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# STAGNANT TAX THRESHOLDS ARE REDUCING SOUTH AFRICANS' DISPOSABLE INCOME

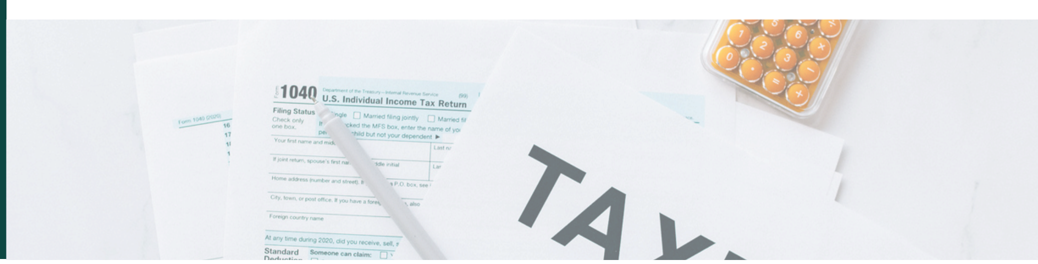
KIM DOOLAN | TAX PRACTITIONER, BRENTHURST VAL DE VIE, PAARL

The latest blow for South Africans already fighting shrinking budgets was landed by the finance minister in his recent Budget speech. Although the 'good news' story was supposedly that personal taxes have remained unchanged, the reality is a little different.

That is because the minister chose to keep tax brackets and key tax thresholds unchanged. What this means is that, as your salary grows – helping you keep up with inflation – the tax thresholds have not kept up.

So, before you know it, your salary increases pushes you into a higher tax bracket making your take-home pay less than it should be. The lack of updates to crucial tax relief measures are also diminishing income over time, particularly for middle-income earners.

**This subtle erosion of your income, known as bracket creep, is a silent threat to your finances and is a discreet method used by government to collect more tax revenue without officially raising tax rates.**



## IN THIS ISSUE

***Stagnant tax thresholds in South Africa are shrinking disposable income as inflation pushes salaries into higher tax brackets, increasing tax burdens without real earnings growth. Middle-income earners are hit hardest, with outdated tax relief measures worsening the impact.***

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## A TALE OF DIMINISHING RETURNS

**Using the 2025 tax tables, as an individual earning a salary of R360,000 a year, your net income after tax would be approximately R302,603. If you get a 6% increase, your new gross salary would be R381,600. Using the 2026 tax tables, your net income after tax will be approximately R318,032.**

***IMPACT:***

- Gross income increase: R381,600 – R360,000 = R21,600
- Net income increase: R318,032 – R302,603 = R15,429
- Additional tax paid: R63,568 – R57,397 = R6,171

**Despite a 6% salary increase, your net income has only actually increased by 5.1% due to the bracket creep explained above.**

## THRESHOLDS DEFY INFLATION REALITY

Beyond tax brackets, several key tax thresholds haven't changed for a decade or more, each one silently eroding into your disposable income:

| Tax threshold | Current exemption | Last adjusted |
|---|---|---|
| Annual tax-free interest exemption (under 65) | R23,800 | 2013/2014 |
| Annual tax-free interest exemption (over 65) | R34,500 | 2013/2014 |
| Estate duty exemption | R3,500,000 | 2007/2008 |
| Donations tax exemption (individuals) | R100,000 | 2007/2008 |
| Capital gains tax exclusion (individuals) | R40,000 | 2016/2017 |
| Capital gains tax exclusion on death | R300,000 | 2012/2013 |
| Primary residence exclusion | R2,000,000 | 2012/2013 |
| Small business asset exemption (over 55) | R1,800,000 | 2012/2013 |

## 7 WAYS TO BECOME MORE TAX EFFICIENT

While tax policy is beyond your control, you can adopt strategies to mitigate the impact. Here are several practical and effective strategies to protect your finances:

- **Maximise Tax-Free Savings Accounts to take advantage of tax-free compounding wealth over time.** You can contribute up to R36,000 a year and R500,000 over your lifetime.

- **Optimise contributions to retirement annuity funds – the contributions are tax deductible, lowering your taxable income and decreasing your tax liability.** You're allowed to invest up to 27.5% of your taxable income, capped at R350,000 a year.

- **Carefully claim all allowable deductions.** This includes medical expenses, travel and home office costs, so that you're not missing out on any available tax relief.

- **Consider an endowment policy if your tax rate is above 30%.** The tax rates within an endowment policy are lower than the maximum individual rates.

- **Proactively negotiate salary increases that match or exceed inflation**. This will help you to maintain your purchasing power and real earnings.

- **Don't forget about international investment opportunities.** This can help to diversify your portfolio and offer a hedge against local economic risks and rand depreciation.

- **Consider wealth and estate planning strategies such as establishing a trust**. A trust can be used to effectively reduce your estate duty liability and give your family long-term financial security.

While tax rates in South Africa may appear unchanged, the reality is that stagnant tax thresholds are quietly increasing the financial burden on individuals. Bracket creep, fuelled by inflation and unadjusted exemptions, means that you are effectively paying more without earning more.

By being proactive, you can make informed financial decisions, ensuring that you retain as much of your hard-earned income as possible. And you don't need to do this alone.

**Brenthurst has a team of experienced financial advisors who can assist with devising an investment strategy that can help you achieve your specific financial goals.**

**KIM DOOLAN | TAX PRACTITIONER**, BRENTHURST WEALTH PAARL

Kim Doolan recently joined Brenthurst Wealth as tax practitioner in the Val de Vie Office. With a proven track record of success in both the public and private sectors, which includes eight years at the South African Revenue Service, she has experience in ensuring compliance across all tax types, as well as mitigating risks associated with tax obligations. Kim obtained her Master of Commerce in Taxation from Rhodes University and is currently studying to achieve a Professional Certificate in Principles of International Taxation.

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