



Solar Tax Benefit for Businesses

The expanded tax incentive for businesses is a temporary extension of an existing tax benefit called Section 12B of the Income Tax Act. The purpose of this extension is to encourage businesses to invest in renewable energy and help address the energy crisis. The original tax incentive allowed businesses to deduct a portion of their costs over a period of three years for qualifying investments in renewable energy projects. The deduction percentages varied depending on the type of project.

The expanded incentive offers the following benefits:

- Businesses can claim a deduction of 125% of the cost of renewable energy assets used for electricity generation.
- The entire deduction can be claimed in the first year.
- The deduction applies to all renewable energy projects without any capacity size restrictions.
- The adjusted incentive is only available for investments brought into use between March 1, 2023, and February 28, 2025.
- The expanded incentive is only valid for two years, aiming to stimulate short-term investment.



For example, if a business invests R1 million in renewable energy assets, they can claim a deduction of R1.25 million against their taxable income. Considering a corporate tax rate of 27%, this deduction could reduce the company's income tax liability by R337,500 in the first year.

In addition to the business incentive, there is a new tax rebate available for individuals. This rebate aims to encourage the installation of rooftop solar panels to increase electricity generation and relieve pressure on the grid.

Here are the key details:

- The rebate is available for one year, between March 1, 2023, and February 29, 2024.
- Individuals installing rooftop solar panels can claim a rebate of 25% of the panel costs, up to a maximum of R15,000 per person.
- The rebate can be used to reduce tax liability in the 2023/24 tax year. For PAYE taxpayers, the rebate can be claimed during the filing season, while provisional taxpayers can claim it against provisional and final payments.
- The rebate is not limited to property owners; both landlords and renters are eligible. However, only the party paying for the solar panels can claim the rebate.
- The rebate applies only to new and unused solar PV panels with a minimum capacity of 275W per panel. The panels must be part of a new system or an extension of an existing system connected to the mains distribution of the residence.
- The rebate excludes other components like batteries, inverters, and installation costs.
- The solar panels must be purchased and installed at a private residence primarily used for domestic purposes.
- A certificate of compliance must be issued between March 1, 2023, and February 29, 2024, confirming the date the solar panels were first used.

Here are the key details:

- To claim the rebate, taxpayers need a VAT invoice showing the cost of the solar panels separately, along with proof of payment.
- If the residence is sold after claiming the rebate, there is no recoupment. However, if the panels are sold within one year, a claw-back will occur.
- Solar installers are required to report compliant installations and purchaser details to SARS (South African Revenue Service).
- The rebate can only be used to reduce tax payable to zero; any excess rebate is forfeited.

For example, an individual who purchases 10 solar panels at a cost of R40,000 can claim a rebate of R10,000 (25% of R40,000), reducing their personal income tax liability for the 2023/24 tax year.

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