



Tax Incentives for Renewable Energy



Tax Incentives for Renewable Energy

Income Tax Act No. 58 of 1962

2 sections to understand

- Section 12B - business
- Section 6C – Individuals



Section 12B

In existence since 2013

- Production of Renewable energy
- Solar power, Wind power, Hydropower
- Accelerated depreciation 50/30/20



Section 12B

Enhanced in 2016

- 100% once off deduction
- Photovoltaic Solar power
- Generating < 1 Megawatt



Section 12B

Further enhancement in 2023

- 125% once off deduction
- 2024 or 2025 tax year
- Deduction in the year brought into use
- Photovoltaic Solar power
- Generating < 1 Megawatt



Section 12B

Example

- If a company spend R 1,2 mil on Solar Panels, of which R 200 000
- Normal Depreciation rate of 6 years (R 200 000 p.y)
- Say the company have a Net profit before tax of R 2 mil
- Tax calc – add back the R 200 000 depreciation
- Claim R 1 500 000 as a deduction against taxable income
- Taxable income will be R 700 000
- Tax thereon at 27% R 189 000.
- As opposed to R 540 000
- Extra tax saving R 351 000



Section 12B

Points to note

- Recoupment if disposed before 1 March 2026
- Finance charges are excluded, as those are deducted under section 11(bA).
- Only applicable to movable assets, not buildings
- Not on inverters and batteries



Section 6C

Tax Deduction for individuals

- Only for the 2024 tax year (1 March 2023 – 29 February 2024)
- Provided no rebate was claimed under Section 12B for same equipment
- Only new and unused equipment brought into use
- Need to generate >275 Watt
- Must be connected to DB Bord & Need COC
- 25% of cost Max R 15 000
- Tax deduction, not against taxable income
- Recoupment if sold before 1 March 2025
- Need proof that you paid for it
- House must be used > 50% for residential



Example

- Installation for Solar panels, inverters & batteries spend R 120 000
- Solar panel costs portion only R 50 000
- Tax deduction R 12 500 (R 50 000 x 25%)



Pierre Gouws CA(SA)

Managing Director at Southern Right Financial Solutions

www.srfinancial.co.za – tel. 044-382-6746



Questions

Thank You!



THE GREATER

KANSAS

BUSINESS CHAMBER