30 000 001 and above	R6 000 000 + 25% of the dutiable estate above R30 000 000

Donations tax rates remain unchanged.

Donations tax rates for donations on or after 1 March 2018	
Taxable donation (R)	Rate of donations tax
0 – 30 000 000	20% of each R1
30 000 001 and above	R6 000 000 + 25% of taxable donation above R30 000 000

The donations tax exemption applicable to natural persons has been increased. Previously, the first R100 000 of property donated during each tax year by a natural person was exempt from donations tax. This exemption has now been increased to R150 000 per tax year.

In the case of a taxpayer who is not a natural person, the exempt donations are limited to casual gifts not exceeding R20 000 (previously R10 000) in total per tax year.

Certain donations are fully exempt from donations tax, including:

- Dispositions between spouses (the exemption will be limited to donations made to a spouse who is still a South African tax resident);
- Donations between companies forming part of a South African group of companies; and
- Donations made to qualifying public benefit organisations.

4. Capital Gains Tax (CGT)

The CGT inclusion and effective rates remain the same and are as follows:

Type of taxpayer	Inclusion rate	Statutory tax rate	Effective tax rate
Individuals	40%	0 – 45%	0 – 18%
Other (local) trusts	80%	45%	36%
Special trusts	40%	0 – 45%	0 – 18%
Companies	80%	27%	21.6%

For individuals, the annual exclusion (being the portion of net capital gains or losses disregarded for CGT purposes) has been increased to:

- R50 000 per year of assessment; and
- R440 000 in the year of death.

The primary residence exclusion (the amount of a capital gain excluded on the disposal of a qualifying primary residence) increases from R2 million to R3 million.

The small business asset exclusion (available to individuals aged 55 years or older on the disposal of qualifying small business assets, subject to requirements) increases from R1.8 million to R2.7 million. The small business asset value threshold (being the maximum market value of all assets of the business for purposes of qualifying for the exclusion) increases from R10 million to R15 million.

5. Interest Exemption

The interest exemption thresholds remain as follows:

- R23 800 per tax year for taxpayers under the age of 65.
- R34 500 per tax year for taxpayers aged 65 years and older.

6. Dividend Withholding Tax

The local dividend withholding tax rate remains unchanged at 20%.

7. Taxation of Small Businesses

Small business corporations

The tax rates for small business corporations (gross income not exceeding R20 million) for financial years ending on any date between 1 April 2026 and 31 March 2027 are as follows:

Tax table applicable to small business corporations	
Taxable income (R)	Rate of tax
1 – 99 000	0% of taxable income
99 001 – 365 000	7% of taxable income above R99 000
365 001 – 550 000	R18 620 + 21% of taxable income above R365 000
550 001 and above	R57 470 + 27% of the amount above R550 000

**The above table is an extract from the 2026 SARS Budget Tax Guide.*

Turnover tax for micro businesses

Turnover tax applies to individuals from 1 March 2026 to 28 February 2027, and to years of assessment of companies that end on any date from 1 April 2026 to 31 March 2027, as follows:

Tax table applicable to turnover for micro businesses	
Taxable turnover (R)	Rate of tax
1 – 600 000	0% of taxable turnover
600 001 – 950 000	1% of taxable turnover above R600 000

950 001 – 1 400 000	R3 500 + 2% of taxable turnover above R950 000
1 400 001 and above	R12 500 + 3% of taxable turnover above R1 400 000

**The above table is an extract from the 2026 SARS Budget Tax Guide.*

8. Transfer Duty

The transfer duty tax rates remain unchanged.

Rate of transfer duty	
Property value (R)	Rate of tax
1 – 1 210 000	0% of property value
1 210 001 – 1 663 800	3% of property value above R1 210 000
1 663 801 – 2 329 300	R13 614 + 6% of property value above R1 663 800
2 329 301 – 2 994 800	R53 544 + 8% of property value above R2 329 300
2 994 801 – 13 310 000	R106 784 + 11% of property value above R2 994 800
13 310 001 and above	R1 241 456 + 13% of property value above R13 310 000

**The above table is an extract from the 2026 SARS Budget Tax Guide.*

9. Medical Tax Credits

The monthly medical tax credits for contributions made to medical schemes have changed to:

- R376 for a taxpayer;
- R752 for a taxpayer and the first dependant;
- R254 being afforded for each additional dependant.

For taxpayers younger than 65, an additional tax credit will be afforded in an amount equal to 25% of the aggregate of:

- the amount by which their contribution exceeds four (4) times their tax credit (for contributions), plus
- their out-of-pocket expenses that exceed 7.5% of their taxable income (excluding any retirement fund lump sum benefit, retirement fund lump sum withdrawal benefit and severance benefit).

For taxpayers aged 65 years or older, or taxpayers who are disabled or who have disabled dependants, an additional tax credit will be afforded in an amount equal to the aggregate of:

- 33.3% of the amount by which their contribution exceeds three (3) times their tax credit (for contributions), plus
- 33.3% of their out-of-pocket expenses.

The additional tax credit afforded to employees aged 65 years and older with respect to their contributions to medical schemes may also be accounted for in the monthly PAYE calculations. This facility is also afforded to provisional taxpayers who are 65 years of age and older.

Extending the eligibility for the medical scheme fees tax credit: Certain statutory medical schemes face regulatory constraints that remove them from the authority of the Council for Medical Schemes. Consequently, individual members of these schemes are not eligible for the medical scheme fees tax credit under section 6A of the Income Tax Act. It is proposed that eligibility for this tax credit be extended to such members, provided that the schemes offer benefits, and adhere to governance and solvency requirements that are at least equivalent to those prescribed under the Medical Schemes Act (1998).

10. Tax-Free Savings Accounts

- The annual contributions to Tax-Free Savings Accounts have increased to R46 000.
- An individual deceased estate and insolvent estate of individuals may not exceed an annual contribution of R46 000, limited to R500 000 over their lifetime, to benefit from the tax-free investment returns, growth and payouts.
- Any amount contributed in excess of the above limit will be taxed at a rate of 40%.

11. “Sin Taxes” and Levies

Sin taxes

Excise duty adjustments will take effect on 1 April 2026.

Product	2025/26 excise duty rate	2026/27 excise duty rate	% change Nominal	% change Real
Malt beer	R145.07 / litre	R149.98 / litre	3.39	-
Traditional African beer	7,82c / litre	7,82c / litre	-	-3.39
Traditional African beer powder	34,70c / kg	34,70c / kg	-	-3.39
Unfortified wine	R5.95 / litre	R6.15 / litre	3.39	-
Fortified wine	R10.04 / litre	R10.38 / litre	3.39	-
Sparkling wine	R19.03 / litre	R19.68 / litre	3.39	-
Ciders and alcoholic fruit beverages	R145.07 / litre	R149.98 / litre	3.39	-
Spirits	R292.91 / litre	R302.84 / litre	3.39	-
Cigarettes	R22.81 / 20 cigarettes	R23.58 / 20 cigarettes	3.39	-
HTPs	R17.10/ 20 sticks	R17.68 / 20 sticks	3.39	-
Cigarette tobacco	R25.63 / 50g	R26.50 / 50g	3.39	-
Pipe tobacco	R8.03 / 25g	R8.31 / 25g	3.39	-
Cigars	R134.40 / 23g	R138.96 / 23g	3.39	-
ENDS/ENNDS (e-cigarettes)	R3.18/ ml	R3.29 / ml	3.39	-

*The above table is an extract from the 2026 SARS Budget Tax Guide

Fuel taxes and levies

The general fuel levy increases by less than inflation to R4.10 / litre for petrol and R3.93 / litre for diesel, effective 1 April 2026. The Road Accident Fund (RAF) levy will increase by 7c / litre to R2.25 / litre from 1 April 2026, in line with expected inflation.

Carbon tax rates

Effective 1 January 2026, the carbon tax rate increased from R236 to R308 per tonne of carbon dioxide equivalent.

The carbon fuel levy for 2026/27 will increase to 19 cents per litre for petrol and 23 cents per litre for diesel from 1 April 2026. The carbon tax cost recovery quantum for the liquid fuels refinery sector increased from 0.99 cents per litre to 1.29 cents per litre, effective 1 January 2026.

12. Retirement Reform

Tax deduction for contributions to pension, provident and retirement annuity funds

The current tax deduction per tax year for contributions to retirement funds in terms of section 11F of the Income Tax Act is limited to the lowest of:

- (i) 27.5% of the higher of an individual's taxable income or remuneration (excluding retirement fund lump sums and severance benefits); and
- (ii) The individual's taxable income before adding a taxable capital gain; and
- (iii) R350 000.

The current maximum deduction limit of R350 000 in (iii) above will increase to R430 000, effective 1 March 2026.

Commutation of retirement benefits on retirement

The minimum threshold for the commutation of retirement benefits upon retirement from a pension, provident, retirement annuity or preservation fund rises from R247 500 to R360 000, effective 1 March 2026. According to current legislative provisions, retirement savings in a retirement fund may be commuted on retirement if the value of two-thirds of the vested component (excluding vested provident fund rights), plus the value of the full retirement component, does not exceed R165 000 (two-thirds of R247 500). The assumption is therefore that the amount of R165 000 will be increased to R240 000 (two-thirds of R360 000).

Commutation of living annuities

The minimum threshold for the commutation of a living annuity increases from R125 000 to R150 000, effective 1 March 2026.

It has been proposed that the definition of “living annuity” in section 1 of the Income Tax Act be amended to explicitly provide that the prescribed de minimis limit must be determined cumulatively where an annuitant holds multiple living annuities with the same insurer or retirement fund. This would align the legislation with current SARS practice.

13. Financial Sector Reforms¹

13.1 Legal and Policy Reforms

The Payments Ecosystem Modernisation Programme encompasses reforms to the legal and policy frameworks governing payments in South Africa. This includes the adoption of an activity-based regulatory model and a new licensing and authorisation framework.

The revised model is designed to enable non-bank entities, such as fintech firms and other service providers, to participate directly in payment activities. These activities cover issuing e-money and offering acquiring services with a relevant, proportionate regulatory framework. Implementation of the activity-based regulatory model is set to take effect in the second half of 2026. This revised model is based on the proposals under the Conduct of Financial Institutions Bill, known as COFI.

13.2 Building Capability to Fight Financial Crimes

This reports on South Africa's exit from the Financial Action Task Force (FATF) grey list and its preparations for the next assessment. It outlines reforms to enhance the regulatory framework for the financial sector to support innovation and economic growth as well as measures to improve sustainable investment and customer outcomes.

Preparing for the 2026/27 FATF mutual evaluation South Africa exited the FATF grey list in October 2025. Preparations have begun for the next round of assessment, from mid-2026 to October 2027. South Africa will draw on the lessons learnt from the last FATF mutual evaluation and the process that enabled the country to

¹ Extract from National Treasury 2026 Budget Review documentation.

exit the FATF grey list to strengthen the effectiveness of its systems to fight money laundering and terrorism financing, while recognising the continued challenges.

Avoiding a return to the FATF grey list is important, and boosting the effectiveness of South Africa's anti-money laundering system and preventing its financial system from being abused by criminals will clearly benefit the country and the economy. The mutual evaluation will focus on the effectiveness of South Africa's rules for combating money laundering and terrorism financing. Ensuring the rules comply with global standards is an important indicator of a country's commitment to controlling these abuses.

Regulatory and legislative measures to further bolster the financial system's ability to combat financial crime will be brought to Parliament early in 2026. These include the General Laws (Anti-Money Laundering and Combating Terrorism Financing) Amendment Bill, which National Treasury published for public comment in January 2026. The draft bill proposes amendments to the Financial Intelligence Centre Act (2001), the Financial Sector Regulation Act (2017), the Companies Act (2008) and the Nonprofit Organisations Act (1997) and seeks to address some technical deficiencies.

13.3 Regulating to Support Growth

Strengthening competition through banking regulation and supervision, National Treasury and the Prudential Authority are reviewing the regulatory framework for deposit-taking institutions to enable more proportionality, taking account of the nature, size and complexity of the banks; the risks they undertake; and their business models. This aligns with the approach to banking regulation in the Financial Sector Regulation Act. The review will simplify regulatory oversight for smaller and less complex institutions that do not pose a high risk to the financial system compared to systemically important deposit-taking institutions. It may lead to reduced segmentation of the banking sector and will allow a more flexible and effective calibration of existing prudential requirements. This will create a more balanced regulatory environment to financial sector transformation, lower barriers to entry and encourage financial inclusion and sustainable competition. The review will be completed in 2026.

13.4 Harnessing Innovation

Regulating artificial intelligence in the financial sector

The Financial Sector Conduct Authority (FSCA) and the Prudential Authority undertook a survey on the adoption of artificial intelligence (AI) in the South African financial sector. This study provided insights into the usage and adoption of AI in the sector. The FSCA, the Prudential Authority and the Reserve Bank are collaborating to develop a discussion paper, based on the survey, to be published in July 2026. The paper will set out recommendations for the safe and responsible adoption of AI in the South African financial sector, with a view to developing a formal joint regulatory instrument.

Exploring the Impact of Influencers on Financial Consumers' Decision-making

The FSCA is conducting a market study to explore the impact of influencers on financial consumers' decision-making processes. As social media gains prominence as a significant source of information, financial information and, in particular, the role of financial consumer influencers – so-called “influencers” – have become more pronounced. The market study will be published in 2026.

Encouraging Investment and Capital Inflows

Capital flows management framework

National Treasury will publish amendments to the Exchange Control Regulations under the Currency and Exchanges Act (1933). The amendments aim to include crypto assets in the capital flows management framework to complement regulation by the FSCA, which officially declared crypto assets (like Bitcoin and Ethereum) to be “financial products” under the Financial Advisory and Intermediary Services Act (2002) from October 2022. Similar regulatory action has been taken by the Financial Intelligence Centre, which in 2025 designated crypto asset service providers as accountable institutions subject to supervision, including reporting, registration and enforcement.

Reducing the capital flows regulatory burden and improving competitiveness

To promote South Africa as a competitive financial and investment hub for the African continent, National Treasury will expand the HoldCo concept for corporations. This will allow asset managers to manage their portfolios locally in foreign currency, as corporations are permitted to do. The reforms would enable the creation of a “synthetic financial centre” to engage in two main activities: (i) the management of portfolios of foreign assets, and (ii) the trading of foreign currency denominated financial instruments. This will enable asset managers to intermediate in global capital flows, particularly those invested in Africa, and attract and manage the foreign savings of South African investors.

14. Other Proposals

14.1 Inward Foreign Loans – South African Residents

As part of promoting foreign trade and investments into South Africa, the interest rate cap(s) on inward foreign loans is removed, subject to loans being market related and reported to the Reserve Bank.

14.2 Single Discretionary Allowance

To take into account inflation and currency fluctuations, the single discretionary allowance limit for private individuals is increased from R1 million to R2 million per calendar year via authorised dealers for all purposes, including travel, gifts, remittances, investments and donations.

14.3 Unclaimed Financial Assets

Government is implementing a reform to centralise the management and investment of over R88 billion in unclaimed financial assets, which include retirement benefits, bank accounts, investments and insurance payouts.

The proposed framework provides for the transfer of these assets to a central manager to drive down costs and improve payouts with appropriate governance for investment, alongside the appointment of a central administrator responsible for administration, record-keeping and tracing.

The reform will be rolled out in phases, starting with the retirement fund sector, given its established identification and monitoring systems. Over time, the framework will be extended to other categories of unclaimed financial assets. The centralisation of unclaimed financial assets seeks to address challenges associated with fragmented administration, inconsistent definitions and the erosion of value through fees. A unified system, supported by a central database and an administrator, is intended to strengthen tracing processes and enhance transparency. It is also expected to provide beneficiaries with a clearer and more streamlined claims process. A discussion note will be released shortly for public consultation.

14.4 Collective Investment Schemes

Following consultations on the 2024 discussion paper on collective investment scheme (CIS) taxation, National Treasury will issue a response document with revised proposals for further engagement. It recommends taxing all investment returns from regular CISs and retail investment hedge funds as capital, to encourage savings and provide tax certainty, while excluding qualified investment hedge funds, available only to high-net-worth investors, from the CIS regime and proposing alternative tax options for them.

14.5 National Online Gambling

National Treasury released a draft national online gambling tax paper in November 2025, proposing a 20% tax on gross online gambling revenue, in addition to existing provincial taxes. The public comment period, extended to 27 February 2026, will be followed by a workshop with stakeholders, after which a revised proposal will be included in draft legislation for further public comment later in the year.

Conclusion

Minister Enoch Godongwana acknowledged the simple lesson that steady structural reform and responsible public finances are the bedrock of prosperity. He took heed of this lesson and delivered a “no-frills” budget to calm the nerves after last year’s Budget excitement.

There is good news on both sides of the budgetary equation: improved tax revenues, and a concerted effort to reduce wasteful and unimpactful spending. This has allowed the Minister to offer some long-awaited respite to taxpayers in the form of inflationary adjustments to the marginal tax brackets, the rebates and the deductions afforded in respect of retirement fund contributions.

2026 Budget highlights

- No VAT increase
- Inflationary adjustment to the personal income tax tables and rebates
- Updated medical tax rebates
- Increase in the annual deduction limit in respect of contributions to retirement funds
- Increase in the annual contribution limits to tax-free savings accounts
- Increase in the commutation amount upon retirement from a retirement fund
- Proposal for a central unclaimed benefits fund
- Increase in the offshore discretionary allowance
- Adjusted capital gains tax exclusions
- Raising the compulsory VAT registration threshold
- A more favourable tax table for micro businesses

There is to be a renewed focus on bolstering SARS’s tax collection capability to ensure that the fiscus receives the tax that is due. It is self-evident that individual taxpayers thus need to embrace the legal methods of reducing their tax liability by taking advantage of the tax breaks (and improvements thereto) that have been afforded to them. In this regard, the tax-efficient benefits of retirement funds and TFSAs remain as sweet as ever. It would be foolhardy to attempt to navigate the complex regulatory and investment environment without financial advice.

The world has taken notice of our stable course and, in consequence, South Africa has been removed from the FATF “grey list” and secured its first credit rating upgrade in 16 years. We appear to have stabilised our debt-to-GDP ratio. The Budget’s spending priorities seek to address our most fundamental issues, such as

service delivery, health services, security and appropriate social safety nets – all in all, a “no-frills” budget which will lessen the burden on taxpayers.

PLEASE NOTE THAT THE INFORMATION PROVIDED IN THIS CIRCULAR IS BASED ON PROPOSALS MADE IN THE NATIONAL BUDGET SPEECH DELIVERED ON 25 FEBRUARY 2026 IN PARLIAMENT. UNTIL THE PROPOSALS HAVE FORMALLY BEEN PROMULGATED IN LEGISLATION, THEY WILL ONLY BE VIEWED AS PROPOSALS.

Income Tax Calculator

If you want to calculate your monthly income tax and compare it to that of last year, you can make use of Old Mutual's Income Tax Calculator, which has been updated to also include the tax changes applicable to retirement funds. You will therefore be able to see the benefits of retirement reform where your income tax is concerned.

This calculator takes your monthly income, retirement contributions, medical aid contributions and your employer's contributions to a medical aid scheme and retirement funds into account and can be accessed via the following link: <https://www.oldmutual.co.za/personal/tools-and-calculators/income-tax-calculator/>

Compiled by: Personal Finance Legal, PWM Legal, Corporate Legal and Product Legal

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Contact your Old Mutual Financial Adviser, PWM Financial Planner or Independent Financial Adviser
www.oldmutual.co.za