



FREQUENTLY ASKED QUESTIONS

SOLAR PANEL TAX INCENTIVE FOR INDIVIDUALS



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



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This note sets out the basic characteristics and requirements for the solar panel incentive announced by the Minister of Finance on 22 February 2023. This is meant to help individuals in their immediate decision making, rather than postponing any solar installation until the legislative process can be finalised.

WHAT IS THE OBJECTIVE OF THE INCENTIVE?

Government proposes this programme to encourage households to invest in clean electricity generation capacity which can supplement electricity supply. The incentive will only be available for 1 year to encourage investment as soon as possible.

WHO CAN CLAIM THE INCENTIVE?

Individuals who pay personal income tax can claim the rebate against their tax liability. This rebate is not intended for solar installations at business premises. *(Please see Chapter 4 of the Budget Review for the announcement on the expansion of the renewable energy tax incentive for businesses.)*

WHAT CAN BE CLAIMED?

Individuals will be able to claim a rebate to the value of 25% of the cost of new and unused solar photovoltaic (PV) panels, up to a maximum of R15 000 per individual.

For example, a person buys 10 solar PV panels, at a cost of R4000 per panel (so total cost of R40 000). That person would be able to claim 25% of the cost up to R15 000, so R10 000.

A different person is able to buy 20 panels at a cost of R4000 per panel (so total cost of R80 000). The calculation of 25% adds up to R20 000, but they can only claim R15 000.

WHAT ARE THE REQUIREMENTS?

- Only new and unused solar PV panels qualify, to ensure that the capacity is in addition to what the country already has in place. The panels can be installed as part of a new system, or as an extension of an existing system.
- Only solar PV panels with a minimum capacity of 275W per panel (design output) qualify for the rebate. Other components of a system – batteries, inverters, fittings or diesel generators – and installation costs do not qualify. Portable panels will also not qualify.
- Solar PV panels must be installed at a residence that is mainly used by an individual for domestic purposes. The installation will have to be proved with a certificate of compliance in terms of the Electrical Installation Regulations, 2009 to ensure safety of the installation and compliance to electric regulations.
- The solar PV panels must form part of a system that is connected to the mains distribution of the private residence.
- The rebate applies to qualifying solar PV panels that are brought into use for the first time in the period from 1 March 2023 to 29 February 2024.

HOW CAN PEOPLE CLAIM THE INCENTIVE?

Individuals will be able to claim the rebate if they have:

- A VAT invoice that indicates the cost of the solar PV panels separately from other items, along with proof of payment.
- 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.

PAYE taxpayers will be able to claim the rebate on assessment during 2023/24 filing season. Provisional taxpayers will be able to claim the rebate against provisional and final payments.

WHY ONLY SOLAR PANELS, AND NOT DIESEL GENERATORS, INVERTERS, BATTERIES AND INSTALLATION COSTS?

Diesel generators are often used as emergency back-up, but are not a sustainable solution to generate additional power. They increase demand for fuel and have negative environmental impacts. Including generators would detract from the climate objectives government is committed to, where fiscal instruments like the carbon tax play an important role.

While an inverter and batteries are required to use solar panels, inverters and batteries can be operated without solar panels – in which case they offer no additional capacity to the system. The focus on solar PV panels is to maximise the use of limited government funds to get as much additional generation capacity as possible – and recognises that government will have to focus on a partial rebate of the components that are most directly linked to generation. This is why installation costs are not included either.

WHAT ABOUT PEOPLE WHO RENT THEIR HOMES?

There is no ownership limitation for the incentive, so installations by landlords or renters would be eligible, but only the party that pays for the solar panels can claim the rebate.

WHAT ABOUT SECTIONAL TITLES / BODY CORPORATES?

If occupants are enabled to install their own panels, then the tax incentive applies as for all other individuals. A body corporate will not be able to claim this incentive. It is not clear whether many body corporates will be purchasing solar installations instead of using leasing or other options to avoid up-front costs for members. Government will be consulting on this aspect. If there is widespread interest in body corporates purchasing and installing solar panels, then payment (e.g special levies) for solar installations levied from the occupants

would have to indicate the cost of the solar panels separately – as would be the case for any other claimant. The applicable Certificate of Compliance data would also have to be shared with SARS. Because there would be some adjustments to ensure that the right people could claim the right amounts, there will be consultation to determine the required approach and documentation.

WILL I NEED TO PAY SARS BACK IF I SELL MY HOME AFTER INSTALLING SOLAR PV PANELS?

No, there will be no recoupment if you sell your house after having benefitted from this incentive as the solar panels will likely remain fixed to the house and used by the following owner – still enabling an expansion in generation. There will, however, be a claw-back of the rebate if you sell the panels themselves within one year after they were first brought into use to counter potential abuse.

WHEN WILL THIS BECOME PART OF TAX LEGISLATION?

This incentive will be included in the annual tax amendments. A draft version of the legislation will be published for public comment no later than the publication date of the 2023 Draft Taxation Laws Amendment Bill. The Minister tables tax bills during the Medium Term Budget Policy Statement (MTBPS) in October each year. Parliament considers the amendments after which the President can assent to the amendments – usually by January of the year after the announcement.

The aim of this note and the draft legislation to follow is to provide as much upfront clarity as possible so that individuals do not feel they need to wait for the tax bills later in the year before making a decision to invest and benefit from the incentive. The guidance provided is, nevertheless, subject to the outcome of the consultative process on the proposal and Parliament's ultimate decisions on the legislation giving effect to the proposal.