



Expansion of the renewable energy tax incentive for business.

The tax incentive available for businesses to promote renewable energy will be temporarily expanded to encourage rapid private investment to alleviate the energy crisis. The current incentive allows businesses to deduct the costs of qualifying investments over a one- or three-year period, which creates a cash flow benefit in the early years of a project. Businesses are able to deduct 50 per cent of the costs in the first year, 30 per cent in the second and 20 per cent in the third for qualifying investments in wind, concentrated solar, hydropower below 30 megawatts (MW), biomass and photovoltaic (PV) projects above 1 MW. Investors in PV projects below 1 MW can deduct 100 per cent of the cost in the first year.

Under the expanded incentive, businesses will be able to claim a 125 per cent deduction in the first year for all renewable energy projects with no thresholds on generation capacity. The adjusted incentive will only be available for investments brought into use for the first time between 1 March 2023 and 28 February 2025. For a business with positive taxable income, the deduction will reduce its tax liability. For example, a renewable energy investment of R1 million would qualify for a deduction of R1.25 million. Using the current corporate tax rate, this deduction could reduce the corporate income tax liability of a company by R337 500 in the first year of operation.¹



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¹ Department of National Treasury (republic of South Africa (2023) Revenue Trends and Tax Proposals. National Treasury and SARS. Accessed: 17 April 2023
<https://www.treasury.gov.za/documents/national%20budget/2023/review/FullBR.pdf>.