Discovery

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National Budget 2026

The Finance Minister, Enoch Godongwana, delivered the 2026 National Budget Speech

Today: 25 February 2026

"We have reached an important turning point in the management of our public finances."

Finance Minister Enoch Godongwana began his highly anticipated 2026 Budget speech with a reflection on the country's challenging recent history. He highlighted how these crises, from state capture to South Africa's placement on the Financial Action Task Force (FATF) grey list, have been turned into catalysts for change.

Minister Godongwana emphasised that the recovery underway is not accidental, but the result of a focused and disciplined fiscal framework developed over a number of years.

"*For the first time in 17 years, debt will stabilise, and it will continue to fall in the coming years*," said Minister Godongwana.

The Minister continued to say that these markers of fiscal health have contributed to:

- South Africa securing its first credit rating upgrade in 16 years
- South Africa's removal from the FATF grey list
- Borrowing costs have eased, creating space for growth and development.

He continued to say that these are signals of restored credibility, renewed resilience and of a national regaining its footing.

Turning to the economy, Minister Godongwana balanced cautious realism with a forward-looking lens. South Africa's growth outlook has improved, supported by steady gains in the latter half of 2025. Real economic growth of 1.6% is projected for 2026, an improvement from the 1.4% estimated in 2025. Over the medium term, growth is projected to average 1.8%, reaching 2% by 2028, a threshold he described as essential to unlocking employment potential and rebuilding investor confidence. He also emphasised that this momentum depends heavily on progress across four structural pillars:

- macroeconomic stability
- structural reforms
- infrastructure investment
- building state capacity

To further strengthen household financial resilience, he announced targeted initiatives designed to boost long term savings and improve retirement outcomes for fund members. These include increasing the annual tax-free investment limit from R36 000 to R46 000 and raising the retirement fund contribution deduction cap from R350 000 to R430 000. Together, these measures aim to enable individuals to save more in a tax efficient manner.

A notable headline in the 2026 Budget Speech was the absence of an increase to the standard VAT rate and the long-awaited adjustment to the compulsory VAT registration threshold, the first change since 2009. Responding directly to public feedback received through the annual Tips for the Budget, Minister Godongwana explained that "*more than 1,200 citizens sent us their opinions and suggestions*", including a request from a small business owner in Gauteng who highlighted that the R1 million threshold had "*not kept pace with the cost of doing business*."

In line with this recommendation, Minister Godongwana announced that the compulsory VAT registration threshold will increase from R1 million to R2.3 million. This reform is intended to ease administrative pressure on small businesses and allow them to reinvest in growth rather than compliance burdens.

Infrastructure remains a central pillar of the fiscal strategy. Over the medium-term, public-sector infrastructure spending is projected to exceed R1 trillion, with allocations prioritised for transport, logistics, water infrastructure, and energy security. State-owned entities, provinces and municipalities will collectively implement large-scale upgrades to improve freight capacity, expand transmission infrastructure, refurbish bulk water schemes, and strengthen service delivery.

On personal income tax, brackets have been fully adjusted for inflation in 2026, a departure from the bracket freeze seen in previous years.

EXECUTIVE SUMMARY

1. INDIVIDUAL TAX

Income Tax

Personal income tax rates and brackets for the 2026/27 tax year will be adjusted in line with expected inflation (3.4%).

Tax thresholds

The tax thresholds have been increased in line with inflation:
For persons **younger than 65**: **R99 000**.
For persons between the ages of **65 to 74**: **R153 250**.
For persons **75 years and older**: **R171 300**.

Medical tax credits

For the 2026/27 tax year, medical tax credits will increase to R376 for the first two beneficiaries and to R254 for additional beneficiaries.

Tax rebates

Tax rebates have increased as follows:
Primary: **R17 820**.
Secondary (persons 65 years and older): **R9 765**.
Tertiary (persons 75 years and older) **R3 249**.

Value-Added Tax (VAT)

- VAT rate remains unchanged at **15%**.
- Small businesses that make taxable supplies of more than **R2.3 million per annum** must register for VAT. Small businesses that make taxable supplies of more than R120 00 but not more than R2.3 million per annum can apply for voluntary registration.

Taxation of Capital Gains

- There were no increases to capital gains tax (CGT) rates or inclusion rates in the 2026 Budget. The maximum effective CGT rates remain 18% for individuals and special trusts, 21.6% for companies, and 36% for other trusts.
- Government has increased several exclusions and relief thresholds, including the primary residence exclusion (now R3 million), the small business disposal relief for individuals over 55, and the annual CGT exclusions for individuals and estates.

Unemployment Insurance Fund (UIF)

Unemployment insurance contributions remain unchanged.

Interest exemption

There have been no changes to the interest exemption.

Adjustment on transfer duty

The monetary thresholds and transfer duty tax rates remain unchanged.

Estate Duty and Donations Tax

- Estate duty remains at 20% for the first R30 million and 25% on amounts above R30 million.
- Donations tax remains at 20% for donations up to R30 million and 25% beyond that, with exemptions for spousal transfers and donations to public benefit organisations.

Tax-free Investments / TFSA's

- The annual contribution limit has increased, effective 1 March 2026, to **R46 000**.
- The lifetime contribution limit **remains at R500 000**.

2. RETIREMENT REFORM PROPOSALS

- **Retirement lump-sum tax brackets** were increased by 10% in 2023/24 and remain unchanged for 2024/25, 2025/26 and 2026/27.
- **Retirement fund contribution deductions**: The annual cap increases from R350 000 to R430 000, allowing higher-income earners greater tax relief. Excess contributions continue to roll forward and reduce tax on future lump sums or annuities.
- ***De-minimis* threshold (annuitisation)**: Currently R247 500; proposed increase to R360 000, allowing more members to take full benefits in cash.
- **Living annuity *de-minimis***: Threshold rises from R125 000 to R150 000, applied across all annuities with the same insurer, not per policy.
- No change to **tax-free amounts** on withdrawals and retirement from the Fund.
- **Unclaimed assets reform**: Government will create a centralised national system to manage and trace unclaimed assets (starting with retirement funds).
- **Two-Pot System**: Phase 2 (relief for retrenched members) not advanced in 2026.
- **Early Retirement Programme**: 7 687 public servants have retired early; programme continues to generate long-term savings.
- **Cross-border fund taxation reforms**: Removed from the 2025 Tax Bill; government will revisit later.

3. FINANCIAL SECTOR REGULATION AND REFORM PROPOSALS

Anti-Money Laundering (AML)

- South Africa was grey-listed by the FATF in February 2023 due to weaknesses in its anti-money-laundering and counter-terrorist-financing systems.
- After extensive reforms, the country successfully exited the grey list in October 2025.
- A new FATF mutual evaluation will run from mid-2026 to October 2027, and preparations are already underway.

Strengthening competition through banking regulation and supervision

- National Treasury and the Prudential Authority are reviewing the regulatory framework for deposit taking institutions to simplify oversight for smaller banks while maintaining stricter requirements for larger institutions.

- The review is expected to support financial inclusion and competition by lowering barriers to entry and creating a more balanced regulatory environment, with completion planned for 2026.
- Government and the Prudential Authority are reviewing how South Africa's use of **Basel banking rules** may affect the country's ability to attract infrastructure investment, with findings to guide discussions with the Basel Committee and the review expected to finish by **mid-2026**.

Stablecoin innovation

- Stablecoins are digital assets designed to keep a stable value, usually by being linked to a reference asset like the rand.
- The Intergovernmental Fintech Working Group (IFWG) is developing South Africa's regulatory approach to stablecoins and will review in 2026 whether existing laws cover rand-pegged and foreign-currency-pegged stablecoins.
- Additional discussion papers will be released in 2026 for public consultation to guide future regulation.

Crypto assets

The Exchange Control Regulations will be amended to include crypto assets in capital flows management, complementing the FSCA's designation of crypto as financial products.

Open finance framework

- Open finance allows consumers and businesses to securely share their financial data with third-party providers, with their consent.
- South Africa is developing an open-finance regulatory framework through the IFWG and FSCA, informed by ongoing analysis and stakeholder engagement.
- Work to refine and implement open-finance regulations will continue into 2026, aiming to support innovation, competition and consumer protection.

Artificial Intelligence (AI) in the Financial Sector

- On 24 November 2025, the FSCA and Prudential Authority released the first comprehensive report on AI adoption in South Africa's financial sector, covering banks, insurers, investment firms and payment providers.
- Building on these findings, the FSCA and PA, working with the South African Reserve Bank where necessary, are developing a joint discussion paper to guide responsible AI adoption and address emerging regulatory and supervisory questions.
- The aim is to move toward a coordinated, risk-based regulatory framework for AI across the financial sector.

4. SOCIAL SECURITY AND GRANT ADJUSTMENTS

- The COVID-19 Social Relief of Distress (SRD) grant has been extended until 31 March 2027.
- Social grants continue to increase in line with inflation.

5. TAX ADMINISTRATION REFORMS

The 2026 tax legislation will make various technical corrections.

6. CORPORATE TAX AND BUSINESS REFORMS

Global Corporate Tax Minimum

- New global minimum tax rules will take effect in 2026/27 to curb profit-shifting by multinationals.
- The reform is expected to raise R2 billion in additional revenue, based on updated data and OECD rules.
- Although lower than the earlier R8 billion estimates, it still promotes a fairer, more robust tax system.

National Health Insurance (NHI)

- The 2026 Budget includes **no new funding for NHI**, with government instead focusing on strengthening the current public health system.
- National Treasury has allocated **R21.3 billion** over the medium term for staffing and essential services in public facilities.
- Government will also invest **R26 billion** over the medium term to support provincial health systems, including HIV programmes and facility improvements.
- Ongoing litigation has led President Ramaphosa to delay proclaiming any sections of the NHI Act until the Constitutional Court hears cases from 5–7 May 2026.

National Payment System and National Payment System Bill

- National Treasury and the South African Reserve Bank are modernising South Africa's payment systems through the **Payments Ecosystem Modernisation Programme**, marking the biggest upgrade in almost 30 years.
- The **National Payments System (NPS) Bill**, introduced in 2024, is still under review in early 2026, with ongoing consultations and no set implementation date.
- Broader reforms include a standalone NPS Bill to modernise digital transactions and allow non-bank institutions and fintechs to participate.
- Amendments to the National Payment System Act (1998) have been separated into a standalone Bill, expected to be tabled in Parliament in 2025 alongside the Conduct of Financial Institutions Bill.

Reducing the Capital Flows Regulatory Burden & Improving Competitiveness

- South Africa's 2026 Budget advances exchange-control reform by extending the **HoldCo framework** to asset managers, enabling them to manage and trade foreign-currency assets locally.
- This creates a "*synthetic financial centre*," helping reduce cross-border friction, attract foreign capital, and strengthen South Africa's role as a regional investment hub..

7. OTHER KEY CHANGES

Excise Duties and Fuel Levies:

- Alcohol and tobacco excise duties increased by 3.4%.
- The fuel levy increased by 9 cents per litre for petrol and 8 cents per litre for diesel.

Carbon Tax Adjustments:

- Carbon tax increased to R308 per tonne of CO_2.
- New proposals for carbon tax reductions and efficiency incentives under review.

"This budget reflects our shared journey and the belief that together we can build a more equal, more prosperous economy."

As he brought the 2026 Budget Speech to a close, Minister Enoch Godongwana shifted from the technical details of fiscal planning to the broader principles guiding South Africa's long-term trajectory. He stressed that the country's Budget must serve its constitutional and developmental responsibilities. "*The progressive realisation of the fundamental socioeconomic rights enshrined in our constitution is essential to our mission to deal with inequality, poverty and unemployment,*" said Minister Godongwana.

The Minister stressed that South Africa cannot focus only on immediate fiscal pressures but must instead strengthen its resilience in an unpredictable global and domestic environment. He explained that maintaining healthy public finances is essential to preserving the country's economic independence and its ability to navigate volatility in global markets. By reinforcing the stability of the fiscus, government aims to protect the country from external shocks and ensure that long-term decisions can be made from a position of strength rather than vulnerability.

The Minister ended his speech by reaffirming that:

"To achieve our ultimate goal of bettering the lives of our people we must continue pursuing this sovereignty. A budget and a fiscal strategy that advances inclusive growth and the sustainability of public finances is a crucial part of achieving this greater freedom. It moves us closer to fulfilling our constitutional promise to do all that it takes for our people to live with dignity and prosperity."

This year's National Budget presents a more constructive outlook for 2026 and beyond, reflecting tangible improvements in fiscal stability alongside continued efforts to support long term economic recovery. This outlook is supported by a number of measures designed to strengthen both national financial health and household resilience.

If you have any comments or queries, e-mail Nancy Andrews, Head of Legal: Discovery Corporate & Employee Benefits and Invest Legal on NancyA@discovery.co.za.