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Budget Snapshots

Assessed Tax Losses in Companies and Close Corporations

Audit / Tax / Advisory / Human Capital

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As part of our commentary on Corporate Income Tax, we pointed out that the use of assessed tax losses was to be limited in respect of years of assessment ending on or after 31 March 2023. In other words, this change will take place at the same time as the corporate tax rate reduces from 28% to 27%.

This limitation is described as follows –

In the case of companies and close corporations, any balance of assessed loss incurred by it in any previous year 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 incurred will be carried forward to the following tax year.

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

Example 1

Losses from past years	30 000 000
Current year taxable income before past losses	20 000 000
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Current year taxable income	20 000 000
Less losses from past years (R30 000 000 but limited to the greater of 80% of current year taxable income or R1 million)	16 000 000
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Taxable income	4 000 000
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Losses carried forward	R14 000 000
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Example 2

Losses from past years	1 500 000
Current year taxable income before past losses	1 000 000
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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
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Taxable income	NIL
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Losses carried forward	R500 000
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