

## Tax Incentives

### ***Nothing “New” on Renewable Energy Incentives***

Section 12B of the Income Tax Act introduced in 2016, offered a 100% tax deduction over three years for solar projects over 1 megawatt (MW) and an immediate 100% deduction on projects under 1MW. However, the incentive did not attract significant investments mainly due to the capacity restrictions.

In the 2023 Budget Speech an expansion of the incentive was announced. The expanded section 12BA allowed for a 125% first-year deduction. The expansion removed limitations on project size and energy to be generated. Apart from solar, the benefits also extended to renewable energy sources such as wind and hydropower. This temporary expansion of the incentive was available from March 2023 and ended on 28 February 2025. There was a significant uptake by taxpayers of the incentive.

There was hope in last year’s Budget Speech that the original section 12B incentive would be re-looked at and more particular, the restrictions around the leasing provisions and the generation threshold of 1MW.

Unfortunately, in the current Budget Speech it was announced that not only will section 12B remain unchanged, but section 12BA will not be extended.

### ***Urban Development Zone (UDZ) Extension***

The UDZ incentive was introduced in 2003, to address the issue of urban decay within inner cities and to maintain existing infrastructure while encouraging investment in certain property. This incentive provides for an accelerated wear and tear allowance on the costs of buildings erected, added to, extended or improved and which are situated within the UDZ.

A welcome proposal in the current Budget Speech is to extend the incentive by five years to 31 March 2030 to allow for certainty and planning for investors, and adequate time to consult with municipalities.

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