



Issue 6 - 1 March 2024

Budget Snapshots

Assessed Tax Losses
in Companies and
Close Corporations

As part of our commentary on Corporate Income Tax, we pointed out that the use of assessed tax losses is limited in respect of years of assessment ending on or after 31 March 2023.

This limitation will be amended to exclude companies in the process of liquidation, deregistration or winding up.

This limitation is described as follows –

In the case of companies and close corporations, any assessed loss which has been carried forward from the previous year of assessment, shall be set-off against income in the current year, to the extent that the amount of such set-off does not exceed the higher of R1 million and 80% of the amount of taxable income determined before taking into account this assessed loss. Any excess not utilised will be carried forward to the following tax year.

Examples in respect of years ending on or after 31 March 2023.

Example 1

Facts

Losses from past years	30 000 000
Current year taxable income before past losses	20 000 000

Calculation

Current year taxable income	20 000 000
Less losses from past years (R30 000 000 but limited to the greater of R1 million or 80% of current year taxable income)	16 000 000

Taxable income	4 000 000
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Losses carried forward	R14 000 000
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Example 2

Facts

Losses from past years	1 500 000
Current year taxable income before past losses	1 000 000

Calculation

Current year taxable income	1 000 000
Less losses from past years (R1 500 000 but limited to the greater of 80% of current year taxable income or R1 million) i.e. greater of R800 000 and R1 000 000 but limited to current year income	1 000 000

Taxable income	NIL
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Losses carried forward	R500 000
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