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The Age of Visible Tax

Why tax transparency is becoming a test of ESG credibility and good governance

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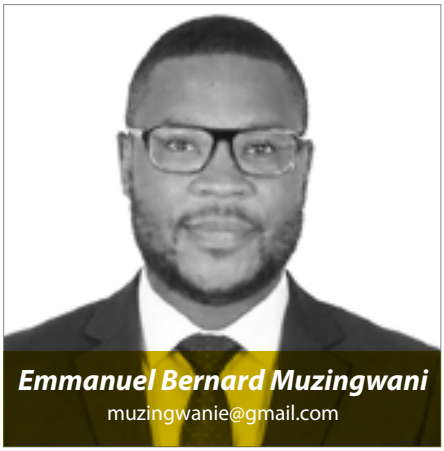

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5hrs15mins CPD in this issue

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THE NEW TAX PLAYBOOK: ESG, TAX TRANSPARENCY, GOVERNANCE, AND AI IN A RAPIDLY CHANGING WORLD

▶ **KULANI DHUMAZI,** Master Tax Practitioner (SA)™ and SARS Gauteng North regional representative and SAIT Member

Introduction

The tax function is no longer confined to a quiet back-office role that surfaces only during filing season, audits, or disputes with revenue authorities. The global business environment has evolved too rapidly for such a narrow tax perspective to remain relevant.

Today, tax occupies a central position at the intersection of corporate strategy, governance, sustainability, technology, reputational management, and stakeholder trust. The modern tax professional is no longer merely a compliance specialist. Increasingly, tax practitioners are expected to operate as governance advisors, strategic risk managers, ESG contributors, data interpreters, and AI-enabled decision-makers.

This is the reality of the new tax playbook.

Environmental, social and governance (ESG) considerations are no longer optional corporate talking points. They have become strategic drivers that are capable of influencing business direction, unlocking value, strengthening governance, and enhancing organisational credibility. This reality is even more compelling in today's environment.

The global landscape has shifted from voluntary ESG enthusiasm to mandatory disclosure frameworks, heightened tax transparency expectations, stakeholder activism, digital enforcement mechanisms, and the rapid integration of artificial intelligence (AI) into tax administration. Organisations that continue to treat tax as a narrow compliance exercise are not simply lagging behind; they are exposing themselves to significant operational and reputational risk.

ESG has redefined the tax conversation.

Historically, tax planning was often evaluated through a single lens: how much tax can legally be saved? That question is no longer sufficient.

The modern question is broader and more strategic: Does the organisation's tax strategy align with its purpose, governance standards, ESG commitments, licence to operate, and long-term sustainability objectives?

A tax position may be technically correct while still creating reputational harm. It may be legally defensible yet commercially insensitive. It may reduce short-term tax liabilities while undermining stakeholder confidence in the long term. This is where ESG has fundamentally reshaped the tax conversation.

Under the environmental pillar, tax professionals must understand carbon taxes, renewable energy incentives, green investment structures, energy-efficiency allowances, and the broader tax implications of climate transition strategies.

Under the social pillar, tax intersects with employment taxes, payroll compliance, skills development levies, localisation initiatives, inclusive procurement, employee welfare, and the broader fiscal contribution businesses make to society.

Under the governance pillar, tax assumes an even more strategic role. Governance requires organisations to demonstrate clear tax policies, effective board oversight, documented controls, ethical decision-making processes, transparent reporting practices, and robust approaches to tax risk management.

Tax is therefore no longer simply about "How much tax was paid". Increasingly, it is about "How tax decisions are made".

Tax transparency: The new benchmark for corporate trust

The era of shielding tax strategies behind technical complexity is rapidly fading. Stakeholders increasingly expect organisations to demonstrate that taxes are paid where economic value is created, that tax structures reflect genuine commercial substance, and that boards understand and oversee the organisation's tax posture.

Tax transparency has therefore become a critical measure of corporate trust.

Frameworks such as the Global Reporting Initiative (GRI) 207 have elevated tax into the broader sustainability reporting agenda. These standards focus on tax governance, risk management, stakeholder engagement, and country-by-country reporting. In practical terms, organisations are now expected to explain not only their tax outcomes but also the philosophy and governance principles that underpin them.

The abovementioned represents a significant shift.

When a company discloses revenue, profits, employee numbers, tangible assets, tax accrued, and tax paid across jurisdictions, it tells a broader story about its economic footprint and governance culture. That story can strengthen credibility or expose inconsistencies between commercial activity and tax outcomes.

For tax professionals, this creates new responsibilities. Tax data must be accurate, reconcilable, explainable, and aligned with broader ESG disclosures. Tax departments can no longer operate independently from finance, sustainability, legal, procurement, risk management, human resources, and investor relations functions.

The future belongs to tax teams capable of translating technical tax positions into clear and credible governance narratives.

Governance: Connecting tax strategy to public trust

Tax governance is the discipline that distinguishes responsible tax leadership from aggressive improvisation.

An effective tax governance framework should address several critical questions:

- Who is accountable for tax risk at the board level?
- What is the organisation's tax risk appetite?
- Are significant tax positions documented before implementation?
- Are there adequate controls over VAT, PAYE, customs, transfer pricing, incentives, and cross-border transactions?
- How are disputes with revenue authorities escalated and managed?
- Is the tax strategy aligned with ESG commitments and public statements?
- Does the organisation have a defensible approach to artificial intelligence, automation, and tax data management?

These are no longer theoretical considerations. They are central to board accountability and corporate resilience.

In South Africa, where the South African Revenue Service (SARS) continues to strengthen its data-driven enforcement capabilities and where disputes frequently arise from poor reconciliations, inconsistent submissions, weak controls, or inadequate documentation, governance is not optional. It is essential.

Modern boards should not merely ask whether tax returns have been submitted on time. They should ask whether the organisation's tax control environment is sufficiently robust to withstand regulatory scrutiny.

Artificial intelligence: Shaping the future of tax administration

Artificial intelligence (AI) is no longer a future consideration for the tax profession. It is already reshaping tax administration globally.

Revenue authorities are increasingly using data analytics, machine learning, automated verification systems, behavioural profiling, predictive compliance tools, and third-party data matching to identify risk and improve enforcement efficiency. SARS has similarly indicated that technology, machine learning, automated Value-Added Tax (VAT) analysis, entity-scoring models, and modernised case management systems form part of its strategic direction.

The implications for taxpayers are profound.

The traditional approach of responding to SARS only after receiving a query or audit notification is becoming obsolete. AI-driven tax administration enables anomalies to be identified earlier, inconsistencies to be detected faster, and risk profiles to be generated simultaneously across multiple data sources.

For example, VAT submissions may be compared against banking transactions, customs declarations, supplier information, payroll records, financial statements, and third-party data. PAYE declarations may be assessed against IRP5 submissions, UIF records, SDL contributions, and employment trends. Transfer pricing arrangements may be tested against customs values, intercompany transactions, and economic substance indicators.

The taxpayer of the future must therefore be audit-ready before any audit begins.

This reality links tax governance directly to AI readiness. Organisations with poor data quality, weak reconciliations, undocumented tax positions, or inconsistent reporting practices will face increasing difficulty in an AI-enabled compliance environment.

Redefining the tax manager's role

The traditional tax manager was primarily expected to interpret legislation, submit returns, manage assessments, and respond to queries from the revenue authority.

The tax manager of the future must operate far beyond those traditional boundaries.

- Today's tax leaders must understand ESG reporting frameworks, tax transparency standards, AI-driven enforcement mechanisms, governance principles, sustainability incentives, transfer pricing, data architecture, dispute management, and reputational risk.

This does not mean every tax manager must become a data scientist. However, it does mean that tax professionals must become increasingly data-literate. The ability to interpret trends, reconcile datasets, identify risk indicators, and communicate tax implications effectively to boards and executives will become a defining professional competency.

The modern tax manager must also become a strategic communicator. This involves effectively conveying complex tax issues, risks, and opportunities to various stakeholders, including executive leadership, finance teams, legal advisors, and external auditors.

Boards do not require lengthy technical explanations. They require clarity: What is the risk? What is the exposure? What governance weakness exists? What is the commercial impact? What corrective action is required? What opportunities can be unlocked?

The most effective tax professionals will be those capable of moving seamlessly between legislation, systems, data, governance, strategy, and business narrative.

Evolving from aggressive tax planning to responsible tax strategy

This evolution does not signal the end of tax planning. Rather, it signals the need for tax planning to mature.

Responsible tax strategy still allows organisations to utilise incentives, structure transactions efficiently, manage cash flow effectively, claim legitimate deductions, access available allowances, and defend lawful tax positions. However, such planning must now be commercially grounded, properly documented, ethically defensible, and aligned with the organisation's broader governance framework.

The distinction is critical. Aggressive tax planning asks: "Can we get away with it?" Responsible tax strategy asks: "Can we defend it legally, commercially, ethically, and reputationally?" That distinction lies at the heart of the new tax playbook.

Actionable priorities for organisations

To prepare for this evolving environment, organisations should take several practical steps:

- Develop or update a formal tax strategy that has board approval.
- Align tax governance with ESG reporting frameworks, sustainability goals, and enterprise risk management processes.
- Identify and map tax incentives related to renewable energy, employment creation, skills development, research and development, industrial policy, and localisation initiatives.
- Strengthen tax data governance by ensuring VAT, PAYE, customs, transfer pricing, income tax, and financial reporting data are integrated and consistent across systems.
- Anticipate increasing expectations around public tax transparency. Even where disclosure is not mandatory, stakeholders may still expect greater visibility into tax practices.
- Assess AI readiness. Consider what inconsistencies or risks could be revealed if advanced data analytics were applied to the organisation's submissions by SARS or another revenue authority.
- Involve tax leaders in strategic decision-making from the outset, ensuring tax helps shape decisions proactively rather than being consulted only after the fact.

Conclusion: Tax as a driver of strategic trust

The future of tax belongs to organisations and professionals who see tax not just as a statutory obligation, but as a strategic trust function.

Responsible business conduct now encompasses ESG priorities, while tax transparency has raised stakeholder expectations. Governance has brought tax accountability to the boardroom; AI has redefined the speed, depth, and precision of revenue authority enforcement.

Against this backdrop, the tax profession must continue to adapt and evolve.

Modern tax leaders need technical expertise, commercial insight, strong ethics, digital fluency, and strategic courage. They are responsible for ensuring that organisations pay the right amount of tax, access appropriate incentives, manage emerging risks, and communicate governance credibly.

Where the old tax playbook focused on compliance, the new approach is built on trust, transparency, governance, sustainability, and intelligence.

Those who excel in this environment will do more than shield organisations from risk—they will create value, guide strategy, and help define the future of responsible tax leadership.

15minutes CPD

THE TAX BASE IS WALKING

PAST US EVERY MORNING

MAXWELL GOMERA, UNDP Resident Representative for South Africa and Director, Africa Sustainable Finance Hub[1]

"South Africa will not grow its revenue base by squeezing a shrinking formal economy harder. The opportunity is larger, and it is hiding in plain sight."

Every morning in South Africa, before the banks open and long before the stock market stirs, the economy is already alive.

A woman in Tembisa unlocks her spaza shop before five. A young man in Khayelitsha loads crates of fruit onto a trolley. Someone in Umlazi is already selling kota sandwiches to school children. A hairdresser in Mamelodi is taking her first booking on WhatsApp. A mechanic in Alexandra is fixing a taxi with parts bought on credit from three different people.

None of them appears meaningfully in our GDP figures. Most operate outside formal procurement systems. Some do not even think of themselves as business owners.

And yet, together, they form one of the largest and most resilient economic networks in South Africa.

Over the past two years at UNDP South Africa, I have spent time listening to informal traders, township entrepreneurs, small retailers, salon owners, and spaza operators across the country. One thing became clear very quickly: South Africa does not have a shortage of entrepreneurs. It has a shortage of systems that see them properly.

That matters for jobs. It matters for inclusion. But increasingly, it also matters for tax.

Because the uncomfortable truth is this: South Africa cannot sustainably grow its tax base by relying on a relatively small formal sector while a massive and economically active independent economy remains largely invisible to finance, planning, and the state.

[1]The views expressed are those of the author in his personal capacity and do not represent the positions of the UNDP or the United Nations.

You cannot tax an economy you refuse to see

South Africa's independent economy—I use this word deliberately because 'informal' implies disorder, where what we are actually looking at is resilience—accounts for somewhere between a quarter and a third of all economic activity. The numbers are contested. The scale is not.

There are millions of spaza shops, street traders, backyard mechanics, hair salons, food vendors, and community service providers operating outside the formal tax net. The Digital Innovation for Modernising the Independent Economy (DIME) Programme of the United Nations Development Programme (UNDP), which has been digitising township enterprises across the country, has registered more than 50 000 of these businesses in a relatively short period. The appetite for engagement is real. The enterprises are real. The economic activity is real.

But here is what rarely gets said clearly in tax policy discussions: this is not a population of tax evaders. It is a population of people who were never invited into the system.

There is a difference. And this difference matters enormously for how we respond.

The standard policy instinct, when governments confront a large informal sector, is enforcement. Register. Fine. Inspect. The theory is that compliance follows coercion.

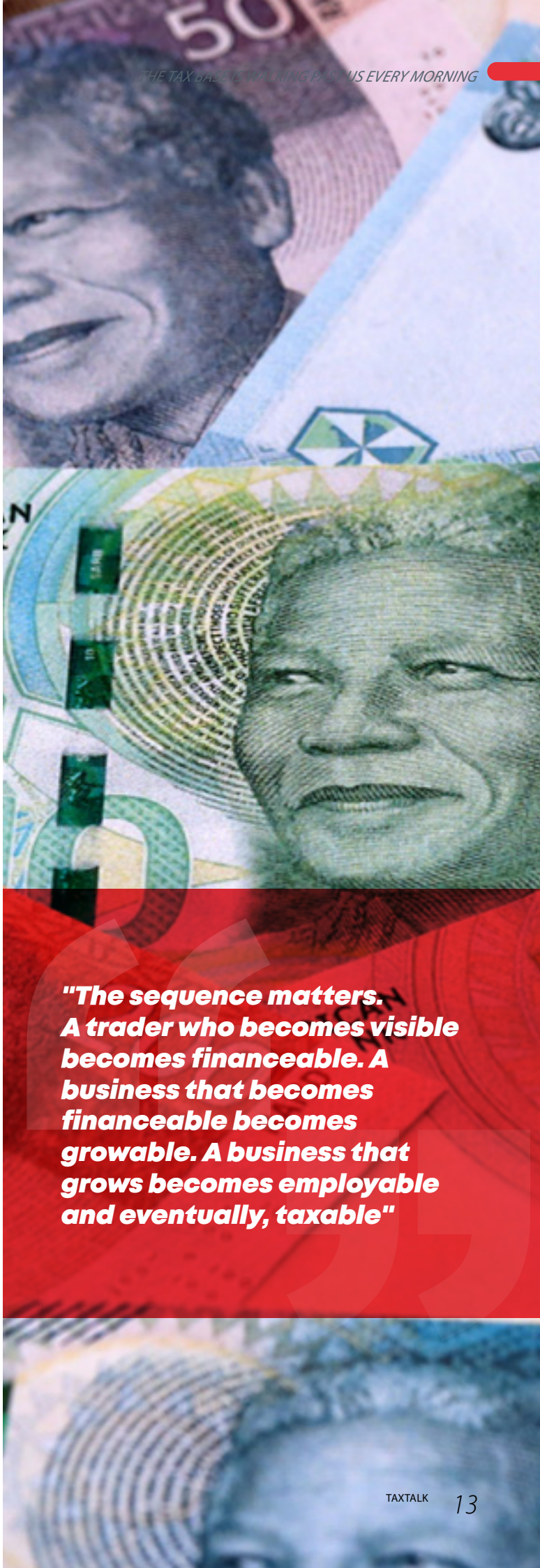
The evidence across the continent suggests otherwise. Aggressive formalisation drives businesses underground rather than into the tax net. It creates resentment rather than reciprocity. And it concentrates regulatory pressure on the smallest and most vulnerable enterprises—the ones least able to absorb compliance costs.

The independent economy did not emerge in a vacuum. Much of it reflects historical exclusion from the formal economy under apartheid, combined with the incomplete restructuring of opportunity in the democratic era. Telling a woman who has run her shop through load shedding, through lockdowns, through everything, that she is now obliged to comply with a system that was not built with her in mind—without first making that system accessible and worthwhile to her—is not tax policy. It is another form of the same exclusion.

The theme of this edition, namely ESG, tax transparency, governance, and AI in a rapidly changing world, is usually discussed in the context of multinational enterprises and sophisticated compliance frameworks. That conversation matters enormously. But there is another conversation that belongs in the same room.

If we are serious about growing the revenue base rather than simply reorganising who bears the burden, we have to ask what it takes to bring a third of the economy into productive fiscal citizenship.

On ESG: the spaza shop is at the bottom of major supply chains. Township retailers are first-mile distribution points for large FMCG companies. If environmental, social, and governance commitments mean anything in practice, they have to flow down to that level, that is, helping enterprises formalise as a pathway to supply chain inclusion, not as a compliance burden. The tax registration follows from the economic relationship, not the other way around.



"The sequence matters. A trader who becomes visible becomes financeable. A business that becomes financeable becomes growable. A business that grows becomes employable and eventually, taxable"

On transparency: it works in both directions. The state needs to be transparent with small enterprises about what registration actually costs them, what they receive in return, and how their contributions are used. The trust deficit between township businesses and government institutions is real and was earned. Visibility has to be built on reciprocity.

On AI and digital governance: this is where the opportunity becomes genuinely exciting, using mobile-first registration and AI-assisted bookkeeping. Digital payment trails that generate tax data without requiring a separate reporting burden. Rwanda has done remarkable things in this space. Kenya's digital ecosystem has created fiscal visibility at scale without a single enforcement campaign. South Africa has the infrastructure to go further—if it chooses to.

"The future tax base is already here. It just operates in cash, WhatsApp groups, and street corners."

What UNDP's DIME programme taught us is this: township entrepreneurs are not resistant to formalisation. They are resistant to formalisation that costs them time and money in exchange for nothing visible. When the value proposition is clear, namely access to finance, supply chain contracts, and digital payments, they engage immediately.

The barrier is rarely knowledge or motivation; it is the first step, the first form. The first interaction with a system that has historically been unresponsive. Digital tools lower that barrier dramatically. Once businesses are digitised and registered, the data begins to do its work for lenders, suppliers, and yes, for revenue authorities. But it is generated by economic activity, not by compliance campaigns, which is a fundamentally different approach.

South Africa's tax-to-GDP ratio sits at around 25 per cent, respectable by regional standards but under pressure from slow growth and an expanding fiscal requirement. The debate is usually about rates and enforcement.

There is a third lever that is consistently underused: base expansion.

Not through aggressive taxation of micro-enterprises. That would be counterproductive and, frankly, unjust. But through a graduated, incentive-based pathway that grows with the enterprise: starting with registration; moving to digital payments; then simplified presumptive tax at low rates that establishes the relationship and generates some revenue; and then progressive inclusion as businesses grow. Brazil's Simples Nacional programme expanded its tax base this way. Rwanda has driven small enterprise formalisation at scale. South Africa has the institutions and the talent to do this. What it needs is a policy consensus that treats the independent economy as an asset to be developed, not a problem to be solved.

The woman at the street corner is not a tax problem. She is a revenue opportunity—but only if we approach her as a partner rather than a target.

The sequence matters.

A trader who becomes visible becomes financeable.

A business that becomes financeable becomes growable.

A business that grows becomes employable.

And eventually, taxable.

This sequence reframes tax not as a burden imposed on the vulnerable but as the downstream outcome of genuine inclusion. The biggest structural opportunity in South Africa's fiscal story is not in the next transfer pricing ruling or enforcement campaign. It is opening before six every morning in townships and settlements across the country, keeping the lights on when everything else fails.

"The new playbook starts with inclusion. The revenue follows."

TAXING THE TRANSITION:

Fiscal policy, EV incentives, and Africa's path to a just energy future

EMMANUEL MUZINGWANI, GIZ Namibia

In an era where ESG performance increasingly shapes institutional legitimacy, taxation has emerged as one of the most powerful, yet underexamined, levers of sustainable development.

Nowhere is this more evident than in Africa's evolving energy landscape, where fiscal policy must reconcile climate ambition, economic development, and geopolitical uncertainty.

Recent global shocks have reinforced the urgency of this transition. The energy disruptions triggered by the Russia–Ukraine war, USA/Israel-Iran wars and subsequent geopolitical tensions have exposed the structural vulnerabilities of energy-importing economies across Africa. Rising fuel costs have contributed to inflationary pressures, weakened currencies, and strained public finances. According to the African Development Bank's 2026 African Economic Outlook, growth across the continent is increasingly shaped by "heightened geopolitical tensions, tighter global financial conditions, and supply chain disruptions," with energy price shocks playing a central role (AfDB, 2026).

These dynamics underscore a critical shift: Africa's energy transition is no longer solely a climate imperative; it is a fiscal and economic necessity. Yet the scale of the challenge is immense. The continent requires approximately $143 billion annually to meet its climate adaptation and mitigation goals, equivalent to around 7% of its GDP (Climate Policy Initiative & World Bank, 2025). At the same time, Africa receives only a fraction of the investment required, with the African Development Bank noting that the continent attracts just 3% of global energy investment and 2% of clean energy investment despite its population size (AfDB, 2025).

In response, governments are increasingly deploying tax policy as a strategic instrument to accelerate the transition. One of the most visible examples is the rise of tax incentives to promote electric mobility. Countries such as Kenya and Ethiopia have introduced tax exemptions and reduced duties on electric vehicles (EVs), aiming to lower upfront costs and encourage adoption. These measures are designed not only to reduce emissions but also to lessen dependence on imported fossil fuels and improve urban air quality.

From a policy perspective, such incentives reflect a broader shift in the role of taxation from revenue collection to market shaping. The World Bank has consistently emphasised that fiscal policy can play a decisive role in influencing technology adoption and supporting structural transformation (World Bank, 2025).

- However, while these policies are directionally sound, they also expose a set of structural tensions that cannot be ignored.

First, most African economies lack the industrial base required to manufacture electric vehicles at scale. In many cases, EVs are imported, with limited local assembly and minimal domestic value addition. As a result, tax incentives aimed at promoting EV adoption may inadvertently support foreign production systems rather than catalysing domestic industry. This raises important questions about whether current fiscal frameworks are aligned with long-term industrialisation goals.

Second, fiscal constraints remain severe. Africa faces an estimated $400 billion annual development financing gap across key sectors, including energy, infrastructure, and climate resilience (AfDB, 2026). At the same time, governments are under increasing pressure to mobilise domestic resources, with debt servicing costs consuming a growing share of public revenues. In this context, extensive tax exemptions, however well-intentioned, risk undermining already fragile fiscal positions.

Rather than treating tax incentives and public finance as competing priorities, policymakers must recognise their complementary role in accelerating the transition. Development finance can play a catalytic function by absorbing early-stage risks, providing concessional capital, and strengthening institutional capacity, thereby enabling governments to deploy targeted, time-bound tax incentives without undermining fiscal stability. In turn, well-designed tax incentives serve as powerful market signals, enhancing investor confidence and policy credibility. It is this combination of risk-sharing through development finance and market-shaping through fiscal incentives that can unlock scaled investment while reinforcing governance frameworks. In emerging sectors such as electric mobility and green hydrogen, where high upfront costs and regulatory uncertainty persist, this coordinated approach is not optional; it is essential to delivering a just and economically viable energy transition.

Third, the transition itself carries the risk of stranded assets. Investments in fossil fuel infrastructure such as refineries, pipelines, and transport systems, may lose value as global energy systems decarbonise. For policymakers, this presents a complex governance challenge: how to accelerate the transition without destabilising existing economic structures?

Importantly, the conversation around Africa's energy transition must extend beyond electric vehicles. While EVs are a critical component. of decarbonisation strategies, they represent only one dimension of a broader green industrial transformation.

Emerging sectors such as green hydrogen offer significant opportunities. With abundant renewable energy resources, countries such as Namibia, South Africa, and Morocco are positioning themselves as potential hubs for green hydrogen production. The African Development Bank has prioritised climate finance as a central pillar of its strategy, committing $25 billion between 2020 and 2025, with nearly $19.5 billion already delivered by 2024 (AfDB, 2024). These investments are increasingly directed toward renewable energy, sustainable transport, and green industrialisation.

More broadly, Africa's climate financing needs are estimated to exceed $3 trillion by 2030 to meet its Nationally Determined Contributions under the Paris Agreement (AfDB, 2022). This highlights the scale of transformation required and the central role of fiscal policy in enabling it.

At the heart of this debate lies a set of complex policy trade-offs. Governments must balance climate objectives with fiscal sustainability, promote technology adoption while fostering domestic industry, and accelerate the transition without exacerbating inequality or economic instability. These are not merely technical challenges; they are fundamentally political and institutional.

To navigate this landscape, several policy principles emerge.

First, tax incentives should be targeted and time-bound, ensuring that they catalyse market development without creating permanent revenue losses. Second, incentives should be linked to local value creation, encouraging investment in assembly, manufacturing, and skills development. Third, regional coordination is essential to prevent harmful tax competition and to build integrated markets for green technologies. Fourth, fiscal policy must support not only consumption such as EV adoption, but also production, including renewable energy and green hydrogen industries.

Finally, equity must remain central. A just transition requires that the benefits of green growth are widely shared, including through investments in public transport, energy access, and job creation. But equity must also be embedded in how the transition is financed and governed.

Africa's energy transition presents a historic opportunity not only to decarbonise, but to redefine its development trajectory. In this context, taxation is no longer a peripheral concern; it is a central pillar of the new policy framework. Yet, fiscal policy alone is insufficient. Development finance must work in tandem with tax incentives, de-risking early-stage investments, strengthening institutional capacity, and enabling governments to deploy targeted incentives without compromising fiscal sustainability.

The challenge, therefore, is not simply to tax the transition, but to strategically finance and shape it.

Ultimately, Africa's energy future will not be defined by how quickly it adopts green technologies, but by how effectively it aligns fiscal policy, development finance, governance frameworks, and industrial strategy to ensure that the transition is both just and economically transformative.

45minutes
CPD

CARBON TAX AND ESG STRATEGY:

PRACTICAL INSIGHTS

CANDICE MEYER, SIMON FRANKEN, and **NIRVASHA SINGH,** Webber Wentzel

South Africa's carbon tax was introduced in 2019 in terms of the Carbon Tax Act of 2019 (CTA); it is now in Phase 2 of implementation. At the core of this regime, businesses must assess their liability for carbon tax, but the assessment goes further than compliance.

Carbon tax sits at the intersection of tax law, environmental regulation, carbon markets and Environmental, Social, and Governance (ESG) disclosure. Businesses should therefore situate their carbon tax liability assessment within a broader strategy that accounts for emissions data, offset strategy, internal controls and transition plans, all of which must be sufficiently robust to withstand regulatory, financial, and reputational scrutiny.

While ESG disclosure and reporting remain a voluntary initiative in South Africa, global trends and early indications from local regulators[1] should prompt businesses to prepare for a mandatory reporting regime. In this context, strategic planning around carbon tax and offsetting will be advantageous to companies from a legal and reputational perspective, and in terms of broader sustainability agendas.

A robust approach to carbon taxation should therefore be grounded in a comprehensive sustainability and ESG strategy, with proper board oversight, internal accountability structures and reporting controls. Especially where a company has high emissions and significant environmental risk in its operations, ESG reporting and transition planning should be approached as mandatory from an internal governance perspective. Simply put, without placing environmental compliance within an appropriate governance framework, businesses may miss out on market-driven solutions such as carbon offsetting, while the financial and legal consequences of emissions remain a risk.

Legal and compliance foundations for carbon tax

The regulatory architecture of South Africa's carbon tax regime comprises three instruments: the CTA, which establishes the charging provisions and rate path; the Carbon Offset Regulations published under section 19 of the CTA (the Regulations), which define project eligibility and procedural steps; and the Customs and Excise Act 91 of 1964 (the Customs Act), which supplies the collection machinery, the carbon tax being administered as an environmental levy under Chapter VA of the Customs Act and collected by the South African Revenue Service (SARS).[2]

[1]See FSCA Sustainable Finance Update Report, 2026 (published March 2026) and FSCA Sustainable Finance Consumer Risk Report and Roadmap, 2024.
[2]Webber Wentzel, "From headline to effective: Navigating phase two with offsets as a tax asset", Available at: From headline to effective: Navigating phase two with offsets as a tax asset | Webber Wentzel, accessed 25 May 2026.

Liability for carbon tax arises where a person conducts a listed activity in South Africa that results in greenhouse gas emissions at or above the relevant Schedule 2 threshold of the CTA. The tax base for each tax period is the total greenhouse gas (GHG) emissions from fuel combustion, industrial processes, and fugitive emissions, expressed as CO_2 equivalent. Effective 1 January 2026, the headline carbon tax rate experienced its most aggressive escalation yet, jumping from R236 to R308 per metric tonne of CO_2 equivalent, vastly compounding fiscal exposure for high-emitters.

Taxpayers may determine their taxable emissions using:

- a company-specific methodology approved by the Department of Forestry, Fisheries and the Environment;
- applying the default formulae in section 4(2) of the CTA, which employ Intergovernmental Panel on Climate Change (IPCC) default emission factors; or
- country-specific emission factors as specified in Schedule 1 of the CTA.[3]

Compliance scoping begins with correctly identifying whether a listed activity is conducted and whether the applicable threshold is breached. This exercise requires a structured assessment of three interrelated questions, each of which presents its own complexities, which are particularly evident in diversified corporate groups. Incorrect scoping assessment carries material tax, penalty, and reputational risk.

As businesses grapple with the developing compliance regime in terms of the CTA and related regulations, a parallel regime has been implemented in the form of the Climate Change Act 22 of 2024 (CCA), which aims to ensure a long-term just transition to a climate-resilient, low-carbon economy and society. While additional legislation can lead to further complexity for businesses, the CCA is a welcome addition to the South African legal framework in alignment with international climate law obligations. The President officially proclaimed the commencement of the CCA on 17 March 2025, bringing the overarching legal architecture into immediate effect, although specific implementation timelines remain staggered.

The most consequential provision of the CCA for taxpayers is the carbon budget framework: the Minister of Forestry, Fisheries and the Environment will allocate a carbon budget to persons conducting GHG-emitting activities, spanning a minimum of three consecutive five-year periods and stipulating the maximum allowable emissions for the first period. A person allocated a carbon budget must prepare and submit a GHG mitigation plan, implement it, monitor progress, and report annually, including on measures to address anticipated or actual non-compliance. These requirements fit neatly into the development of a rigorous ESG reporting framework, and businesses with robust sustainability governance will perform well and benefit from these additional measures.

Section 27 of the CCA, which governs carbon budgets, is formally deferred pending the finalisation of secondary regulations. Once fully proclaimed, carbon budgets will create a hard emissions ceiling alongside the carbon tax. Failure to prepare and submit a GHG mitigation plan to the Minister will attract criminal liability and financial penalties, once the regime is in effect. The fiscal consequences of exceeding a carbon budget are addressed through the CTA rather than the CCA. The carbon tax rate applicable under the CTA is not a penalty for exceeding a carbon budget; it is a tax on emissions above the tax-free threshold. However, in light of the legislative alignment between both Acts, the framework establishes a dual-incentive mechanism: exceeding an allocated carbon budget triggers a punitive, higher carbon tax rate on the excess emissions, whereas staying within budget unlocks strategic corporate finance opportunities, including newly introduced carbon tax refunds claimable at Year 3 and Year 6 intervals of the 5-year budget cycle.

"Simply put, without placing environmental compliance within an appropriate governance framework, businesses may miss out on market-driven solutions such as carbon offsetting, while the financial and legal consequences of emissions remain a risk"

Compliant and accountable carbon offsetting as a tool for effective carbon governance

As South Africa's carbon tax regime begins to mature and companies face a steeper pricing trajectory, carbon crediting will be increasingly important. These mechanisms generate tradable units, commonly referred to as 'carbon credits', each representing one metric ton of CO_2 equivalent, through verified emissions reduction projects.

Carbon credits may be issued under international, independent, or governmental standards and can serve both voluntary commitments and compliance obligations.[4] The traditional distinction between voluntary and mandatory carbon markets is narrowing, with several jurisdictions (including South Africa) now recognising specific voluntary carbon credits for compliance purposes. Under the CTA, qualifying carbon credits may be surrendered to reduce a taxpayer's carbon tax liability through the offset allowance, creating a direct nexus between carbon market participation and fiscal exposure. Understanding how these markets operate and how they intersect with tax, governance, and disclosure obligations is accordingly essential both from a compliance and strategic perspective.

[3]Gilder, A., Rumble, O., Parker, M. and Stiles, G. (2023) Comprehensive Guide to Carbon Tax. Service Issue 2 (November 2023). LexisNexis.
[4]World Bank. 2024. State and Trends of Carbon Pricing 2024. Washington, DC: World Bank. DOI: 10.1596/978-1-4648-2127-1. License: Creative Commons Attribution CC BY 3.0 IGO 61.

The carbon offset allowance under section 13 of the CTA permits taxpayers to reduce their carbon tax liability within the limits set out in Schedule 2 of the CTA by surrendering qualifying carbon offsets. From a compliance perspective, offsets function as a balance-sheet instrument with defined administrative preconditions. To soften the financial blow of the R308 headline rate, Phase 2 regulations expanded these offset allowances by five percentage points: the allowance cap for fuel combustion emissions increased from 10% to 15%, while the cap for industrial process and fugitive emissions increased from 5% to 10%. The allowance thus creates a direct financial incentive linking carbon tax strategy to the broader objective of supporting the low-carbon transition.[5]

South Africa has adopted a market-based strategy to drive emissions reduction, linked to the carbon tax as its compliance instrument of choice. Carbon offsets are an important part of the carbon tax framework and support this market-based strategy. The qualifying criteria for carbon offsets are set out in the Regulations which explicitly recognise carbon credits generated under approved projects as defined in section 1 of the Regulations (Approved Projects). Where carbon credits generated in terms of Approved Projects adhere to certain eligibility requirements, they can be applied as carbon offsets. Accountability and eligibility of credits is critical for compliant carbon offsetting and are regulated in South Africa through a number of key mechanisms.

The scope of the offset allowance is regulated by regulation 2(1)(b) of the Regulations, which stipulates that a carbon offset must be derived from the furtherance of an Approved Project in respect of an activity that is not subject to the carbon tax. If an activity is already within the carbon tax net (per Schedule 2 of the CTA), a project reducing those specific emissions cannot also generate carbon offsets for sale. Procuring ineligible credits will not reduce carbon tax liability and may expose taxpayers to disallowance, interest, and penalties.

Further regulatory accountability for valid offset allowances is based in the Carbon Offset Administration System (established in terms of regulation 6, read with regulation 5 of the Regulations) (the CAOS), which was operationalised in 2020 and is managed by the Department of Electricity and Energy.[6] It is a digital platform used to manage and facilitate the listing, transfer, and retirement of carbon credits as a means to offset carbon tax liability. Three legal consequences flow from COAS's role: retirement on COAS is the mechanism through which a credit becomes available for tax offset purposes; it prevents double-counting between the voluntary market and the compliance market; and proper COAS registration and retirement documentation is essential for a valid offset allowance claim. SARS requires taxpayers to submit a carbon offsets retirement certificate for carbon tax purposes.

[5]Webber Wentzel, "From headline to effective: Navigating phase two with offsets as a tax asset". Available at: From headline to effective: Navigating phase two with offsets as a tax asset | Webber Wentzel. (Accessed 25 May 2026).
[6]National Treasury (2024) Carbon Tax Discussion Paper: Phase Two of the Carbon Tax. Available at: Legal-LPrep-DP-2024-03-Phase-two-of-the-carbon-tax.pdf (Accessed: 24 August 2025) 16; Department of Mineral Resources and Energy (South Africa). (2020) South African Carbon Offsets Programme. Carbon Offsets Workshop [PowerPoint presentation]. Pretoria: DMRE. Available at: https://www.dmre.gov.za/Portals/0/Energy_Website/files/COAS/2020/South-African-Carbon-Offsets-Programme.pdf (Accessed: 30 August 2025).

Beyond the procedural steps, the quality of the underlying credit matters, both for regulatory compliance and ESG credibility. Carbon credit quality must be assessed with reference to a project's additionality (whether the project would occur without carbon finance), permanence (whether stored carbon could be reversed), leakage (whether emissions are displaced outside the project area), measurement (how claims are verified), and co-benefits (environmental and social impacts beyond carbon). The co-benefits dimension is particularly important in the South African context. Identification and analysis of beyond-carbon benefits, including environmental and social benefits, must form part of the due diligence process. For taxpayers making public ESG commitments in relation to carbon accounting, the quality of their offset portfolio can pose a serious reputational and legal risk.

While the development of a comprehensive legislative regime for carbon taxation, budgeting and offsetting provides increasing legal clarity for businesses, notable legal risk remains in the carbon market, as the legal nature of carbon credits has not yet been fully settled in South African law. Unlike certain foreign jurisdictions, South African courts have not yet authoritatively determined whether carbon credits constitute objects of property rights. This ambiguity affects how credits are characterised for income tax, VAT, and capital gains tax purposes, and creates uncertainty in contractual structuring.

In October 2025, the National Treasury published a consultation paper, Developing the South African Carbon Credit Market, proposing a number of structural reforms, including the resolution of the fundamental legal uncertainty around the status of carbon credits. The paper proposes confirming that carbon credits are intangible and incorporeal, capable of ownership and transfer, and eligible for recognition as financial instruments (effectively categorising them as unlisted securities). If implemented, these reforms could settle the property characterisation, tax treatment, and contractual structuring of carbon credits. Until then, particular care must be taken in relation to characterisation and documentation pertaining to carbon credits.

Given the range of legal risks presented under this evolving regime, many businesses are rightfully cautious about carbon tax compliance and offsetting. The financial impact of carbon taxation is substantial under the R308 tariff, but with proper assessment and planning, businesses can integrate compliance requirements into ESG strategies and employ offsetting responsibly towards environmental targets. The operationalisation of the Climate Change Act and the anticipated statutory classification of credits as financial instruments mean the regulatory roadmap is clear. Companies should act immediately to embed carbon governance into their multi-year financial projections and procurement strategies.

This article is intended for general information purposes and does not constitute legal or tax advice. Specific advice should be sought in relation to individual circumstances.

30minutes CPD

SOUTH AFRICA'S CARBON TAX SQUEEZE:

RISING RATES AND FEWER RELIEFS

▶ **RUMBIDZAI DAMITA MHUNDURU,** Catalyst Solutions

Introduction

South Africa's carbon tax represents one of the country's most significant environmental fiscal reforms in recent history. Introduced under the Carbon Tax Act (Act No. 15 of 2019, "the Act"), the tax came into effect on 1 June 2019 as part of a broader climate policy framework aimed at transitioning the economy towards a lower-carbon trajectory.

The carbon tax is rooted in the internationally recognised 'polluter pays' principle, which seeks to place a financial cost on greenhouse gas emissions from industry, with a focus on Scope 1 emissions arising from direct fuel combustion, industrial processes, and fugitive sources.

While the policy intent is environmental, namely to drive behavioural change and support South Africa's climate commitments, it is important to note that the revenue collected from the carbon tax is not ringfenced for environmental initiatives. Instead, it flows into the general fiscus, where it is allocated across various national priorities.

South Africa's carbon tax is entering a more demanding phase, as rising tax rates combine with increasingly constrained relief mechanisms.

Tax-free allowances

To understand the impact of tax-free allowances on taxpayers, it is necessary to consider both the headline tax rate and the extent to which allowances reduce the effective burden.

Since its inception, the carbon tax rate has increased significantly. The initial rate of R120 per tonne of CO_2e (/tCO2e) in 2019 has increased rapidly, reaching R236/tCO2e in 2025, which is a 97% increase. Looking ahead, the trajectory becomes even more pronounced, with a rate of R308/tCO2e in 2026 and up to R462/tCO2e by 2030.

Although the headline rates are increasing, the Act incorporates several tax-free allowances that taxpayers can claim to reduce their carbon tax liability. There are seven allowances available to taxpayers for 2025 emissions, with taxpayers being able to get up to 90% or 95% in tax-free allowances, depending on their sector and activities.

While the Act allows for high levels of relief, the practical likelihood of achieving this is low. Experience across taxpayers suggests that, in practice, allowance claims tend to be materially lower than the theoretical maximum. At Catalyst Solutions, where approximately 50 taxpayers are supported every year with their carbon tax compliance, only a handful of these clients have been able to claim total allowances of around 88–89%.

This gap is largely driven by the structure and limitations of specific allowances. The trade exposure allowance is capped at 10%, but realistically, the actual claimable percentage is dependent on the amount that the National Treasury sets in the Trade Exposure Allowance Regulations. For example, taxpayers producing paper products get a full 10%, but taxpayers producing beverages only get 3.46%.

Another allowance that may appear more accessible than it is in practice is the performance allowance. According to the Act, taxpayers can get up to 5% for this allowance if they perform better than the benchmark for a particular industry or product. However, the National Treasury did not publish benchmarks for all sectors or products in the Performance Allowance Regulations, and, thus, not all taxpayers can leverage this 5% tax-free allowance. For example, while a beverage company may notionally be able to claim up to 90% in tax-free allowances, the lower trade exposure allowance of 3.46%, combined with no industry benchmark for the performance allowance, can reduce the practical maximum to approximately 78.46% (basic allowance + carbon budget allowance + offsets allowance + trade exposure allowance).

While generous on paper, these allowances are often materially constrained in practice, meaning that as the carbon tax rate increases, many taxpayers are already exposed to a higher effective rate than expected.

Removal of the carbon budget allowance

This tightening of effective relief becomes even more pronounced with recent policy changes.

On 1 April 2026, the National Treasury published the Taxation Laws Amendment Act (TLAA) of 2026. The TLAA outlines that the 5% voluntary carbon budget allowance will only be extended to December 2025. This means that the allowance can only be used to cover emissions ending in December 2025 and the allowance cannot be claimed for emissions from January 2026 onwards.

Removing a 5% tax-free allowance may seem insignificant, but this will have a significant financial impact on taxpayers' carbon tax liabilities. To illustrate the combined effect of rising rates and reduced allowances, consider a hypothetical Company A producing meat products. Company A only declares fuel combustion emissions and has been participating in the DFFE's voluntary Carbon Budget Programme. For its 2025 emissions, Company A can claim the 5% carbon budget allowance, along with the 60% basic tax-free allowance and 10% for the trade exposure allowance, noting that the performance allowance is not applicable and they have not purchased any offsets.

For 2025 emissions (assumed at 45 000 tCO_2e), the company can claim 75% in allowances, resulting in a carbon tax liability of R2 655 000. For 2026, with allowances reduced to 70% and the rate increased to R308/tCO_2e, the liability will rise to R4 158 000, a 57% increase.

This example illustrates that the financial implications of carbon tax are increasingly driven not only by rate increases but also by the shrinking availability of relief mechanisms.

Increase in the offsets allowance

To partially offset this removal of the carbon budget allowance, the National Treasury has increased the offsets allowance by 5 % from January 2026. This means that taxpayers can claim this "lost" 5 % from the carbon budget allowance by making use of the increased offsets allowance. While this appears straightforward, it is far from simple in practise. The shift from a 'free' allowance (carbon budget) to a cost-based mechanism (offsets) fundamentally changes the economics of compliance.

The offsets allowance enables taxpayers to offset a portion of their emissions by purchasing offsets from registered projects from the Carbon Offset Administration System (COAS). This allowance is not at no direct cost like the carbon budget allowance. Where taxpayers were getting a 'free' 5% through having a voluntary carbon budget, they would now need to incur expenditure to get that same benefit. Hence, even though the offsets allowance has been increased, the net carbon tax savings from the tax-free allowances will now be significantly reduced for emissions from 2026 onwards.

Returning to Company A, its 2026 carbon tax liability without offsets would be R4 158 000. If the company makes full use of its 15% offsets allowance, it will need to acquire 6 750 tCO_2e of qualifying offsets, reducing its tax liability to R2 079 000. Assuming offsets are priced at approximately 90% of the carbon tax rate, the cost of these offsets would be around R1 871 100. This results in a total cost of R3 950 100 and a net saving of R207 900, which is equivalent to approximately 5% of the original carbon tax liability.

- Taxpayers should consider purchasing offsets and evaluate if buying qualifying offsets will be beneficial and worth the effort. This is particularly important because there are limited qualifying offsets on the market, and high demand will likely drive the offset price up going forward. Taxpayers should also seek advice from experts to ensure that they buy valid, qualifying offsets that will reduce their tax liabilities, since not all offsets will be applicable.

How should affected taxpayers respond?

Although some of the legislated changes cannot be undone, taxpayers have various means to prepare for what is coming.

1. Reduce emissions where feasible

One of the best ways to reduce one's carbon tax liability is to reduce emissions. This is the best approach considering the increasing carbon tax rates. Reducing emissions doesn't have to mean reducing production. It can mean increasing the energy efficiency on-site to ensure that less energy is consumed to produce the same amount of product. Reducing emissions can also be done, for example, by implementing projects geared towards fuel switching, process optimisation, or waste heat recovery. Such projects will not only reduce emissions but also have co-benefits, such as potentially reducing operational costs, reducing air pollutants, and strengthening a company's long-term sustainability goals.

2. Maximise eligible allowances

Taxpayers should maximise the allowances that they are eligible for. This can be done by ensuring that emissions are categorised accurately (as either combustion, process, or fugitive), maximising eligibility for performance and trade exposure allowances, and aligning operational data with regulatory requirements to minimise disallowances. Even a small percentage change in allowances can translate into millions of rands in savings.

3. Plan for increased liabilities

Taxpayers who were making use of the carbon budget allowance should financially prepare for the significant increase in carbon liability for 2026 emissions. These taxpayers should already estimate what the impact will be using forecasted production and fuel consumption figures.

4. Evaluate the use of offsets

Taxpayers should evaluate the feasibility of purchasing valid offsets to assist in reducing their liability going forward. However, taxpayers should be cautious about the offsets they buy and ensure that they are buying valid or qualifying offsets from the market. As the market grows, the risk of non-qualifying offsets entering the market also increases, making due diligence essential.

5. Remain engaged with policy developments

Lastly, taxpayers should stay engaged with policy developments and participate by commenting on draft legislation. The carbon tax framework is still evolving, and taxpayers should monitor legislative updates, participate in public comment processes, and engage with industry bodies and policy forums. Early awareness of regulatory changes and proposed changes allows companies to adapt their strategies proactively and influence policy outcomes where appropriate.

> ***"the organisations that treat carbon tax as a strategic business issue, rather than a once-a-year reporting obligation, will be best placed to remain resilient in South Africa's tightening carbon regulatory landscape"***

Conclusion

South Africa's carbon tax is entering a more demanding phase, marked not only by steadily increasing rates but also by the gradual erosion of relief measures that have historically softened its impact.

The removal of the voluntary carbon budget allowance and the shift towards a higher offsets allowance signal a clear policy direction: taxpayers will need to rely less on passive relief and more on active carbon management strategies. For many companies, this means that carbon tax is no longer simply a compliance exercise, but an increasingly material financial and operational consideration.

In this environment, businesses that act early will be better positioned to manage both cost and compliance. Reducing emissions, strengthening the accuracy of emissions data, maximising applicable allowances, and carefully assessing the use of qualifying offsets will all be critical. As the framework continues to evolve, companies should also remain engaged with policy developments to ensure they can adapt proactively.

Ultimately, the organisations that treat carbon tax as a strategic business issue, rather than a once-a-year reporting obligation, will be best placed to remain resilient in South Africa's tightening carbon regulatory landscape.

CRYPTO AND OLD TAX RULES: NEW VISIBILITY; WHAT CHANGES FOR TAXPAYERS, PLATFORMS, AND ADVISERS

ADRIAN MODIKWE, SAIT

The rules did not change, but the record did. Crypto tax in South Africa is not a 'new law'.

It is ordinary income tax and capital gains tax principles being applied to a modern, highly traceable asset class. What has changed is the environment around those rules: more third-party information, more standardised reporting, and a stronger expectation that positions can be proven, reconciled, and defended on the record.

This is an offering for tax professionals, compliance leaders, and curious members of the public. It focuses on practical compliance: how to classify common crypto activity, what evidence SARS is likely to expect as visibility increases, and what good compliance looks like for both taxpayers and Crypto Asset Service Providers (CASPs).

So what has changed and what has not?

- Crypto taxation is not fundamentally a 'new tax law'. Ordinary income tax and capital gains principles still do the work; the practical challenge is applying them correctly to modern patterns of activity.
- SARS has updated public guidance on crypto assets (Budget 2026 update) and continues to emphasise third-party data as a foundation for pre-population and auto-assessment.
- SARS has published a dedicated Crypto Asset Reporting Framework (CARF) page, stating that CARF came into effect on 1 March 2026 and imposes reporting obligations on CASPs (not on individual taxpayers).
- The core risk for taxpayers and advisers is increasingly evidence risk: whether the position can be reconstructed, reconciled, and defended using records that match third party data streams.

- For CASPs, the compliance perimeter spans both tax reporting (CARF) and financial sector regulation, including licensing and AML/CFT supervision.

The new compliance weather: data, matching, and risk

SARS' public messaging increasingly emphasises the importance of third party information to modern tax administration. In April 2026, SARS stated that third party submissions are used to pre populate and auto assess personal income tax returns, describing pre population as a first step in auto assessing millions of taxpayers each year. SARS also noted that incomplete or inaccurate third party data drives verification cases and can exclude taxpayers from auto assessment.

SARS maintains a dedicated 'Third Party Data' programme page describing categories of legally required submissions, including exchange of information frameworks and IT3 type data streams. The practical relevance for crypto is straightforward: crypto activity is increasingly part of the broader third party reporting landscape, which means inconsistencies between the taxpayer's declared story and third party records may become harder to explain over time.

A useful way to think about this is 'triangulation'. Platforms hold transaction histories. Banks hold fiat inflows and outflows. Tax returns contain the taxpayer's narrative and numbers. As these datasets become easier to compare, the strongest compliance posture is not secrecy but coherence.

Crypto-specific visibility: SARS guidance and CARF

SARS' 'Crypto Assets & Tax' guidance frames crypto assets as taxable under ordinary rules and describes common acquisition channels such as buying and selling through exchanges, mining, private transactions, and barter style transactions, where goods or services are exchanged for crypto.

More materially for visibility, SARS' CARF page states that CARF came into effect on 1 March 2026 and imposes reporting obligations on Crypto Asset Service Providers. SARS explains that CASPs must report certain crypto asset transaction information to SARS and that SARS will exchange this information with other participating jurisdictions for tax compliance purposes. SARS is explicit that individual taxpayers do not report directly under CARF; the reporting obligation rests with service providers.

So, what changes for advisers, in plain terms?

In a data rich environment, the question shifts. The hard question is no longer 'what is the rule?' It is 'can your position be proved, reconciled, and defended on the record?' That is why record-keeping and consistent classification are becoming central to crypto tax work.

This does not mean every taxpayer will be audited. It means that where SARS sees a mismatch between declared outcomes and third party records, it becomes more likely that SARS will ask for an explanation. In practice, it is often the inconsistency, rather than the size of a transaction, that turns a routine return into a query.

Do we need a crypto tax statute?

South Africa does not currently operate a standalone crypto tax statute. Instead, crypto asset transactions fall within the existing income tax framework, including the definition of 'gross income' in section 1 of the Income Tax Act 58 of 1962 (which excludes receipts or accruals of a capital nature) and the capital gains tax regime in the Eighth Schedule. SARS' public stance is consistent with this: crypto assets are taxed under ordinary rules and barter type rules apply where goods or services are exchanged for crypto.

Where the framework works well

- It is principle based: it accommodates new asset types without waiting for bespoke legislation.
- It is fact driven: it distinguishes investment type holdings from trading type activity based on intention and objective behaviour.
- It is supported by longstanding case law on the capital-versus-revenue line, which can be applied to new contexts.

Where uncertainty still arises

- Modern patterns of activity make classification harder for non specialists (high frequency trading, multiple platforms, staking, rapid rotation).

- Record keeping expectations are often underestimated, especially where trades span multiple wallets and off platform transfers.
- Valuation and timing can become complex when transactions occur across time zones, on chain, and in mixed fiat/crypto 'legs'.

Internationally, the more visible 'reform' trend is less about rewriting tax rules and more about making existing rules enforceable at scale through reporting and transparency frameworks such as CARF.

Trading or investing? The capital-versus-revenue decision point

South African income tax starts with a practical fork: is a crypto gain capital or revenue? If it is revenue in nature, it typically forms part of gross income and is taxed at ordinary rates. If it is capital in nature, it is typically dealt with under capital gains tax.

A quick CGT reality check (why 'capital' does not mean 'tax free')

Capital gains tax is not a standalone tax with a flat rate. South Africa taxes capital gains by including a percentage of the net gain in taxable income. For individuals and special trusts, 40% of a net capital gain is included, producing a maximum effective rate of 18% at the top marginal bracket. Companies include 80% of gains (effective 21.6% at the corporate rate), and other trusts also include 80% (effective 36% at the top trust rate). Individuals and special trusts also benefit from an annual exclusion, which SARS reflects as R50 000 for the 2026/27 year.

So, classifying a crypto gain as capital can materially reduce the tax burden compared to revenue treatment, but it does not remove the obligation to disclose and pay. Correct classification still matters because it changes both the calculation method and the tax rate path.

How courts think about the line

The courts have repeatedly emphasised that the capital versus revenue inquiry is fact based. The 'crossing the Rubicon' metaphor is often used to describe the point at which a taxpayer moves beyond merely realising an investment and becomes a trader. In *CSARS v Founders Hill (Pty) Ltd*, the Supreme Court of Appeal revisited this metaphor (with reference to Natal Estates) and affirmed that where an entity acquires assets for the purpose of selling them, it trades in those assets.

In *CIR v Pick 'n Pay Employee Share Purchase Trust*, the court considered whether receipts were the product of trading activities or merely the realisation of capital at an enhanced value. For crypto, the lesson is not that there is one magic factor. It is that the taxpayer's narrative must be consistent with objective indicators.

A simple diagnostic that is defensible

No single factor decides the outcome, but a disciplined inquiry typically considers intention at acquisition and objective indicators such as frequency, scale, holding period, and whether the activity resembles an organised profit making scheme. A practical diagnostic is:

- What was the intention at acquisition: long term store of value versus short term profit pursuit?
- How frequently were disposals made and over what period?
- Is there an organised pattern: multiple platforms, repeated rotation, short holding periods?
- Were borrowed funds or leverage used, where relevant?
- Is crypto a side activity or a core profit engine in the taxpayer's affairs?

The governance point is simple: the narrative and the data must align. If a taxpayer claims a long-term investment but the records show daily trading patterns, that inconsistency becomes a compliance risk.

CARF: the reporting perimeter is now mainstream

The OECD developed the Crypto Asset Reporting Framework to extend automatic exchange of information to the crypto sector. In July 2024, the OECD's Global Forum reported that many jurisdictions had announced their intention to commence exchanges under CARF in 2027.

SARS' public guidance states that CARF came into effect on 1 March 2026, that CASPs must report certain crypto asset transaction information to SARS, and that SARS will exchange this information with other participating jurisdictions for tax compliance purposes.

Taxpayers do not 'file CARF', but they feel the effect

Even though taxpayers do not report directly under CARF, the compliance implications are real:

- Assume that platform transaction histories may become more visible to SARS through domestic reporting and cross border exchange mechanisms over time.
- Assume that missing records, inconsistent classifications, and unexplained bank flows will be harder to defend.

- Expect platforms to request tax residency and identification information as part of due diligence, consistent with CARF's transparency design.

CASPs: tax reporting sits alongside financial sector regulation

For CASPs, the regulatory environment is not only tax driven. The Financial Sector Conduct Authority commenced the licensing process for crypto asset service providers under the FAIS Act on 1 June 2023. In its 15 December 2025 update, the FSCA also confirmed that it supervises CASPs for AML/CFT/CFP obligations under the Financial Intelligence Centre Act and described licensing, enforcement, and supervisory activity in the sector.

Practically, this means CASPs increasingly need a single, coherent compliance story across tax reporting, customer due diligence, and broader governance. Where internal records conflict across regulatory channels, risk rises.

The 'audit-ready' file: what good compliance looks like

Crypto compliance is evidence based compliance. The goal is to maintain a defensible record that can answer three questions: what happened, what is the tax character of each event, and can the numbers be reconciled to third party records.

Minimum records that should exist

- Platform exports and statements: transaction history, deposits/withdrawals, fees, and realised summaries where available.
- Wallet records: addresses used, on chain transfers, and linkage to platform withdrawals/deposits.
- Valuation basis: how ZAR values were determined at the time of each taxable event, and consistent application of the method.
- Bank flows: fiat in/out that can be reconciled to platform activity.
- Narrative memo: a short written description of strategy and intention (investment versus trading), updated when behaviour changes.

"Crypto tax is not "new law". The real shift is that the core risk is no longer "what is the rule?" but "can your position be proved, reconciled, and defended on the record?" for further review"

Mapping taxable events in a way that SARS can follow

SARS' crypto guidance describes several ways crypto is acquired and used, including mining, buying and selling on exchanges, private transactions, and exchanging goods or services for crypto. A practical best practice is to maintain a schedule that classifies each event type consistently, ties each event to evidence, and records the ZAR value at the time of the event. When this mapping is done well, queries become easier to answer and disputes become less likely.

Do not confuse visibility with certainty

More data does not automatically mean SARS has perfect insight into every taxpayer. Data can be incomplete, inconsistent, or misattributed. But as the third party ecosystem matures, the cost of disorganisation rises sharply. Advisers add value by making the record coherent: organise the evidence, reconcile the flows, and reduce ambiguity before SARS asks the question.

What this means for advisers: practice standards in a data-rich world

Advisers should treat crypto engagements like any other high risk tax area: scope clearly, document assumptions, and insist on records. Two risks tend to drive disputes: incorrect classification (capital versus revenue) and incomplete or irreconcilable data sets.

A practical engagement standard for crypto work

- Scope: confirm whether the engagement covers classification only, calculations, filing, or audit defence.
- Evidence gate: do not finalise a position without minimum records (platform exports plus bank flows at a minimum).
- Consistency check: test whether the taxpayer's story matches objective behaviour (frequency, holding period, rotation).
- Disclosure discipline: encourage clean, consistent disclosure rather than partial disclosure that invites later queries.
- Regulatory overlap awareness: if the client is a CASP or runs a crypto facing business, align tax work with licensing and AML/CFT governance so that records do not conflict.

One final professional point: crypto work can drift into 'best efforts' without discipline. A simple internal rule helps: if you cannot reconcile the numbers, you cannot responsibly sign off on the position.

Crypto tax is now a governance issue

The tax rules for crypto are largely existing rules. What is changing is enforceability: stronger third party data, CARF reporting by platforms, and a more standardised compliance environment.

For taxpayers and advisers, the winning strategy is deliberately boring but effective: maintain evidence, classify consistently, and be able to explain the position in simple terms that match the data. That is the heart of sustainable compliance.

For CASPs, the same principle applies at institutional scale. Strong reporting systems, consistent customer due diligence, and clean internal governance are not just regulatory obligations. They are risk management tools that support confidence in the sector and reduce disputes over time.

THE NEW PLAYBOOK:

TECHNOLOGY, TRANSPARENCY, AND THE HUMAN FACTOR IN CUSTOMS AND INTERNATIONAL TRADE

DR RODERICK VAN ROOYEN, Independent Customs and Global Trade Consultant

A government official must decide whether to accept that declaration or examine it more closely. This process, customs, sits at the heart of every international trade transaction in the world, from a container of car parts arriving at a port to a parcel ordered online from another country.

For most of its history, customs was a paper-based and rule-driven process. A trader filled in forms. An official checked them. Goods moved or they did not. That world has changed. Technology, new global standards on corporate responsibility, and growing pressure for transparency have combined to create a new set of demands on everyone involved in international trade. This article examines what those demands mean in practice and asks a question that matters to anyone in the field: "Does the human being at the centre of this process still matter as technology becomes more powerful?"

The answer is yes. But the reasons why and what that means for traders and trade professionals deserve a careful look.

Introduction

Every time goods cross a border, a process begins. Someone must declare what the goods are, where they came from, what they are worth, and what taxes and duties apply.

A Bigger picture: Why trade compliance has changed

Twenty years ago, a trader's main obligation at the border was to customs-declare goods correctly and pay the right amount of indirect tax. That obligation still exists. But around it, a much larger set of responsibilities has grown.

Governments and international bodies now expect traders to demonstrate that the goods they import were produced responsibly. Were they made using forced or child labour? Were they sourced from forests that were illegally cleared? Do they carry a carbon footprint that needs to be accounted for at the border? These are not hypothetical questions. They are live legal requirements in major trading jurisdictions and growing in scope each year.

At the same time, customs authorities around the world have become more connected and more demanding. A company that sets the price of goods it sells between its own subsidiaries in different countries, a common practice in multinational trade, can no longer treat the customs declaration and the corporate tax return as separate matters managed by separate teams with no coordination. Governments compare the two. Differences attract scrutiny.

The result is that the customs declaration, a document that many traders once treated as a routine administrative task, has become a document of legal and commercial significance that can expose a business to customs penalties and interest, reputational damage, and regulatory investigation if it is not handled with care. The stakes have risen. The skills required to manage the process have risen with them.

What technology can and cannot do

Into this more demanding trading environment, technology has arrived with real force. Artificial intelligence (AI), machine learning, data analytics, blockchain, drones, and biometric systems are all being applied to border management in different ways. The World Customs Organisation (WCO) and the World Trade Organisation (WTO) have studied this trend in depth and published findings that are worth understanding.

Their conclusion is measured. Technology offers tools. Those tools, when used together and managed well, can make border processes faster, more accurate, and more targeted. But no single technology solves the challenge on its own, and the gap between what technology promises and what it delivers in practice remains wide for most border agencies around the world.

Take blockchain as an example. The idea is that a shared, tamper-proof digital record of a trade transaction, simultaneously accessible to the exporter, importer, shipping company, bank, and border authority, would eliminate delays, reduce fraud, and cut paperwork. The concept is sound. The reality is that fewer than two border agencies have fully deployed it worldwide. Most are still running small tests. The technology exists. The institutional will, legal frameworks, and data-sharing agreements needed to make it work at scale do not yet exist in most places.

AI is further along in real-world deployment. Several countries use AI systems to analyse trade declarations and flag the ones most likely to contain errors or fraud. Brazil's customs authority has been operating such a system, called SISAM, since 2014. The results are significant: at low selection rates, the system identifies a much higher proportion of errors than random checking would ever find. Customs officers who use it become more productive faster. The system has changed behaviour among importers who know it exists.

But SISAM's designers are clear about what the system cannot do. It learns from the data it is given. When customs officers record findings in a system that SISAM cannot access, it learns nothing from those findings. When experienced customs officers override its suggestions based on knowledge they carry in their heads, SISAM has no way to absorb that knowledge. And as importers have learned how the system works, some have become more careful about hiding errors, which means the system must keep adapting.

"The new playbook for customs and international trade is not a manual for replacing people with machines. It is a call for people who are skilled enough, informed enough, and strategic enough to use the machines well, to govern them properly, and to carry the judgment that no machine has yet been built to hold"

The conclusion that the designers draw is straightforward: AI provides tools. Those tools matter. They change how work is done. They do not replace the human doing the work.

The macro stays the same

There is a useful distinction between technology that changes how specific tasks are done and technology that changes what the task fundamentally is. The first kind of change, microtechnology, has been happening in trade for decades. Paper forms became electronic submissions. Manual checks became automated risk scoring. Physical measurements became scanner images. Each change required traders and customs professionals to learn new systems and adjust their approach. Each made certain tasks faster and more precise.

But the fundamental task has not changed. A trader must still customs-declare what goods are, where they came from, and what they are worth. A government must still decide whether to accept that customs declaration, collect the indirect tax due, and ensure that prohibited or restricted goods do not enter the country. These obligations are embedded in international law, in trade agreements, and in national legislation. These are macro customs processes; they rest on the principle that a human being makes a customs declaration and is legally accountable for it. A software system cannot be prosecuted for a false declaration. A trader can.

This is why the argument that technology will eventually replace the human professional in trade compliance does not hold. Technology can assist, accelerate, and improve the customs process. It cannot carry the legal responsibility that sits at the centre of it.

The governance question nobody can avoid

As technology becomes more embedded in trade processes, a new set of questions arises that every trader and every customs professional needs to take seriously.

When a government AI system decides that a particular shipment should be inspected, who is accountable for that decision? When a trader uses an automated classification tool to assign a tariff code to a product, who carries responsibility if the code is wrong? When supply chain data is shared across multiple platforms and agencies, who governs how it is used and who has access to it?

These are governance questions. They do not have technological answers. They require human judgment, legal frameworks, and institutional accountability to resolve.

The traders and businesses that will manage this environment well are the ones that treat compliance as a governance matter, not just an administrative one. That means keeping clear trade records of how customs declarations are prepared and on what information they are based. It means reviewing customs processes regularly to ensure they reflect current legal requirements. It means understanding that the audit trail, the documented evidence of how a decision was reached, is now as important as the decision itself.

For a new trader entering international trade for the first time, this might sound like a large burden. In practice, it means building good habits early: keep records, ask questions, take professional customs advice when the transaction is complex, and do not treat the border declaration as a box to be ticked.

What the professional must become

The new environment does not make trade professionals and customs professionals less relevant. It makes them more relevant but it raises the standard they must meet.

When technology handles the routine parts of a process, sorting customs declarations, flagging anomalies, and generating reports, the work that remains for the human professional is the work that requires judgment. Is this product correctly described for tariff classification purposes? Does this supply chain meet the origin requirements for preferential treatment? Is the declared customs value consistent with the commercial reality of the transaction? These questions cannot be answered by running a calculation. They require knowledge, experience, and the ability to navigate legal and commercial complexity.

Technology is also not free. Deploying and maintaining AI systems, data platforms, and digital infrastructure costs money. The WCO/WTO study report notes that large technology projects in this field fail at high rates and warns against organisations overcommitting to technology that does not match their actual needs. This means that trade professionals also need commercial judgment—the ability to assess whether a technology investment makes sense, what it is supposed to achieve, and whether it is achieving it.

A trader who understands only the basics of how to fill in a customs declaration is already behind. A customs professional who understands the legal framework, the commercial context, the technology tools available, and the governance requirements of the process is positioned to add value that no system will replicate.

Conclusion

International trade has always required that traders and customs professionals need to have a good understanding of how borders work. That requirement has not gone away. What has changed is the level at which those people need to operate.

Technology is a genuine force in this space. AI systems catch errors that human customs officers would miss. Data analytics identify patterns of fraud that a manual review would never find. Digital platforms speed up processes that once took days. These are real gains. The WCO/WTO research and the Brazil case study both confirm them.

But the gains come with requirements attached. Technology needs to be governed. Data needs to be managed. Decisions made by systems need to be understood and someone needs to be held accountable to implement their recommendations. And at every point where a legal obligation attaches, where a customs declaration is made, a customs/excise duty is assessed, a shipment is cleared or held, a human being carries the responsibility.

The new playbook for customs and international trade is not a manual for replacing people with machines. It is a call for people who are skilled enough, informed enough, and strategic enough to use the machines well, to govern them properly, and to carry the judgment that no machine has yet been built to hold.

For anyone entering customs and international trade today, that is both the challenge and the opportunity.

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15minutes
CPD

BEYOND PUNISHMENT:

Why fair process is the real test of professional discipline

ADRIAN MODIKWE, SAIT

What are we learning from the Lourens Judgment?

Professional discipline remains one of the most critical governance functions within any recognised professional body. It sits at the intersection of public protection, professional standards, and institutional credibility. When applied properly, it reinforces confidence in the profession; when applied poorly, it risks undermining both the institution and the broader regulatory environment.

When it comes to professional discipline, toughness alone is no longer enough. Courts are increasingly clear that credibility hinges on something deeper: fairness, transparency, and disciplined reasoning. In an environment where public trust is under pressure, the integrity of the process may matter as much as, if not more than, the outcome itself.

At its core, the legitimacy of any disciplinary system does not lie in how severe or visible it appears but in whether it is demonstrably fair, evidence-based, and rational in its outcomes. Discipline is not theatre; it is governance in action.

This article explores what effective disciplinary governance looks like in practice, drawing on recent High Court guidance to illustrate the standards expected when professional bodies exercise regulatory authority. The emphasis is not on any specific case outcome but on the principles that should consistently underpin disciplinary systems across professions.

Beyond the organisation: discipline is a public law function

A fundamental shift in modern regulatory thinking is the recognition that professional bodies do not operate in isolation when disciplining members. In exercising disciplinary authority, they are not merely managing internal standards; they are exercising a form of public power.

This has important implications. Public power must be exercised in accordance with constitutional principles, including fairness, lawfulness, and rationality. In South Africa, these principles are given clear expression through section 33 of the Constitution and the Promotion of Administrative Justice Act. Together, they establish the framework within which administrative and quasi-administrative decisions are assessed.

The practical effect is straightforward but significant: disciplinary processes must be capable of withstanding scrutiny not only within the profession, but externally, including by the courts where necessary.

What the courts are telling us: process matters as much as outcome

Recent judicial guidance reinforces a consistent theme: the credibility of disciplinary action lies not only in the outcome reached, but in how that outcome is arrived at. Courts are less concerned with whether a decision is harsh or lenient, and far more concerned about whether it is procedurally sound and rationally justified.

Where deficiencies arise, they typically fall into identifiable categories: unclear formulation of charges, inadequate engagement with evidence, or a disconnect between the facts and the conclusion. Each of these represents not a minor technical flaw, but a fundamental governance risk.

Clarity at the outset: fair notice underpins everything

The starting point of any disciplinary process is clarity. Those subject to the process must understand the case they are required to answer, not in broad or abstract terms, but with sufficient detail to enable a meaningful response.

Where allegations are vague or imprecise, the process becomes inherently unstable. A practitioner cannot reasonably defend against uncertainty and any subsequent finding risks being viewed as procedurally compromised.

Strong governance frameworks address this risk through clearly articulated charges, documented complaints, and structured responses. This not only protects the individual but also strengthens the defensibility of the process itself.

Holding the line: consistency and scope discipline during proceedings

A related principle is consistency. Once the scope of a disciplinary matter has been defined, it must remain stable unless formally revised with appropriate procedural safeguards.

Allowing the basis of a finding to evolve informally during proceedings introduces uncertainty and undermines fairness. It creates the perception, and often the reality, of a shifting standard against which the individual is assessed.

Mature disciplinary systems recognise this and incorporate mechanisms to manage scope changes appropriately, ensuring that fairness is preserved at every stage of the process.

Evidence, not assumption: the correct standard of proof

At its core, discipline is an evidence-based exercise. Where the applicable standard is the balance of probabilities, decision-makers must engage directly with the evidence, evaluate competing versions, and explain their reasoning.

This is particularly important in cases involving conflicting accounts. Simply preferring one version without demonstrating why it is more probable exposes the decision to challenge. Transparency of reasoning is, therefore, not a luxury; it is an essential feature of credible decision making.

Well-designed disciplinary frameworks support this by encouraging structured submissions, comprehensive records, and clear deliberative processes. These are practical tools that improve not only fairness but also quality.

Rationality: disciplinary outcomes must make sense

Rationality is a cornerstone of administrative justice. A disciplinary finding must be logically connected to the evidence before the decision maker. In simple terms, the conclusion must follow from the facts.

This does not require perfection. However, it does require coherence, an observable nexus between what was proved and what was decided.

From a governance perspective, rationality functions as a critical quality check. It ensures that disciplinary outcomes are not only justifiable internally but also defensible externally.

Transparency with care

Transparency plays an essential role in maintaining public trust, particularly in regulated professions. However, transparency must be exercised responsibly.

Publishing disciplinary outcomes that are not firmly grounded in fair process and rational reasoning can erode trust rather than build it. Equally, an overemphasis on visibility at the expense of process integrity can distort the purpose of discipline.

A governance-led approach to publication ensures that disclosure follows sound outcomes, is proportionate to the conduct, and serves a legitimate public interest purpose.

Designing for integrity: structure matters

The architecture of a disciplinary system is as important as its principles. Effective systems typically include distinct stages for investigation, adjudication, and review or appeal.

This layered approach introduces necessary checks and balances, reduces the risk of premature conclusions, and supports consistency in decision-making.

From a governance standpoint, such structures are not administrative burdens; they are safeguards that reinforce fairness and institutional credibility.

Reframing discipline: from punishment to professional resilience

There is a growing recognition that discipline is most effective when understood as a mechanism for protection and improvement, rather than punishment alone.

Sanctions should be proportionate, targeted and, where appropriate, capable of supporting corrective behaviour. Professional systems that balance accountability with development tend to produce more sustainable outcomes over time.

External oversight: courts as a safeguard

Judicial oversight remains an important feature of the regulatory framework. While courts generally show deference to professional bodies, they will intervene where process or reasoning falls short of required standards.

This serves an important function. It reinforces accountability and ensures that disciplinary authority is exercised within established legal boundaries.

For professional bodies, the lesson is clear: robust internal governance reduces the likelihood of external intervention and strengthens confidence in the system.

"The legitimacy of discipline is not measured by how severe it is, but by whether it is fair, evidence-based, and able to withstand scrutiny. A credible disciplinary system does more than enforce rules; it demonstrates that the process itself can be trusted"

Practical guidance: habits that reduce professional risk

Across professions, certain practices consistently reduce disciplinary risk and support strong governance outcomes:

- Maintain clear and contemporaneous records of engagements and decisions.
- Define the scope of work explicitly and revisit it when circumstances change.
- Respond to regulatory enquiries promptly and with supporting evidence.
- Address errors early and transparently with appropriate corrective action.
- Approach professional interactions with objectivity and respect for standards.

Credibility is built on process

At its core, professional discipline is not about punishment. It is about protection: protecting the public, upholding standards, and safeguarding the credibility of the profession.

The strength of any disciplinary system, therefore, lies not in its visibility or severity, but in its credibility. Credibility, in turn, is built through consistent adherence to fair process, disciplined reasoning, and evidence-based outcomes.

Recent judicial guidance does not caution against discipline; it clarifies what makes discipline legitimate. A system grounded in clear charges, a stable and properly defined process, meaningful engagement with evidence, and rational outcomes does more than resolve disputes; it builds confidence that the system itself can be trusted.

Professional bodies that invest in these fundamentals achieve more than effective enforcement. They reinforce trust, support the public interest, and contribute meaningfully to the long-term integrity of their professions.

Within this broader landscape, leading regulatory frameworks continue to emphasise that fair process is not a concession. It is the foundation of credible oversight. In an environment where public confidence is increasingly tested, it is precisely this balance, firm standards applied fairly and consistently, that defines professional regulation, which is both effective and respected.

This approach aligns squarely with the broader regulatory framework led by SARS, where professional conduct, accountability, and fair process remain central to a credible and effective tax system.

15minutes CPD

THE JUST ENERGY TRANSITION AND EVS:

From range anxiety to tax collection anxiety?

LOUIS BOTHA, Renmere Transaction & Tax Advisory

"Don't watch . . . YouTube." On 11 September 2023, 15-time golf major winner Tiger Woods said this in response to a question regarding his top advice for amateurs. He insisted that players should get out on the driving range and stick to the old-school grind of "just beating balls."

Until not long ago, this was all that the phrase 'driving range' was understood to mean. But since the advent of electric vehicles (EVs), any reference to 'driving range' could also get a soccer mom's attention, especially if she has had to deal with range anxiety.

South Africa's Just Energy Transition (JET) views the shift to electric vehicles (EVs) not just as an environmental upgrade, but as a critical economic necessity. But range anxiety is real. The fear that an EV will not reach its destination because its battery runs out is one of the main barriers to EV adoption, especially in a country like South Africa, which has such a sparse EV charging network.

But it appears things may be changing. According to data from South Africa's Automotive Business Council, NAAMSA, sales of EVs, hybrids and plug-in hybrids increased by 53% between January and April 2026, compared to the same period last year.

While the JET is necessary, South Africa's transition to EVs could result in reduced revenue for the government from the fuel levy. That is the subject of this article.

Fuel levy – Iran/US conflict and temporary reduction

The petrol price is something most South Africans currently discuss with dread, and understandably so. Following the start of the Iran/US conflict in February 2026, petrol prices skyrocketed to the extent that the government decided to announce fuel levy relief, in the form of a temporary reduction in the fuel levy.

As I write this, motorists have just found out that from June 2026, the fuel levy relief will be reduced, as the government indicated that it cannot sustain the amount of relief currently provided. Despite SARS' successful collection efforts helping to avoid tax increases being announced in the 2026 Budget, it highlights the importance of the fuel levy as a source of revenue for the government.

We should also keep in mind that in 2022, following the start of the Russia/Ukraine conflict that resulted in an increase in fuel prices, the government followed a very similar approach. Significant fuel levy relief in the initial months, followed by reduced relief thereafter.

Different types of levies

Once the relief announced by the government comes to an end on 30 June 2026, the general fuel levy for petrol will return to R4.10 per litre and to R3.93 for diesel.

At the same time, the road accident fund (RAF) levy has remained at R2.25 per litre. The same applies to the carbon fuel levy, which has remained 19c per litre for petrol and 23c per litre for diesel, since increases were announced in the 2026 Budget Speech. It also remains to be seen whether the levies will be affected if the EFF proceeds with its challenge to the Minister of Finance's powers to increase the fuel levies without prior parliamentary approval.

The section 12V incentive

On 1 March 2026, section 12V of the Income Tax Act, 58 of 1962, came into effect. The section allows motor vehicle manufacturers investing in new and unused buildings, machinery, plant, implements, utensils and articles to be used for the production of battery electric or hydrogen-powered vehicles, to qualify for a 150% deduction of investment spend.

The Explanatory Memorandum on the Taxation Laws Amendment Bill, 2024, states the following regarding the reasons behind the incentive:

"The dtic published the Electric Vehicles White Paper outlining its plan to transition the automotive industry from primarily producing Internal Combustion Engine ('ICE') vehicles to a dual platform that includes the production of electric vehicles ('Evs'). The compelling reasons behind this transition include the urgent need to address environmental concerns and for countries to meet their national emission reduction commitments stemming from the Paris Agreement."

The pressures faced by South Africa's vehicle manufacturing industry have been widely reported, as has the fact that many manufacturers called for this incentive to be introduced earlier. Whether the section 12V incentive results in increased adoption of EVs remains to be seen.

Possible tax implications of decreased fuel levy revenue: UK perspective

The rationale behind the section 12V incentive and the transition to EVs as part of South Africa's JET is sound. However, increased EV adoption will potentially result in government receiving less revenue from the fuel levy, as people buy less petrol and diesel. Admittedly, we are probably a long way from this being an issue. But the issue has arisen in the United Kingdom (UK), and it is in this context that the issue should be considered.

In November 2025, Chancellor Rachel Reeves gave the UK's Budget and announced the possible introduction of a mileage-based Electric Vehicle Excise Duty (eVED), set to launch in April 2028. In other words, owners would be taxed for every mile travelled with an EV or plug-in hybrid. The difficulty is understanding the rationale behind the tax, because it is unclear why an EV or plug-in hybrid owner should be taxed on this basis.

"It is important that if the South African government's revenue from the fuel levy decreases because of increased EV adoption, it should not result in negative tax implications for South Africans and in particular, owners of EVs and plug-in hybrids"

It is trite that excise taxes like the fuel levy are intended to internalise the cost of the negative externalities they cause, such as air pollution. In other words, there is an understandable rationale for imposing the fuel levy. Although many of us would probably say that the levy is too high, the amount is a separate question.

It is important that if the South African government's revenue from the fuel levy decreases because of increased EV adoption, it should not result in negative tax implications for South Africans and, in particular, owners of EVs and plug-in hybrids.

30minutes CPD

TAXING FOR SUSTAINABILITY:

Assessing the competition implications of ESG-driven tax incentives

▸ **JEROME BRINK, REECE MAY, AND ELHAM SHAIK,** CDH Legal

Introduction

Decarbonisation is no longer driven by environmental policy alone; it is increasingly shaped by tax systems and state support measures.

Across jurisdictions, governments are using tax incentives, targeted rebates, and subsidies to accelerate the transition to greener economies. Yet, while these instruments are designed to correct market failures and incentivise sustainable practices, they do not operate in a vacuum. The uneven allocation of tax burdens and benefits can subtly, but materially, reshape competitive dynamics.

This article explores the tension at the intersection of ESG-driven tax policy and competition law. It considers how well-intentioned measures may distort markets by conferring selective advantages, raising barriers to entry, and entrenching incumbents' market position.

Potential negative competition effects of ESG taxes

ESG-related taxes are often Pigouvian taxes, being primarily premised on changing behaviours and ensuring that the price of an activity reflects its full social cost. A key example of this type of tax is the South African Carbon Tax, which relies on the 'polluter-pays-principle' as its design cornerstone. Another example is the plastic bag levy. However, these types of taxes are effectively imposed on certain market participants but not others, with the result being an asymmetric cost burden that may distort the competitive playing field.

In South Africa, the Carbon Tax Act, 15 of 2019 ("Carbon Tax Act") incorporates sector-specific phase-in allowances and trade-exposure rebates that can effectively reduce the tax burden for certain firms, while others remain fully exposed. This effectively results in a 'punishing' effect for some non-green market participants who may, from a competition perspective, be efficient firms who promote product innovation and drive overall prices down across a sector, but who are now subject to additional costs in an arbitrary policy attempt to address environmental impact generally.

Apart from the immediate tax consequences that might disadvantage such a firm in the short term, this may also ultimately lead to increased fixed costs to upgrade to greener technologies that may not necessarily be more efficient or cost-effective from an output perspective when compared to current non-green technologies. This could, in turn, give rise to uneven cost increases across competitors within a sector and, ultimately, to wholesale price increases that are driven not by competitive market dynamics but by distorting regulatory and policy considerations.

These types of wholesale price increases are contrary to the purpose of the Competition Act, 89 of 1998 ("Competition Act"), which seeks to ensure that markets are competitive, prices are low, and consumers have freedom of choice.

Selective exemptions may also entrench incumbents that benefit from preferential treatment and a larger balance sheet to accommodate green technology conversions, while newer or smaller entrants are left to bear the full cost burden of entry, along with added tax cost hurdles. This may have the inadvertent effect of deterring entry into a market, raising entry barriers, reducing consumer choice and entrenching market concentration. This may also go against the Competition Act's public interest mandate, as it may stifle entry by small and medium-sized enterprises and those owned by historically disadvantaged persons.

An EU competition perspective—State aid

Although not a feature in the South African Competition Act, European Union (EU) legislation prevents governments or public authorities of member states from providing 'state aid' to certain industries/companies that would result in distortions of competition in the European market. For example, the Spanish government cannot give financial support to assist citrus farmers, which would place them on an uneven playing field when compared to other citrus farmers in the EU. If this were to occur, it would undermine the very objective of the EU's various treaties, which is to form a single, common market where companies across the EU can freely trade with one another on equal terms.

As seen in the above example, market distortions arise where certain companies receive state support while others do not, conferring a relative competitive advantage on the beneficiaries. In turn, supported companies may face reduced pressure to operate efficiently and maintain competitiveness. On the other hand, state support can also revitalise less efficient companies that might otherwise have exited the market but for the aid. Although this support may benefit the public interest by saving jobs, it may undermine competition overall by keeping inefficient competitors active in markets where market forces suggest that they should exit.

Subsidies represent a specific form of state aid assistance and may include mechanisms such as direct grants, tax incentives, or preferential loans. Although these measures are typically designed to stimulate growth or support underperforming sectors, they can also lead to distortions in competition if they are not carefully structured and applied.

"State aid, such as tax incentives, can influence the behaviour and incentives of companies, particularly in circumstances where market failures, such as adverse effects on the environment, would naturally occur but for the aid"

Should a member state wish to provide state aid to certain companies or industries, an application needs to be made to the EU Commission before the aid can be provided. Article 107 of the Treaty on the Functioning of the EU (TFEU) prohibits any form of selective advantage granted by national public authorities to companies, unless such treatment can be justified on exceptional grounds. One exception is provided under Article 107(3)(b) and (c) of the TFEU, which considers aid compatible with the internal market where it is intended to remedy a serious disturbance in the economy of a Member State (or across the EU economy) or in order to facilitate the development of certain economic activities. Support for green initiatives has been found to fall within these categories and to warrant state aid.

In 2025, the EU released its Framework for State Aid Measures to Support the Clean Industrial Deal ("EU Framework"). The EU Framework reflects a policy shift towards accelerating the deployment of renewable and low-carbon energy in a cost-efficient manner, allowing governments and public bodies the ability to cover the costs associated with making the green transition while ensuring that competition across the EU is carefully considered. The EU Framework has relaxed and simplified the conditions under which state aid is granted for green initiatives and caters for a range of state instruments, including direct grants, tax advantages (such as tax credits), as well as loans or guarantees, subject to specified caps and limitations.

However, these initiatives need to be applied with caution, especially when it comes to the intersection of tax and competition. This intersection is no more prevalent than in the famous case involving the tech giant Apple, in which the European Court of Justice (ECJ) held in September 2024 that certain tax rulings and tax treatment of Apple's activities in Ireland amounted to illegal state aid.

Towards a unified policy approach

State aid, such as tax incentives, can influence the behaviour and incentives of companies, particularly in circumstances where market failures, such as adverse effects on the environment, would naturally occur but for the aid. Put differently, without various policy incentives (be it tax or otherwise), many companies would not ordinarily move towards green alternatives because of the additional costs attached to the transition, coupled with the fear that competitors may not do so and reap the commercial rewards from doing so. Sector-specific regulation, together with incentives such as ESG tax breaks, is a noble attempt to level this playing field to ensure that companies across a sector play by the same rules to achieve a sustainable future.

In crafting these multi-pronged solutions, however, legislatures do not necessarily consider the impact that these incentives may have on competition generally, or, at the very least, across various sectors.

Unlike the EU, these considerations are not mandatory in the South African context, potentially resulting in negative externalities (such as harm to the environment) being favoured over efficient market outcomes, potentially resulting in consumers themselves or non-green competitors footing the bill for noble green initiatives. Non-subsidised firms, despite potentially being more efficient or innovative, may be deterred from entering, lose market share, or be forced to exit altogether.

Such legal subsidies also raise a jurisdictional question where the South African competition authorities may be less inclined to prosecute companies under the Competition Act that are complying/benefitting from other laws or policy outcomes. The South African competition authorities also do not, as a general rule, bring legal challenges, such as reviews, against legislation that falls outside of the Competition Act. Although these competition authorities, like any other stakeholder, have the right to provide comments on new legislation that may impact competition, it remains unclear whether the legislature actively engages with the competition authorities during the legislative process or examines their views (if they provide any) with the necessary vigour when passing such legislation.

In order to ensure that competition issues are more actively considered when determining potentially discriminative subsidies in the form of tax incentives, exemptions or exclusions, it would, as a first step, be beneficial if the South African competition authorities were more actively involved in the policy-making process to help ensure that adverse market outcomes are avoided while still pursuing the noble objective of incentivising sustainable business practices.

OUT OF THE SHADOWS:

The state of tax transparency in Africa

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Africa loses close to USD 88.6 billion a year to illicit capital flight, almost as much as it receives in aid and investment combined.

Tax transparency, the exchange of information between revenue authorities, and the drive to unmask the real owners behind companies and trusts are how the continent, and South Africa in particular, is learning to see that money again and turn the flow back.

A small confession before we begin

Let me come clean before you read another line, because a fair witness should declare his interests at the door. I do not arrive at this subject as a neutral umpire. I earn my keep on the side of the people who chase the money: the revenue authorities, the tax administrations, the quiet civil servants who spend their careers trying to make sure that what is owed is what is paid. So, when I tell you that tax transparency is one of the better things to happen to Africa in a generation, do weigh the messenger before you swallow the message. Every farmer praises his own butter and I am no exception.

So, I will bring the evidence. And I will try to tell it as a story because the numbers only matter once you can see what is at stake.

A quiet leak that funds the wrong continent

Picture a pipe running out of Africa. It does not carry oil or water. It carries money: profits quietly shifted offshore, wealth parked in foreign accounts no tax office ever sees, the proceeds of mispriced trade and hidden ownership. UNCTAD's *Economic Development in Africa Report 2020* put a number on that pipe. Roughly 88.6 billion US dollars leaves the continent every year as illicit capital flight—about 3.7 per cent of Africa's GDP. To put that in perspective, it is close to everything the continent receives in foreign aid and direct investment combined. There is an old way of describing this that lands harder than any statistic; the one who tills the soil is not always the one who eats the yam. Africa generates the wealth; too much of it is eaten at another man's table. UNCTAD estimated that simply stopping the leak could close roughly a third of the financing gap Africa faces to meet the Sustainable Development Goals.

That is the stake. Tax transparency is the story of how African countries are learning to see into that pipe and, increasingly, to turn the flow back.

What tax transparency actually means

Strip away the jargon and it rests on a simple idea: a revenue authority cannot collect what it cannot see. For most of the modern era, the global financial system was built to keep certain things unseen. A person in Lagos or Lusaka could hold an account in a distant financial centre, earn quietly on it, and trust that the information would never travel home. A company could be owned through a chain of shells so layered that no one could name the human being at the end of it. Secrecy was not a flaw in the system. It was a service you could buy.

Tax transparency is the deliberate dismantling of that service. It means information about who owns what, who earns what, and where it can cross borders to the authorities that have a right to it. The toad does not run in the daytime for nothing, the elders say, and a man does not move his money three jurisdictions away for no reason either. Transparency is simply the continent learning to ask why and to get an answer.

In practice, it stands on three legs

The first is the *exchange of information on request (EOIR)*. A tax authority investigating a specific taxpayer can ask a foreign counterpart for bank records, ownership details, or accounts, and expect a timely answer.

The second is *automatic exchange of information (AEOI)*. Instead of asking case by case, jurisdictions agree to send each other bulk financial account data every year under the Common Reporting Standard. Your residents' offshore accounts are reported to you automatically without you ever knowing to ask.

The third, and the fastest-moving, is *beneficial ownership transparency*: the requirement to identify the real flesh-and-blood person who ultimately owns or controls a company, trust, or account, rather than the nominee or shell whose name sits on the paper.

What it means, depending on where you sit

The same reform wears a different face from each chair in the room.

For the *continent*, it is about resources and agency. The money leaking out is money that could build clinics, roads, and tax bases sturdy enough to make aid optional. The African Union's Agenda 2063 sets the ambition of financing the bulk of Africa's development from its own pocket; transparency is one of the rare levers that raises revenue without raising rates on the people already paying.

For a *country*, it is fiscal sovereignty made practical. A government that can see its residents' offshore wealth can tax it, deter the next round of evasion, and negotiate from knowledge rather than suspicion.

For a *revenue administration*, transparency is, above all, intelligence. It turns rumour into evidence. The auditor who once had to take a taxpayer's word about foreign income can now lay that word beside data received from abroad and see whether the two agree.

For the *honest taxpayer*, it is fairness. Evasion by the wealthy and the well-advised is, in effect, a subsidy paid by everyone who cannot move their money offshore. Close the gap and you protect the compliant majority, the market trader, and the salaried teacher who never had the option of hiding.

And for the *practitioner*, the adviser, the lawyer, the accountant, it redraws the lines of the trade. The aggressive structuring that once promised invisibility now carries a real risk of discovery. He who hides under the leaf gets rained on when the wind blows. The premium has shifted from concealment to genuine, defensible compliance, which frankly, is a healthier business in which to be.

The state of play: From secrecy to cooperation

Here is the encouraging part. This is no longer an aspiration. It is happening and the receipts exist.

In 2014, African members of the Global Forum on Transparency and Exchange of Information for Tax Purposes launched the *Africa Initiative*, designed to make sure African countries could actually use the new global tools rather than merely sign up to them. It now gathers 39 African member countries alongside 17 partners and donors. In November 2017, four African nations signed the *Yaoundé Declaration* in Cameroon, a political commitment to use transparency against illicit flows. That circle has widened steadily; by late November 2025, the Democratic Republic of the Congo became the 35th country to endorse it.

"A generation ago, the question facing an African revenue authority was whether it could ever see into the offshore world at all. Today the question is sharper and more hopeful; now that we can see, how well will we use what we find?"

The results are tallied each year in *Tax Transparency in Africa*, co-produced by the Global Forum and the African Tax Administration Forum (ATAF). The 2025 edition, drawing on 40 African countries, tells a striking story. Since 2009, African countries have identified at least 4.2 billion euros in additional revenue through transparency and exchange of information. In 2024 alone, 11 African countries surfaced close to 400 million euros, roughly 123 million from exchange on request and over 275 million from automatic exchange under the Common Reporting Standard.

And the appetite is growing, not fading. African countries sent 1,756 information requests in 2024, a record high that nearly doubled the 888 of the year before, with 23 countries now actively making requests. The web of cooperation spans 3,358 exchange relationships across the continent, more than four-fifths of them carried by a single instrument, the Multilateral Convention on Mutual Administrative Assistance in Tax Matters. Automatic exchange, the most demanding leg, is maturing too; a growing group including Seychelles, Mauritius, Ghana, Nigeria, and Kenya is already exchanging financial data automatically, with Kenya, Rwanda, and Uganda among those that began in 2025, and Cameroon and Tunisia preparing to follow.

The work being done on the continent

It would be easy, and wrong, to tell this as a story of African countries dutifully implementing standards written elsewhere. The more interesting truth is that Africa has been busy building its own scaffolding. One hand cannot tie a bundle; the continent has worked that out.

Start with the instrument that is most genuinely African-owned. The *ATAF Agreement on Mutual Assistance in Tax Matters (AMATM)* is an African treaty for African tax administrations. Rather than wait on bilateral arrangements with distant partners, signatories can exchange taxpayer information with one another, run joint audits, and assist each other in recovering tax debts that have slipped across a shared border. The hands wash each other, as the saying goes and when Uganda joined, its revenue authority put the same thought plainly; when one country helps another, the whole continent gains. A treaty that lets Ghana, Senegal, and Burkina Faso audit the same taxpayer as a team is a different proposition from each of them squinting at the problem alone.

Then there is the question of measurement, because what you do not measure you cannot fix. The *Anti-Illicit Financial Flows (Anti-IFFs) Policy Tracker*, developed by Tax Justice Network Africa together with the African Union Commission and ATAF, is a self-assessment tool that lets a country examine its own defences across four areas: its laws and policies, its institutions, its data systems, and the cooperation between its agencies. It draws on the foundational work of the High-Level Panel on Illicit Financial Flows from Africa, the Mbeki Panel, whose report first forced the continent to confront the scale of haemorrhage. African Finance Ministers cleared the tracker for roll-out at their Specialised Technical Committee in Tunis in 2024.

It was formally launched at the Pan-African Conference on Illicit Financial Flows and Taxation in Johannesburg in October 2025 after pilot studies in countries including Namibia, Uganda, Ghana, Côte d'Ivoire, and Liberia. The point of a self-assessment is humbling by design; you hold up the mirror to your own house first.

Above the technical work sits the political one. The *African Union Sub-Committee on Tax and Illicit Financial Flows*, convened under the AU's Specialised Technical Committee on Finance, Monetary Affairs, Economic Planning and Integration, is where the agenda becomes a matter of ministerial direction rather than technocratic hope. The African Union Commission leads it, with technical support from ATAF, Tax Justice Network Africa, and the UN Economic Commission for Africa, among others. Its fifth session, hosted in Abuja in early 2026 by the Nigeria Revenue Service, drew finance ministers, revenue heads, and civil society into the same room under a deliberately ambitious theme about building the Africa we want through fiscal reform.

That political layer matters most when the agenda finds a champion willing to carry it into the rooms where budgets are decided. ATAF has found one in Professor Mthuli Ncube, Zimbabwe's Minister of Finance, Economic Development and Investment Promotion, who is recognised as an African champion for tax transparency and exchange of information, and who has pledged to rally his ministerial counterparts behind African perspectives in both the continental and global tax reform agendas. The significance is less about one man than about what he represents—a finance minister treating exchange of information not as a box to tick for a peer review, but as a national interest worth spending political capital on. Knowledge of the matter is one thing; the public will to act on it is another, and the latter is the rarer commodity. Zimbabwe's own revenue authority credits precisely that political backing for the headway it has made in using the exchange of information to track down income that had gone quietly missing. A drum sounds loudest when someone with standing is willing to beat it.

And underneath all of it runs the slow, unglamorous work of writing things down so others can use them. ATAF's publications, its model agreements, its suggested legislative approaches, its annual reporting and the *Tax Transparency in Africa series* it co-produces are the continent's attempt to capture hard-won lessons and pass them on, so that the country starting today does not have to repeat the stumbles of the country that started a decade ago. None of this glitters. But a library is built one book at a time, and you cannot lend what you never bothered to record.

The new frontier: Knowing who is really there

If automatic exchange answers the question: "Where is the money?", then beneficial ownership answers the harder question: "Whose money is it?" This is where the agenda is now concentrated and where ATAF and the Global Forum have placed their emphasis in the current work programme.

The logic is intuitive. A shell company is only useful to an evader because it hides a person. Once an authority can compel and verify the name of the real owner, the favourite instrument of illicit flows loses much of its power. The international standards now formally check whether countries keep accurate, available, beneficial ownership records, which have dragged the issue out of theory and into the daily grind of registries.

But a register on paper is not the same as a register that works; here, honesty is owed. As Open Ownership cautioned in its strategy for the years ahead, transparency alone is not enough; the data has to be accurate, accessible, and genuinely used. When it is, the teeth are real. In Zambia, authorities drew on ownership data to investigate the purchase of helicopters linked to a senior official. A register gathering dust helps no one. A register that an investigator can actually search changes the odds.

Bringing it home: The view from South Africa

If all this still feels abstract, look at the ground beneath this very page. ATAF's own headquarters sit in Pretoria, which means the continental story and the South African one are, in part, the same story told at different volumes. And South Africa is no latecomer to it. As long as the continent's only national member of the G20, the grouping whose backing gave rise to the Common Reporting Standard in the first place, the country was among the earliest African jurisdictions to exchange financial account data automatically, completing its first CRS exchange in September 2017.

What that machinery now delivers is sobering for anyone who still believes offshore means out of sight. SARS' automatic exchange network reaches more than 120 jurisdictions, letting it pull and analyse the offshore accounts, assets, and income of South African residents held almost anywhere in the world. The taxpayer who quietly assumed a foreign account was a private affair has discovered otherwise, because what you do in the dark eventually meets you in the daylight. SARS has been issuing foreign asset and income disclosure notices since 2020, and for the persistently non-compliant, it has not been shy about the hard end of enforcement, from garnished salaries to funds lifted straight from bank accounts. The one who refuses to be told, the saying goes, learns in the end by the bleeding.

Beneficial ownership is where South Africa's recent journey is most instructive because it shows both the price of opacity and the speed at which it can be repaired. In February 2023, the country was placed on the Financial Action Task Force grey list, a public mark of jurisdictions under increased monitoring, with the weaknesses traced in large part to the state capture years. The response was a scramble worth studying. A beneficial ownership register was stood up under the 2023 Companies Amendment Regulations, with the Companies and Intellectual Property Commission holding ownership data for companies and the Master of the High Court for trusts. The Tax Administration Act was amended in 2023 so that SARS could lawfully share information with the CIPC, the Master, and other agencies, stitching the tax authority into the national ownership-transparency fabric. The CIPC put teeth behind it, flagging more than half a million companies for deregistration in early 2025 where filings, ownership records among them, had lapsed. On 24 October 2025, the effort paid off and the FATF removed South Africa from the grey list. SARS Commissioner Edward Kieswetter framed it carefully, calling the delisting not a finish line but a milestone on a longer road, with the next mutual evaluation already set to run from 2026 to 2027. As Madiba taught the country, after climbing a great hill, one only finds that there are many more hills to climb.

The frontier keeps shifting and South Africa is shifting with it. From 1 March 2026, SARS adopted both an updated Common Reporting Standard and the OECD's new Crypto-Asset Reporting Framework, drawing crypto-assets and certain forms of digital money into the same automatic-exchange net that already covers ordinary accounts. The taxpayer who ran to crypto to stay invisible is about to find the net simply re-woven with a finer mesh.

For the South African practitioner reading this, and SAIT members sit squarely in that frame, the lesson lands close to home. The same data philosophy now runs in two directions at once. At home, SARS already harvests third-party data from banks, insurers, medical schemes, and fund administrators to pre-populate returns and flag discrepancies before a return is even filed. From abroad, the CRS supplies the offshore half of the picture. Put the two together and the room for the comfortable half-truth has narrowed sharply. The adviser's value has shifted, decisively, from helping a client stay hidden to helping a client stay correct, which is the better trade to be in anyway.

> *The adviser's value has shifted, decisively, from helping a client stay hidden to helping a client stay correct.*

Why this is also a story about risk management

Step back, and tax transparency stops looking like a standalone reform and starts looking like fuel for something larger: *compliance risk management*.

Capital today is mobile in a way that tax administrations are not. Money is a coward; it runs to wherever it feels safest and it can cross a border in seconds while an auditor cannot. No revenue authority anywhere has the staff to examine every taxpayer, so the modern administration triages. It uses data to ask where the risk of non-compliance is highest, then aims its scarce auditors and investigators there. The whole model lives or dies on the quality of the data.

This is precisely what transparency supplies. Automatic exchange delivers a standing stream of information on residents' offshore holdings. Exchange on request fills the gaps during a live case. Beneficial ownership data pierces the structures built to defeat exactly this kind of scrutiny. The Anti-IFFs tracker tells an administration where its own defences are thin before an evader finds out for it. Fed into a risk engine, these streams let an administration tell apart the taxpayer whose foreign account matches their declared income from the one whose lifestyle, declarations, and offshore data tell three different stories.

In a borderless financial system, this is the only durable answer to mobile capital. A country cannot wall off its borders against money. But it can make sure the money carries information with it and that the information lands where it is owed. Transparency turns the hiding place into a network of accountability.

Why it matters for Africa, in the end

The temptation is to read all this as a compliance story, a matter of ratings and peer reviews and tidy standards. It is something larger. For a continent that loses to capital flight nearly as much as it receives in aid and investment combined, the ability to see and tax wealth that was once invisible is a question of self-determination. Every euro identified through the exchange of information is a euro that did not have to be borrowed or begged.

The progress is real and increasingly African-led, but it is uneven and unfinished, and pretending otherwise would insult the reader. Many countries still lean on a thin set of bilateral arrangements rather than the full global network. Automatic exchange demands data systems, laws, and skills that take years to build. Beneficial ownership registers are spreading faster than the capacity to verify and use them. Africa's own voice in the global rule-making, now playing out around the proposed UN Framework Convention on International Tax Cooperation, is loudest when the continent moves as one and faintest when it fractures. Lions that fail to hunt as one, the Sesotho proverb warns, are outrun by a limping buffalo; the continent is still learning to move as a single pride in the rooms where tax rules are written.

But the direction is set. A generation ago, the question facing an African revenue authority was whether it could ever see into the offshore world at all. Today the question is sharper and more hopeful; now that we can see, how well will we use what we find? This is a better problem to have; it is the measure of how far the continent has come out of the shadows.

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Revenue figures, exchange-of-information request volumes, and the network of 3,358 relationships are drawn from Tax Transparency in Africa 2025. The 88.6 billion US dollar figure is the UNCTAD 2020 estimate; the earlier Mbeki Panel estimate of roughly 50 billion US dollars annually remains the foundational reference for the continental IFF agenda.