



INCENTIVISE THE INEVITABLE – ROOFTOP SOLAR TAX INCENTIVE

24 July 2023

“In South Africa we have so much freedom and rights. I think South Africa is the only country where water and electricity is allowed to go on leave or have some time off.” – De philosopher DJ Kyos

We are not left in dark regarding the electricity crisis that South Africa is currently experiencing. However, in the 2023 Budget speech the finance minister Enoch Godongwana announced the rooftop solar tax incentive. The incentive was introduced in order to encourage households to invest in clean electricity generation capacity which will be used to supplement electricity supply. Even though this incentive is promising for all households in South Africa, the practicality, and difficulties in the implementation thereof, reduces the effectiveness thereof.

The 2023 Budget outlined that individuals would be eligible for a tax rebate of 25% of the cost of any new and unused solar photovoltaic (PV) panels purchased and installed at a private residence for which a Certificate of Compliance was issued from 1 March 2023 to 29 February 2024. The 25% rebate will be set off against the individual’s personal income tax liability for the 2024 year of assessment, but will be limited to a maximum rebate of R15 000 per individual. The promised rebate offers a little, but not enough light to households of South Africa.

This rebate is only available for the 2024 year of assessment and the rebate will only be applicable to the cost of the solar PV panels and will not be allowed for the inverters or batteries. Even though this rebate sounds promising, the very limited rebate and the exclusion of inverters or batteries from the calculation is relatively insignificant in relation to the actual cost of installing solar panels at a private residence.

The National Treasury released a “Frequently Asked Questions” document in respect of the new solar energy tax credit. In this document they address the question as to why the tax incentive only applies to solar panels. It was mentioned that diesel generators are used as an emergency back-up, but is not considered to be sustainable nor a green solution to generate additional power. The use of generators is detrimental to the climate objectives to which the government is committed, and is adverse to the fiscal instrument e.g. carbon tax. The government’s focus on solar PV panels is to maximise the use of limited government funds to encourage as much additional generational capacity as possible.

The solar energy credit has now been released in the new Section 6C of the Income Tax Act 58 of 1962 (“the Act”). Section 6C of the Act stipulates the requirements that have to be met before an individual is entitled to the rebate. These requirements include:

1. New and unused solar PV panels acquired by the individual and brought into use for the first time by the individual on or after 1 March 2023 and before March 2024.
2. The minimum generation capacity of each panel must not be less than 275W.
3. The panels must form part of a system that is connected to the distribution board of a residence that is mainly used by an individual for domestic purposes.
4. An electrical Certificate of Compliance must be issued to the individual in terms of Electrical Installation Regulations, 2009.

From these requirements it can be accepted that the individual need not own their own residence and the rebate will be applicable to those who merely rent or occupy a residence to qualify for the rebate, provided that the individual actually incurred the cost of acquiring the solar panels. In the event that the solar panels were acquired by more than one person, each individual’s rebate will be calculated on a pro-rate share of the actual cost incurred.

In order for individuals to claim the rebate, they will have to produce a VAT invoice that is inclusive of the cost of the solar PV panels separately from other items, along with proof of payment as well as the Certificate of Compliance evidencing that the solar PV panels were brought into use for the first time in the period from 1 March 2023 to 29 February 2024.

Further to the above-mentioned restrictions, SARS has implemented an anti-overlapping rule, which restricts the solar panel tax credit have applying to assets that are used in the production of renewable energy with regards to Section 12B or Section 12BA of the Act. For that reason, such assets will only qualify for the Section 12B and Section 12BA allowance, in the event of disposal, the individual will only be allowed the recoupment provisions applicable to the aforementioned Sections and will not be subject to the Section 6C restrictions.



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Amid the high levels of loadshedding, even though it is a small tax relief, it will still enable households to avoid power cuts with solar PV and other renewable energy solutions, with a possible tax relief.

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