



Tax & Legal – News Alert



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The amendments to the renewable energy allowances

Clarification and broadening of the once-off deduction of 125% of the qualifying costs for renewable energy projects for businesses, brought into use between 1 March 2023 and 28 February 2025.

The Taxation Laws Amendment Bill was issued on 01 November 2023 (**TLAB**) and contains some notable changes to section 12B and the proposed section 12BA[1], which effectively provides for a temporary enhanced allowance in respect of new and unused renewable energy assets currently included in section 12B of the Income Tax Act, brought into use on/after 1 March 2023 and before 28 February 2025.

In terms of the TLAB, the following notable changes have been made:

- A deduction in terms of section 12B is disallowed if the taxpayer qualifies for section 12BA. This effectively ensures that taxpayers claim a 125% deduction under 12BA rather than 100% in terms of 12B.
- The definition of “capital expenditure” in section 36 will be amended to include the expenditure referred to in section 12B and the proposed section 12BA. The inclusion of qualifying section 12BA expenditure in section 36 is effective from 1 March 2023 and applies in respect of assets brought to use on/after that date and before 1 March 2025, while the inclusion of qualifying section 12B expenditure is effective from 1 March 2025 and applies in respect of assets brought into use after 28 February 2025. This amendment clarifies the application of the renewable energy tax incentive to qualifying mining capital expenditure.
- Reference to lease arrangements has been removed from section 12BA, in order to achieve a uniform application of the renewable energy tax incentive to lease arrangements. This ensures that lessors in a finance lease or operating lease arrangement will be eligible to claim an allowance in terms of section 12BA.

We welcome these changes and recommend that the Income and Royalty Tax calculations performed by Mining Companies take into consideration the broadened definition of “capital expenditure” as noted above.

KPMG has a highly skilled team of professionals who would be able to assist taxpayers in this regard.

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[1] Original proposed insertion was in the Draft Tax Laws Amendment Bill issued on 21 April 2023

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