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May 2023

How You and Your Business Can Benefit from SARS' Solar Tax Breaks

"The lack of reliable electricity supply is the biggest economic constraint... I am pleased to announce two tax measures to encourage businesses and individuals to invest in renewable energy and increase electricity generation." (Finance Minister Enoch Godongwana – Budget 2023)



In the 2023 Budget, the lack of a reliable electricity supply was highlighted as the country's biggest economic constraint. South Africans have been subjected to loadshedding every day of 2023, often at stage four, five or six. Recent research by the Bureau for Economic Research revealed more loadshedding in the first two months of 2023 than in all of the previous four years. It is a situation expected to deteriorate even further as demand rises with the winter months approaching.

To encourage businesses and individuals to invest in renewable energy and to increase

electricity generation, government announced two tax measures in the 2023 Budget in February. The first will provide R5 billion in tax relief to companies through an expansion of the renewable energy incentive, and the second will provide R4 billion in tax relief for households that install solar panels. Both entail a number of conditions and requirements, as well as tight timelines, which are summarised below.

The expanded tax incentive for businesses

To encourage rapid private investment to alleviate the energy crisis, this is a temporary expansion of the existing tax incentive Section 12B of the Income Tax Act, which provides for capital expenditure deductions for assets used in the production of renewable energy.

It originally allowed businesses to deduct 50% of the costs in the first year, 30% in the second and 20% in the third for qualifying investments in wind, concentrated solar, hydropower below 30 megawatts (MW), biomass and photovoltaic (PV) projects above 1 MW, and provided an accelerated capital allowance of 100% in the first year for solar PV energy projects of less than 1MW.

This incentive has now been temporarily expanded as outlined below.

Highlights of the expanded incentive

- Under the expanded incentive, businesses will be able to claim a 125% deduction.
- Moreover, that deduction can now all be claimed in the first year.
- Businesses will be able to reduce their taxable income by 125% of the cost of renewable energy assets used for electricity generation.
- The adjusted incentive will only be available for investments brought into use for the first time between 1 March 2023 and 28 February 2025.
- The deduction applies to all renewable energy projects.
- There will be no thresholds on the generation capacity size of the projects that qualify.
- The expanded incentive is only available for two years from 1 March 2023 to 28 February 2025 to stimulate investment in the short term.

Example: business renewable energy tax incentive

For businesses with a positive taxable income, the deduction will reduce tax liability. For example, a renewable energy investment of R1 million would qualify for a deduction of R1.25 million against taxable income.

Using the current corporate tax rate (27%), this deduction could reduce the corporate income tax liability of a company by R337,500 in the first year.

Tax rebate for individuals

This is a new tax incentive available for a very limited period to encourage individuals to install rooftop solar panels to increase electricity generation and reduce pressure on the grid. Individuals can claim the rebate against their personal income tax liability.

Highlights of the individual tax rebate

- This incentive will be available for one year between 1 March 2023 and 29 February 2024.
- Individuals who install rooftop solar panels will be able to claim a rebate of 25% of the cost of the panels, up to a maximum of R15 000 per individual.
- The rebate can be used to reduce tax liability in the 2023/24 tax year. PAYE taxpayers can claim the rebate on assessment during the 2023/24 filing season, while provisional taxpayers can claim the rebate against provisional and final payments.
- There is no ownership limitation, so installations by either landlords or renters

are eligible, but only the party that pays for the solar panels can claim the rebate.

- The rebate applies only to new and unused solar PV panels with a minimum capacity of 275W per panel (design output), installed as part of a new system, or as an extension of an existing system, which must be connected to the mains distribution of the residence (i.e. no off-grid installations qualify).
- The rebate is only available for solar PV panels (excluding portable panels), and not for other components of a system such as batteries, inverters or fittings. Installation costs do not qualify.
- The solar panels must be purchased and installed at a private residence used mainly for domestic purposes (i.e. dual-use residences such as a guest house or Airbnb used more than 50% for trade, will be excluded).
- A certificate of compliance for the installation must be issued between 1 March 2023 and 29 February 2024 and the certificate must confirm the date the solar panels purchased were brought into use for the first time.
- To claim, taxpayers will need a VAT invoice that indicates the cost of the solar PV panels separately from other items, along with proof of payment.
- There will be no recoupment if the residence is sold after claiming the rebate, but there will be a claw-back if the panels themselves are sold within one year.
- SARS has issued draft third-party regulations for comment that will require solar installers to report to SARS the complying installations they have completed together with the details of the purchaser.
- Like other rebates, it may only be claimed against tax payable and only to reduce the tax payment to nil. If the tax payable is less than the rebate, the balance is forfeited.

Example: tax rebate to individuals

An individual who purchases 10 solar panels at a cost of R40,000 will be able to claim 25% of this R40,000 cost – or R10,000 as a rebate. This means that the individual's personal income tax liability that is payable for the 2023/24 tax year can be reduced by R10,000.

Another individual who buys 20 panels at a cost of R4,000 per panel, will have invested a total of R80,000. The calculation of 25% of R80,000 amounts to R20,000, but only R15,000 can be claimed against income tax liability for the 2023/24 tax year, as the deduction is limited to R15,000 per individual. If the tax payable is less than R15,000, the rebate is reduced to the amount of tax payable. The balance of the rebate is thus forfeited.

Given the many conditions and requirements, as well as the tight timelines, professional tax advice is recommended before installing solar power or renewable energy alternatives, to ensure the full benefit of these time-limited tax incentives can be realised.

Affordable Ways to Reap the Benefits of Engaged Employees

***“Always treat your employees exactly as you want them to treat your best customers.”
(Stephen R. Covey)***

Gallup describes “engaged employees” as those who are involved in, enthusiastic about, and committed to their work and workplace. Numerous studies over many decades have confirmed the benefits of engaged employees especially to smaller companies, where they are often required to take on many diverse responsibilities.



Many studies have also identified employee engagement strategies that have proven most meaningful to employees and are therefore most effective. In these difficult economic times, business owners and managers will be pleased to find that some of the most effective employee engagement strategies do not require a substantial cost.

The many benefits of engaged employees

This isn't just hype. Studies have confirmed that -

- Engaged employees often go beyond the call of duty.
- Employee engagement is positively correlated to company growth rates.
- Improved employee retention and loyalty.
- Lower absenteeism rates.
- Higher productivity – some studies have found engaged workers to be up to 21% more productive.
- Improved customer satisfaction.
- Improved company reputation and overall stakeholder value.
- Reduced incidence of internal theft and fraud.
- Reduced safety incidents.

Some effective employee engagement strategies

- Employees have a good understanding of the business's values and mission, and clear expectations about their role in achieving these.
- Employees have the necessary equipment, resources and authority to do their jobs well.
- Regular employee performance and progress catch-ups with good quality, authentic and genuine feedback.
- Good relationships with superiors who are truly concerned for employees' wellbeing and willing to provide support.
- Opportunities for employees to voice opinions and contribute ideas.
- Genuine and meaningful recognition, given publicly and timeously in front of superiors and peers.
- Peer-to-peer recognition has been found to have twice the impact of recognition from managers.
- Flexible work schedules and remote working options that allow employees to meet family obligations.
- Onsite employee programmes addressing, for example, health and wellness, or personal finances.
- Onsite family day care facilities and/or onsite food services.
- Having friends at work significantly improves employee commitment and satisfaction, by as much as 50% according to some studies.
- Volunteering unites employees towards a common greater good.

Implementing employee engagement strategies on a budget

When looking at the employee engagement strategies listed above, it is encouraging that most don't involve high costs. What is crucial is to ensure that any strategies implemented add real value to your employees and impact their work and personal lives in a meaningful way. The best way to do so would be to ask your employees directly, perhaps at a team meeting or via an anonymous online survey.

Perhaps an employee-of-the-month program with rewards such as breakfast with the Boss or gift cards could yield great results. It may be that a Friday afternoon off once a month or paid leave on an employee's birthday are top choices. Celebrating national

holidays or sporting events as a company, or providing paid time off for volunteering together, will create opportunities to build friendships and create a sense of belonging.

Especially in small businesses, such employee engagement strategies can create a happier, more productive and faster-growing company.

While most of the employee engagement strategies discussed are not part of formal compensation packages, employee relations are always subject to intricate labour and tax laws as well as a host of practical business considerations. Be sure to run any employee perks you are planning to offer by your accountant to check there are no unintended outcomes.

Setting Up Your Finances in a New Business

“A house built on granite and strong foundations, not even the onslaught of pouring rain, gushing torrents and strong winds will be able to pull down.” (Haile Selassie, Former Emperor of Ethiopia)



When starting a new business, few things are as important as establishing your finances and making sure they are right. Building the foundation for stable, accurate financial reports and tax filing will see you in good stead in the future and establish the practices that will lead your company to success. Here are the top seven tips.

1. ***Set up a deadline calendar***

Whether you use a large whiteboard in your office, or a digital reminder service like Google Calendar, it is vital that you track which payments are due and when. Whether it's your staff salaries, business loan payments or accounts payable, you need to know exactly when each amount is due in order to plan your cash flow accurately. Not having the cash on hand when a payment is due not only hurts your business credit rating but can also cost you more in fines or late-payment fees.

2. ***Monitor your accounts receivable***

Just because you have invoiced a client doesn't mean that money is immediately coming in. Check the terms of each client's contract to understand exactly when they are likely to pay. If a client pays on a 60-day cycle it is unreasonable to expect the money will come in before that and you therefore need to plan other ways to have cash on hand to meet payments. For each invoice make a note on when it is likely to be paid.

3. ***Track your inventory***

Inventory on hand is as much a part of your finances as the actual cash in your bank. Are you ordering too much and letting things rot on the shelves, or are you ordering too little and being forced to pay for rush deliveries to meet your orders? Tracking inventory will allow you to make better purchase decisions and streamline the operations of your business thereby reducing costs and stress.

4. ***Consider opening two business bank accounts***

Account 1: It is vital that you be able to track all expenses you are incurring in order to make accurate business decisions and monitor your business spending. To do this you will need one bank account in the name of the business dedicated to the daily running and expenses of the business. This will allow you to accurately reconcile the account at the end of the month and see

whether more money is coming in than going out. Don't have more than one daily operations account, and don't use your personal accounts to pay business expenses – if you do, monitoring your cash flow, income and expenses becomes that much harder.

Account 2: The second account you should think of opening is a savings account, into which you will deposit a percentage of each month's income to cover the taxes at the end of the year. The last thing you want to do is arrive at year-end unable to afford what you owe to SARS. Ideally, you should pay more than you owe on taxes alone into this account to also build a cash reserve. This cash reserve will see you through difficult times or cover unexpected expenses.

5. *Get a bookkeeper*

Whether you get a bookkeeper or download bookkeeping software, it is vital that you keep track of all your incomings and outgoings. [QuickBooks](#), [Wave](#), [Zoho Books](#), [Xero](#), and [FreshBooks](#) are a few examples of the best apps for small business owners. Apart from making the issuing and tracking of invoices easier, knowing exactly which jobs have been invoiced, which have been paid and which are still owing as well as to whom, and how much you owe, will help you to plot payments, make cash flow decisions and price your product more accurately. Moreover, come tax time, you will have all of the paperwork necessary to give to your accountant to ensure as favourable a tax season as possible.

6. *Download a receipt scanning app*

Now that your bookkeeper or bookkeeping software is tracking your invoices and accounts, you need to also track and accurately record your expenses that are made independent of your monthly suppliers. Fortunately, there are many receipt scanning apps that will help you to quickly and accurately record each business lunch receipt and stationary purchase, and then add them to an online database. Exactly which one you download will depend on your exact needs, but here are a few to get you started: [Zoho Expense](#), [Expensify](#), [Wave](#), [QuickBooks Online](#) and [Evernote Scannable](#).

7. *Download an app to record business travel*

While you can get digital logbooks that you plug into your computer, it is far easier these days to simply download an app that will record each of your journeys automatically in the background on your phone. [MileIQ](#), for instance, is great, because with a simple swipe after each journey you can record whether it was for personal or business reasons, and at the end of the year can print out a full record of all your travels and the related expenses.

Setting up your business foundation is essential for the health of your business. Once you have done all of the above, and accurately tracked your expenses and income for the year your accountant will have an easy time saving you money, ensuring you only pay the taxes you owe and not a cent more.

Happy Tax Freedom Day!

“In 2022 South Africa had the 12th highest income tax burden, the 9th highest company income tax burden, and the 14th highest non-resource tax burden worldwide.” (Garth Zietsman, South Africa’s Tax Freedom Day statistician)



Tax Freedom Day marks the day in the

year when South Africans stop giving all their money to their government for the year and finally start working for themselves. In 2023, Free Market Foundation statistician Garth Zietsman has worked out that this day will be the 14th of May, two days later than in 2022, which in turn fell 10 days later than predicted in 2021.

In 2023, the average South African taxpayer has had to work for a predicted 133 days to pay their taxes. Back in 1994, South Africans took 101 days. The usefulness of the metric is now clear – South Africans are now spending a full month longer every single year working for their government.

According to Zietsman, the actual date may be far worse: “The prediction is based on the intended level of tax collection for central government mentioned in the Budget Speech. Typically, the actual figure, which is the general government revenue as a percentage of GDP from the Reserve Bank Quarterly, turns out to be 30% more than the intended figure for central government”.

The Freemarket Foundation is a Johannesburg based, classical liberal think tank, who have adapted the concept of Tax Freedom Day from Florida businessman Dallas Hostetler who developed and trademarked the idea in America in 1948.

Your Tax Deadlines for May 2023

- 5 May - Monthly Pay-As-You-Earn (PAYE) submissions and payments
- 30 May - Excise Duty payments
- 31 May - Value-Added Tax (VAT) electronic submissions and payments & CIT Provisional payments where applicable.



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