Deel Local Payroll

South African Budget Speech 2026

Breaking Down the 2026 Budget Speech: Tax, Payroll & More

As South Africa continues to navigate fiscal pressure and a fragile economic recovery, the 2026 Budget Speech sets the tone for how businesses and employers will navigate tax, payroll, compliance, benefits, retirement contributions, and the need to stabilise public finances. Finance Minister Enoch Godongwana once again faced the challenge of balancing economic support with the sustainability of an already stretched tax base.

Against this backdrop, the Budget reaffirmed government's focus on fiscal discipline, revenue protection, and targeted interventions aimed at supporting growth while managing debt and the deficit. The measures announced will shape the financial landscape for businesses and individuals in the year ahead.

This document highlights the most important tax and payroll updates affecting businesses and individuals.

Personal Income Tax: Rates, Thresholds & Rebates

Individual Taxable Income Tax Rates

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The tax rates for individuals and special trusts for the year ending between 1 March 2026 and 28 February 2027 have been revised.

Taxable Income (R) | **Rates of Tax (R)**

Taxable Income (R)	Rates of Tax (R)
First R237 100	18% of taxable income
R237 101 – R370 500	R42 678 + 26% of taxable income above R237 100
R370 501 – R512 800	R77 362 + 31% of taxable income above R370 500
R512 801 – R673 000	R115 772 + 36% of taxable income above R512 800
R673 001 – R857 900	R173 076 + 39% of taxable income above R673 000
R857 901 – R1 817 000	R245 100 + 41% of taxable income above R857 900
R1 817 001 –	R637 092 + 45% of taxable income above 1 817 000

Tax Threshold & Rebates 2026/27

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Tax Thresholds

Under 65	Age 65 - 74	Age 75 and over
R99 000	R153 250	R171 300

Tax Rebates

Primary	Secondary	Tertiary
R17 820	R9 765	R3 249

Monthly Medical Scheme Fees Tax Credits 2026/27

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Taxpayer only	Taxpayer & first dependent	Each additional dependent
R374	R752	R254

Retirement Fund Lump Sum

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Withdrawal Benefit Rates
Withdrawal Benefit Withdrawals under the tax-free withdrawal support

Taxable Income (R)	Rates of Tax (R)
R0 – R550 000	0% of taxable income
R550 001 – R770 000	R0 + 18% of taxable income above R550 000
R770 001 – R1 155 000	R39 600 + 27% of taxable income above R770 000
R1 155 001 –	R143 100 + 36% of taxable income above R1 155 000

Benefit Rates
Including withdrawal benefits

Taxable Income (R)	Rates of Tax (R)
R0 – R1 800 000	0% of taxable income
R1 800 001 – R2 700 000	R0 + 18% of taxable income above R1 800 000
R2 700 001 – R4 200 000	R162 000 + 27% of taxable income above R2 700 000
R4 200 001 –	R567 000 + 36% of taxable income above 4 200 000

Income Tax Rates: Companies & Trusts

A	B
Companies (including personal service provider entities)	Trusts (Other than special trusts, including deceased estate and special trusts)
27%*	45%

*Rate is increased by a surcharge of 3.5% (0.945 / 27)

Income Tax: Small Business Corporations

Taxable Income (R) | **Rates of Tax (R)**

Taxable Income (R)	Rates of Tax (R)
R0 – R95 750	0% of taxable income
R95 751 – R365 000	R0 + 7% of taxable income above R95 750
R365 001 – R550 000	R19 250 + 21% of taxable income above R365 000
R550 001 – R914 000	R58 850 + 27% of taxable income above R550 000
R914 001 –	R157 100 + 34% of taxable income above R914 000

Micro Business: Turnover Tax

Taxable Income (R) | **Rates of Tax (R)**

Taxable Income (R)	Rates of Tax (R)
R0 – R1 000 000	0% of taxable income
R1 000 001 – R1 500 000	R0 + 1% of taxable income above R1 000 000
R1 500 001 – R2 000 000	R5 000 + 2% of taxable income above R1 500 000
R2 000 001 –	R15 000 + 3% of taxable income above R2 000 000

Payroll: Rates and Values

Prescribed Rate per Kilometre for Business Travel Reimbursement

BEFORE	AFTERWARDS
R4.76 per kilometre	R4.95 per kilometre

Travel Allowance Cost Scale Table

Value of vehicle (including VAT) (R)	Fixed cost (R)	Fuel cost (R)	Maintenance cost (R)
No exceeding 75 000	53 000	18 000	10
Exceeds 75 000 but not 125 000	85 000	18 000	10
Exceeds 125 000 but not 225 000	85 000	18 000	678
Exceeds 225 000 but not 275 000	85 000	18 000	1 016
Exceeds 275 000 but not 325 000	85 000	18 000	1 356
Exceeds 325 000 but not 400 000	85 000	18 000	1 695
Exceeds 400 000 but not 500 000	85 000	18 000	2 034
Exceeds 500 000	85 000	18 000	2 373

Deemed Subsistence Allowance, Reimbursement and Advances for Business Travel

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	BEFORE	AFTERWARDS
Rate at which one can claim a tax deduction for a meal and incidental costs	R435 per day or part of a day	R452 per day or part of a day
Maximum amount that can be claimed	R435 per day or part of a day	R452 per day or part of a day
Aggregate of the daily limit for meals and incidental costs for a foreign business traveller	Meals & Incidentals: R710 per day	R736 - 1 night of the day

This standard rate for meals applies South Africa as a prescribed Government Gazette for each country.

Skills Development Levy (SDL)

A Skills Development Levy (SDL) is a mandatory contribution by South African businesses to fund workplace training and education.

Unemployment Insurance Fund (UIF) Contributions

UIF contributions are capped monthly, with employees and employers each contributing **1% each** (2% in total) on qualifying earnings up to the UIF ceiling of **R17 712 per month**.

Employment Tax Incentive (ETI) Table

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Monthly ETI remuneration	ETI for the first 12 qualifying months	ETI for the next 24 qualifying months
R0.00 - R1 500.00	Lump sum equivalent to remuneration	Lump sum equivalent to remuneration
R1 500.00 - R4 500.00	R1 500.00	R750.00
R4 500.00 - R7 500.00	Formula R750 - 75% x (monthly remuneration - R4 500)	Formula R375 - 50% x (monthly remuneration - R4 500)

Other Taxes, Duties & Levies

Sin Taxes

For the 2026/2027 financial year, excise duties on alcoholic beverages and tobacco products will increase by 2.4%, as outlined below.

	BEFORE	AFTERWARDS
Cigarettes	1 stick of cigarette 2.4%	1 stick of cigarette 2.4%
Cigarette Tobacco	47 per 50g	47 per 50g
Pipe Tobacco	28 per 50g	28 per 50g
Cigars	94 per 5g	94 per 5g
Sparkling Wine	4 Rand per 750ml bottle	4 Rand per 750ml bottle
Unfortified Wine	2 Rand per 750ml bottle	2 Rand per 750ml bottle
Fortified Wine	3 Rand per 750ml bottle	3 Rand per 750ml bottle
Spirits	46 Rand per 750ml bottle	46 Rand per 750ml bottle
Beer	16 Rand per 340ml	16 Rand per 340ml
Opaque Alcoholic Fruit Beverages	16 Rand per 340ml	16 Rand per 340ml
Flavoured Sweetened Malted Beverages	16 Rand per 340ml	16 Rand per 340ml

Social Grants

The government has increased the child support grant by R20 per month, the foster care grant by R40 per month, and the old age grant by R80 per month for the 2026/27 tax year.

	BEFORE	AFTERWARDS
Child Support Grant	R 530	R 560
Foster Care Grant	R 1 080	R 1 120
Old Age Grant	R 2 080	R 2 160
Disability Grant	R 2 080	R 2 160
Care Dependency Grant	R 2 080	R 2 160
War Veteran's Grant	R2 080	R2 160

Fuel Taxes

Fuel taxes are levies imposed on the use of fuel, generating revenue to fund transportation projects, public services, and contributions to the Road Accident Fund (RAF) for compensating victims of road accidents.

Fuel Taxes	BEFORE	AFTERWARDS
Petrol Ordinary Tax	R4.70 per litre	R4.70 per litre
Petrol Fuel Levy Tax	R4.71 per litre	R4.71 per litre
Diesel Fuel Levy Tax	R4.70 per litre	R4.70 per litre
Diesel Fuel Levy Tax Rebate	R3.00 per litre	R3.00 per litre
Road Accident Fund Fuel Levy	R0.40 per litre	R0.40 per litre
Fuel Levy Rebate	R0.40 per litre	R0.40 per litre

Where Is the Money Coming from & How Will It Be Spent in 2026/27?

Government Sources of Income in 2026/27

Tax Revenue 2026/27

Government Spending in 2026/27

Other Key Budget Highlights

Further consultation on a national online gambling tax during 2026

Increase in Tax Free Savings contributions limit to **R46 000** per annum

Increase the VAT compulsory registration threshold to **R2.3 million** to reduce administrative burdens on smaller businesses and support entrepreneurship

Tax Policy Proposals Affecting Payroll

Proposed Increase to tax-exempt retirement fund lump sum withdrawal benefit

Currently, retirement fund withdrawals below R550 000 are tax-free, with higher thresholds for withdrawals upon retirement or death. To encourage preservation, it is proposed that these limits be increased to **R550 000 to R630 000**, with the lifetime limit increasing to **R1 800 000**.

Revised tax-free thresholds for withdrawal, retirement, and death benefits will also be introduced, ensuring members who transfer their retirement benefits to a new fund do not lose access to previously earned tax-free withdrawal benefits.

Increase in retirement fund tax deduction limit

To encourage retirement savings, it is proposed that the annual tax deductible limit for retirement fund contributions be increased from **R350 000 to R430 000**. This change aims to boost long-term savings and support a tax-free withdrawable basis, reduce the short-term sales and improve long-term retirement outcomes.