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Umbrella Retirement Provident Fund

Legal & industry update: March 2026

In this publication we look at:

- The 2026 National Budget

2026 National Budget: tax relief and strategic reforms

On 25 February 2026, Finance Minister Enoch Godongwana presented the National Budget speech to Parliament, reaffirming the government's commitment to fiscal prudence amid a challenging yet improving economic landscape. Buoyed by stronger-than-expected revenue collections – driven largely by the robust performance of South African financial assets – the Budget steered clear of major tax increases, opting instead for inflationary adjustments across key personal income tax brackets. This provides a welcome relief by way of increasing taxpayers' real disposable income and providing a measure of stability for households and investors alike.

South Africa's real GDP growth is projected at 1.6% for 2026, an improvement from 1.4% in 2025, with medium-term averages of 1.8% culminating in 2% by 2028. The consolidated budget deficit narrows to 4.5% of GDP in 2025/26, further declining to 4% in 2026/27, while gross debt stabilises at 78.9% of GDP before easing to 76.5% by 2028/29.

Macroeconomic framework and fiscal strategy

The Budget is underpinned by four strategic pillars designed to accelerate inclusive growth:

- Maintaining macroeconomic stability
- Implementing structural reforms
- Investing in growth enhancing infrastructure
- Bolstering state capacity

Globally, economic expansion is anticipated at 3.3% in 2026, offering tailwinds for South Africa. Prudent fiscal management has enabled the withdrawal of a proposed R20 billion tax increase from the 2025 Budget, preserving the corporate income tax rate and value-added tax (VAT) at their current levels – 15% for VAT.

Nevertheless, Treasury has signalled that future VAT hikes remain under consideration to address revenue shortfalls in a low growth environment.

Personal income tax enhancements

In a significant concession to individual taxpayers, all personal income tax brackets, rebates, and thresholds have been adjusted upwards in line with projected inflation of 3.4%:

REBATES

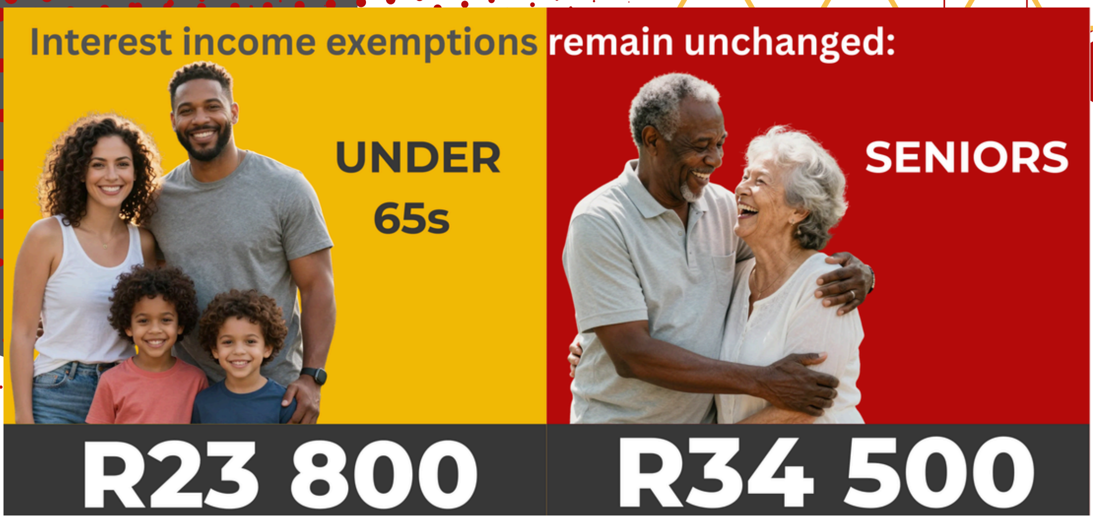
- Primary rebate rises to R17 820 (from R17 235),
- Secondary rebate for those aged 65-74 to R9 765 (from R9 444), and
- Tertiary rebate for individuals 75 and older to R3 249 (from R3 145).

THRESHOLDS

Tax-free thresholds are similarly uplifted:

- R99 000 for those under 65 (previously R95 750),
- R153 250 for ages 65-74 (R148 217), and
- R171 300 for those 75 and above (R165 689).

Medical tax credits also receive proportional increases to R376 per month for the primary member and first beneficiary (from R364), and R254 for additional beneficiaries (from R246).



Interest income exemptions remain unchanged at R23 800 for under-65s and R34 500 for seniors, reflecting a balanced approach to relief without undue revenue loss.

Incentives for savings and Offshore investment

Recognising South Africa's suboptimal national savings rate, the Budget introduced targeted measures to foster long term wealth creation.

The annual contribution limit for **tax-free savings accounts** increases to R46 000 (from R36 000) from 1 March 2026, while the lifetime limit holds at R500 000.

Retirement fund contribution deductions

Retirement fund contribution deductions were also increased to the lesser of:
- R430 000 (up from R350 000) or
- 27.5% of taxable income

There was also an inflation-linked rise in the ***de minimis* threshold for annuitisation** to R360 000 (from R247 500).

Particularly beneficial for investors seeking diversification, the single discretionary allowance for offshore transfers doubles to R2 million per calendar year (from R1 million).

In the realm of collective investment schemes, National Treasury will issue a response document to its 2024 discussion paper, proposing that returns from unit trusts and retail hedge funds be taxed as capital gains – a clarification that aligns with industry practice and provides much needed certainty.

Amendments to the Income Tax Act will further refine the ***de minimis* rule for living annuities**, raising the threshold to R150 000 (from R125 000) – meaning annuitants can cash out their living annuities if the total value of the underlying investment drops below R150 000 (previously R125 000).

And it is proposed that the definition of living annuity in section 1 of the Income Tax Act be amended to explicitly clarify that the *de minimis limit* must be applied cumulatively for those annuitants with more than one living annuity with the same insurer or fund. (This is to discourage individuals taking multiple smaller living annuities.)

Retirement funds and unclaimed assets initiative

Tax tables for retirement withdrawals and benefits remain unaltered, with no amendments to the two-pot retirement system.

However, addressing a critical issue, National Treasury will consult publicly on managing over R88 billion in unclaimed financial assets – starting with retirement benefits. A central administrator will oversee recordkeeping, tracing and investment governance, aiming to reduce fees, enhance transparency and ensure assets revert to rightful owners rather than institutions.

Capital gains tax effective rates are unchanged (18% for individuals/special trusts, 21.6% for companies, 36% for other trusts), but exclusions are enhanced:

- annual to R50 000 (from R40 000),
- on death to R440 000 (from R300 000),
- primary residence trigger to R3 million (R2 million), and
- small business disposal to R2.7 million (R1.8 million) for those over 55.

Donations tax exemptions rise to R150 000 for individuals (previously R100 000) and R20 000 for entities (previously R10 000), effective 1 March 2026.

Small businesses benefit from a VAT registration threshold increase to R2.3 million (from R1 million) on 1 April 2026.

Transfer duty rates see no alterations.

Financial sector developments and SARS enforcement

South Africa's exit from the FATF greylist in October 2025 paves the way for 2026 legislation combating financial crime, including draft crypto asset regulations. An FSCA-Prudential Authority survey on AI adoption will inform a July 2026 discussion paper promoting responsible use.

The **Conduct of Financial Institutions (COFI) Bill** was not mentioned, though an updated draft awaits Cabinet approval.

The South African Revenue Service (SARS) faces a R523 billion undisputed tax debt (R162 billion VAT), prompting intensified collections via bank collaborations and legal pursuits. Taxpayers are advised to prioritise compliance as the financial year-end nears.

Sin taxes, carbon tax (to R308 per tonne CO_2e), fuel levies, and the RAF levy were all adjusted with inflation.

Social grants and health investments

Old age, Disability, and Care-dependency	War Veterans	Child support and Grant-in-aid	Foster care
Now: **R2 400 pm** Up from R2 315	Now: **R2 420 pm** Up from R2 335	Now: **R580 pm** Up from R560	Now: **R1 290 pm** Up from R1 250 Then: **R1 300 pm** from 1 October 2026

Social grants see increases from April 2026:

- Old age, disability, and care-dependency to R2 400 monthly (was R2 315),
- War veterans to R2 420 (was R2 335),
- Child support and grant-in-aid to R580 (was R560),
- Foster care to R1 290 (from R1 250) and then to R1 300 on 1 October2026.

The **SRD grant** is extended to March 2027 at R370.

National Health Insurance receives R3,035 billion for development.

Forward outlook

This Budget shows fiscal responsibility, delivering tangible relief while laying groundwork for sustainable growth. Though challenges like high debt and VAT pressures persist, it offers optimism for savers, investors and compliant taxpayers. We'll keep you updated as developments around unclaimed benefits, COFI and auto-enrolment unfold.

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