AIDC
Alternative Information & Development Centre
Strengthening Alliances for a Wage-led, Low-Carbon, Sustainable and Equitable Development Path for Southern Africa

TAXATION OF INCOME FROM WEALTH IN SOUTH AFRICA

A REVIEW OF DIVIDENDS TAX

AIDC RESEARCH REPORT
2026

Taxation of Income from Wealth in South Africa: A Review of Dividends Tax

June 2026

Summary: End preferential tax treatment for income from wealth

A company can choose to sell a portion (or share) of its ownership to individuals called shareholders. Dividends are a means by which to pay out a portion of the company's profits to these owners or shareholders. In South Africa, income from wages, what workers earn from their labour, is taxed at rates of up to 45%. Income from dividends is taxed at a flat rate of 20%, regardless of how much income the recipient earns.[1]

This gap means that wealthy individuals, who receive significant passive income from their assets rather than from salaries or sales, can pay a lower effective tax rate on their total income than working people pay on their wages. This is not an accident; it is a policy choice, and it entrenches class inequality.

The ownership of dividend-paying assets like stocks and bonds is heavily skewed toward the wealthiest: in 2017, the top 10% of South Africans held over 99.8% of such assets.[2] A preferential tax rate on dividends is, therefore, overwhelmingly a tax benefit for the already wealthy.

What We Recommend

- **Tax all local and foreign dividend income received by residents as part of their normal income** (under PIT for individuals, at 45% for trusts) rather than at a flat preferential rate. This means dividend income is taxed at the recipient's marginal rate, just like their salary or business income. We estimate that this would raise an additional R17.5 billion. This is a significant amount, enough to double the national budget for labour affairs and works programme (R13.2 billion), for example.
- To protect compliance, the current withholding mechanism (where the distributing entity deducts the tax at source) should be retained. The current 20% rate would become a floor, those with higher effective income tax rates would pay the additional amount directly to SARS.

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[1] In the case of foreign dividend income, 44.4% of the income is subject to PIT. This results in a maximum dividend tax rate of 20% if an individual faces a marginal tax rate of 45% and less than 20% in all other cases. We propose that 100% of foreign dividend income be subject to PIT for SA residents.

[2] Aroop Chatterjee et al., *Estimating the Distribution of Household Wealth in South Africa*, 45th ed., vol. 2020, WIDER Working Paper (UNU-WIDER, 2020), https://doi.org/10.35188/UNU-WIDER/2020/802-3.

Common Objection: Won't this hurt investment and job creation?

Some argue that lower taxes on dividends actually encourage companies to pay out profits to shareholders rather than reinvesting them.[3] Therefore, **a higher dividends tax could incentivise more productive investment by companies through retained profits used for expansion in operations and workforce.**

This positive effect, however, is only possible if a higher dividends tax rate does not simultaneously discourage savings from being invested into equity in the first place. Higher dividend tax rates can also be beneficial in this regard. **Policy could be designed with differential dividend rates to specifically encourage investment in productive, labour-intensive industries, while disincentivising investment in sectors like finance, insurance, and real estate**, that cause financialisaton of the economy and provide little prospects in terms of large-scale job creation for South Africans.

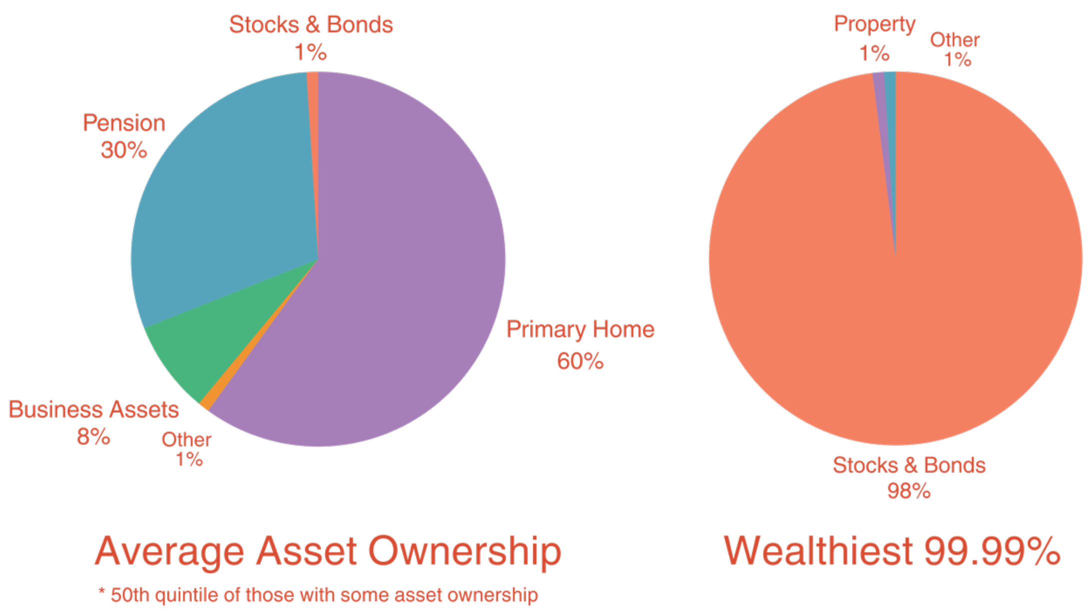

Figure 1: Share ownership and therefore dividend Income is concentrated with the wealthiest.[4]

[3] Adrien Matray and Charles Boissel, "Higher Dividend Taxes, No Problem! Evidence from Taxing Entrepreneurs in France," *Princeton University, Department of Economics, Center for Economic Policy Studies*, Working Paper no. 276 (September 2020), https://ideas.repec.org/p/pri/cepsud/276.html.

Zimbali Mncube, "Navigating the Taxation of Wealth: Insights from Theory to International Experience," *Institute for Economic Justice*, June 12, 2025, https://iej.org.za/navigating-the-taxation-of-wealth-insights-from-theory-to-international-experience/.

[4] Chatterjee et al., *Estimating the Distribution of Household Wealth in South Africa*, vol. 2020.

What is Dividends Tax?

A company can choose to sell a portion (or *share*) of its ownership to individuals called shareholders. Dividends are a means by which to pay out a portion of the company's profits to these owners or shareholders.

As with most forms of income, dividend income is subject to taxation. However, not all shareholders are treated the same way. South African companies, retirement funds (pension and provident funds), public benefit organisations, and government entities are exempt from dividends tax and receive dividends in full.[5] Non-exempt shareholders that are subject to dividends tax are: South African individuals, South African trusts, and foreign investors. Foreign investors (who hold a large share of the JSE) often pay at reduced rates under double taxation agreements (DTAs).[6] Dividends tax paid by foreign investors is outside the scope of this report, as this is covered in other AIDC publications, such as Chapter 4 of Tax in the World's Most Unequal Country. This report focuses on the dividends tax paid by South African residents and trusts.

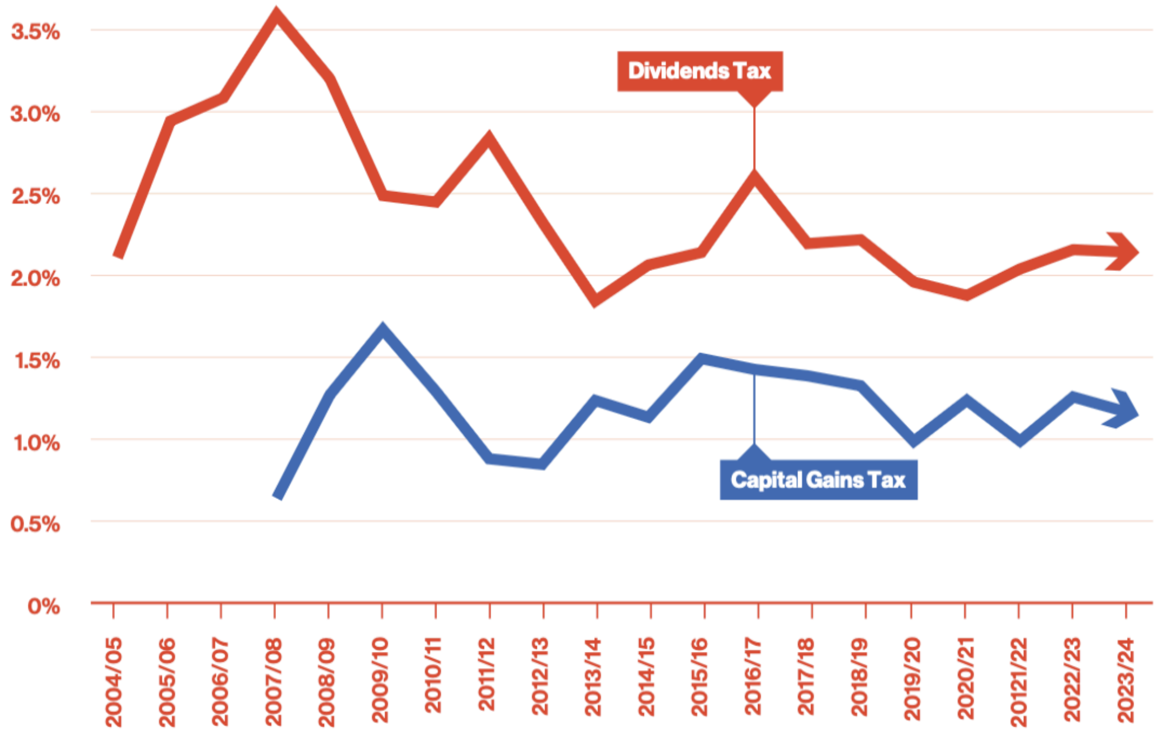

Figure 2: CGT and Dividends Tax as a proportion of total tax revenue

[5] SARS, "FAQ: Are There Any Exemptions Applicable to Dividends Tax?," Dividends Tax, South African Revenue Service, 2025, https://www.sars.gov.za/faq/faq-are-there-any-exemptions-applicable-to-dividends-tax/.

[6]This note does not cover analysis of the dividends tax paid by foreign investors. This is covered in other AIDC publications, such as Chapter 4 of Tax in the World's Most Unequal Country.

Income from local dividends is taxed at a flat rate of 20%, regardless of how much income the recipient earns.[7] This applies both to individuals and trusts. In the case of foreign dividend income, 44.4% of the income is subject to the relevant income tax rate (PIT for individuals and 45% for trusts). This results in a maximum dividend tax rate of 20% if an individual faces a marginal tax rate of 45% and less than 20% in all other cases.

Dividend tax is a withholding tax, which means that the tax is withheld directly from the dividend payment by the entity distributing the dividend. When a South African company pays a dividend to its shareholders, it is required by law to deduct a Dividends Withholding Tax from the payment before it reaches the shareholder. The company then pays this withheld tax directly to SARS. The shareholder receives only the net amount, the dividend minus the tax.

Figure 2 and Table 1 show the contribution of Capital Gains Tax and Dividends to total tax revenue. Dividends tax contributed R39 billion to tax revenue in 2023/24 or 2.14% of total tax revenue, equivalent to 0.55% of GDP. Note that, despite the 2017 increase in the Dividends Tax rate from 15% to 20%, the share of revenue from dividends tax shows a broadly decreasing trend over time.[8]

[7] In the case of foreign dividend income, 44.4% of the income is subject to PIT. This results in a maximum dividend tax rate of 20% if an individual faces a marginal tax rate of 45% and less than 20% in all other cases. We propose that 100% of foreign dividend income be subject to PIT for SA residents.

[8] South African Revenue Service (SARS), "Dividends Tax," *South African Revenue Service*, February 4, 2021, https://www.sars.gov.za/types-of-tax/dividends-tax/.

Table 1: Dividends Tax[9]

Year	Dividend Tax	SARS Total Revenue	Share of Tax Revenue	Nominal GDP1	Dividends Tax as % of GDP
2004/05	7 487	354 979	2.11%	1 691 286	0.44%
2005/06	12 278	417 196	2.94%	1 885 724	0.65%
2006/07	15 291	495 549	3.09%	2 135 550	0.72%
2007/08	20 585	572 815	3.59%	2 409 261	0.85%
2008/09	20 018	625 100	3.20%	2 658 156	0.75%
2009/10	15 468	598 705	2.58%	2 843 029	0.54%
2010/11	17 178	674 183	2.55%	3 123 336	0.55%
2011/12	21 965	742 650	2.96%	3 391 162	0.65%
2012/13	19 739	813 826	2.43%	3 633 648	0.54%
2013/14	17 309	900 015	1.92%	3 945 369	0.44%
2014/15	21 247	986 295	2.15%	4 200 741	0.51%
2015/16	23 934	1 069 983	2.24%	4 498 913	0.53%
2016/17	31 130	1 144 081	2.72%	4 831 200	0.64%
2017/18	27 894	1 216 464	2.29%	5 138 407	0.54%
2018/19	29 898	1 287 690	2.32%	5 425 437	0.55%
2019/20	27 930	1 355 766	2.06%	5 709 241	0.49%
2020/21	24 845	1 249 711	1.99%	5 616 352	0.44%
2021/22	33 429	1 563 754	2.14%	6 325 590	0.53%
2022/23	38 119	1 686 697	2.26%	6 763 457	0.56%
2023/24	39 173	1 740 870	2.25%	7 094 783	0.55%

[9] Statistics South Africa, *Gross Domestic Product (GDP), Quarter 3–2024*, Table A1.2.1 in *Tax Statistics 2023/24* (Pretoria: Statistics South Africa, 2024).

How does South Africa compare to other countries?

Dividend Tax forms part of a larger category of withholding taxes. Table 2 compares South Africa's withholding tax rates to those of its neighbours and similar economies.

Table 2: Global Withholding Tax Rates[10]

Territory	WHT rates (%)					
	Residents			Non-residents		
	Dividends	Interest	Royalties	Dividends	Interest	Royalties
Botswana	10	10	10	10	15	15
Brazil*	NA	15-22.5	NA	0	15	15
Egypt	5 or 10	NA	NA	5	10	20
Kenya	5	10	25	15	20	25
Malawi	10	20	20	15	15	15
Mexico	10	0.08	NA	10	4.9-35	5-35
Mozambique	20	20	20	20	20	20
Nigeria	10	10	10	10	10	10
South Africa	20	0	0	20	15	15
Uganda	15	15	NA	15	15	15

* Non-residents from tax havens pay 25% on interest and royalties

Compared to other countries, South Africa's withholding taxes on residents is structured differently, as the withholding tax rate on interest and royalties is 0%. This is because royalties and interest earned are taxed under PIT/CIT as part of taxable income.

The Withholding Tax on Royalties (WTR) regime, as detailed in Sections 49A to 49H of the Income Tax Act, specifically targets payments made to non-residents. The very purpose of WTR is to ensure that non-residents, who might not otherwise have a tax presence in South Africa, are taxed on their South African-sourced royalty income.

For South African residents, there is no need for a withholding tax because they are already subject to the full scope of South African income tax on their worldwide income (due to South Africa's residence-based tax system, also outlined in the Income Tax Act). Royalties and interest received by a South African resident are simply added to their other income (e.g., salary, business profits, rent) and taxed at the applicable progressive income tax rates for individuals, or the flat corporate income tax rate for companies.

[10] PricewaterhouseCoopers (PwC), "Tax Summaries," 2024, https://taxsummaries.pwc.com/quick%20charts/capital-gains-tax-cgt-rates

Taxing interest and royalties earned as part of a person's income, which is subject to PIT, is preferable to a flat rate as it allows for a progressive structure. On this, South Africa's approach compared with other comparable countries is better. Taxing dividend income as a part of a person's total income subject to PIT would therefore also be preferable, to achieve better progressivity. It would also have the advantage that it does not provide a lower rate of tax for dividend income than other forms of income.

Why is dividend income taxed differently from other forms of income?

Many countries treat dividend income preferentially by taxing it at a lower rate than other forms of income. For example, in South Africa, income from wages, what workers earn from their labour, is taxed at rates of up to 45%. Income from dividends is taxed at a flat rate of 20%, regardless of how much income the recipient earns.[11]

This significant gap between Personal Income Tax rates and Dividends Tax rates allows wealthy people - who earn significant passive income from their assets rather than from salaries or sales - to pay lower effective tax rates on their income than workers pay on their employment income. This entrenches class differences and exacerbates inequality.

Figure 3 illustrates how ownership of dividend-paying assets, such as bonds and stocks, is heavily biased towards the wealthiest.

[11] In the case of foreign dividend income, 44.4% of the income is subject to PIT. This results in a maximum dividend tax rate of 20% if an individual faces a marginal tax rate of 45% and less than 20% in all other cases. We propose that 100% of foreign dividend income be subject to PIT for SA residents.

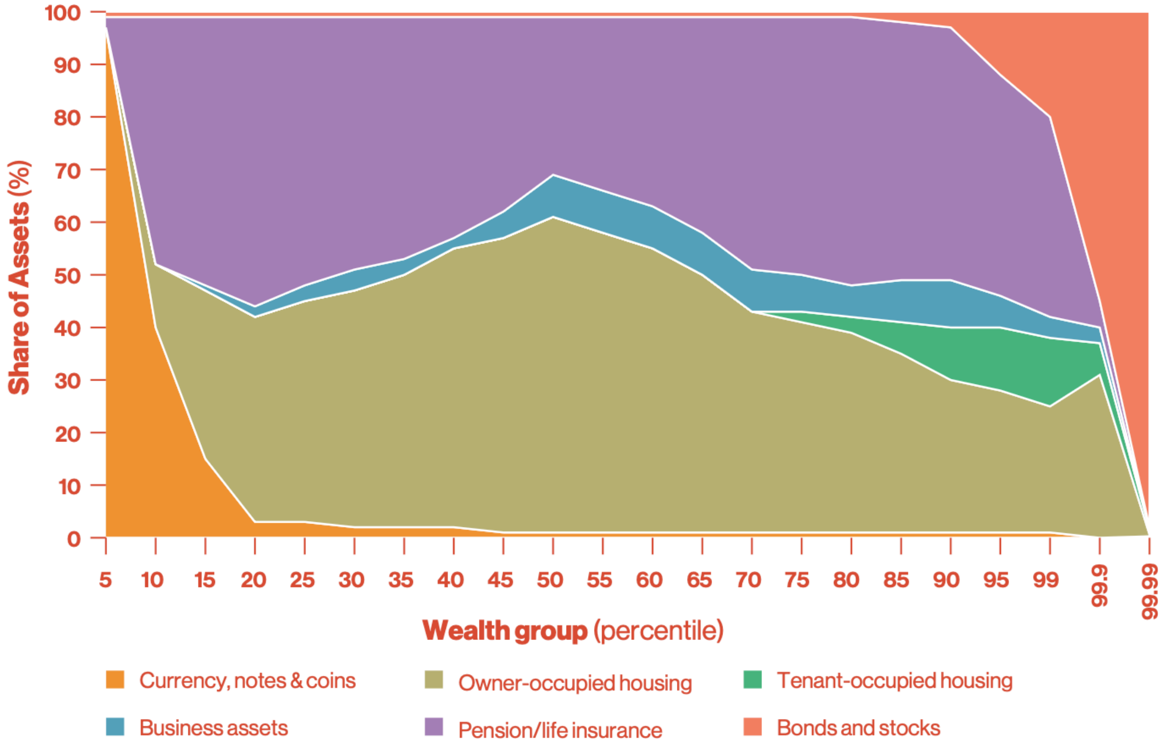

Figure 3: The composition of assets by wealth group in 2017[12]

One of the most common rationales provided for the preferential treatment of dividend income is that it encourages investment by incentivising the purchase of dividend-paying shares.

Taxing dividends presents a significant policy challenge. On the one hand, taxing income derived from wealth, as opposed to labour, is a crucial tool for wealth redistribution. This is particularly vital in a country like South Africa, which faces extreme levels of often historically racially-based wealth inequality. On the other hand, investment is essential for economic growth and for addressing high unemployment rates. Many argue that a high Dividends Tax rate deters investment. This raises a key question: would an increase in the Dividend Tax rate be detrimental to investment in productive industries?

To understand this issue, we can conceptualise productive investment as a two-step process: 1) Savings to equity: individuals and corporations must be incentivised to invest their savings into equity. 2) Equity to productive use: the companies receiving this equity must then use it for productive purposes, such as capital improvements, expansion, research and development, or increased wages.

Some argue that lower taxes on dividends actually encourage companies to pay out profits to shareholders rather than reinvesting them. When firms retain profits, they can better

[12] Aroop Chatterjee et al., *Estimating the Distribution of Household Wealth in South Africa*, WIDER Working Paper (Helsinki: UNU-WIDER, 2020), https://www.econstor.eu/handle/10419/229269.

allocate capital and labour to improve revenues, as research by Mncube[13] and Matray and Boisel[14] suggests. Therefore, a higher dividends tax could incentivise more productive investment by companies.

This positive effect, however, is only possible if a higher dividends tax rate does not simultaneously discourage savings from being invested into equity in the first place. Interestingly, higher dividend tax rates can also be beneficial in this regard. Policy could be designed with differential dividend rates to specifically encourage investment in productive, labour-intensive industries, while disincentivising investment in sectors like finance, insurance, and real estate, that cause financialisaton of the economy and provide little prospects in terms of large-scale job creation for South Africans. Creative policy design and progressive tax structures are viable options to achieve this goal.

For example, in Brazil, corporations are subject to a 15% statutory CIT rate. However, this rate is supplemented by a 10% surtax on annual income exceeding BRL 240 000. Furthermore, a 9% Social Contribution Tax (CSLL) is imposed on adjusted net income. This CSLL rate varies for certain sectors: financial institutions pay a 20% CSLL, while insurance companies, foreign exchange brokers, credit cooperatives, and other similar entities face a 15% CSLL[15]. Similar flexible structures applied to Dividends Tax may be effective in increasing its progressivity, while adjusting the approach for each industry, to ensure sufficient incentive to invest, especially for industries that are labour-intensive and show potential to increase employment. Targeted tax incentives for specific sectors, that allow certain companies to qualify for a reduced Dividends Tax, may be a better way to achieve the desired outcome, compared to differing rates based on industry classification.

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[13] Zimbali Mncube, "Navigating the Taxation of Wealth: Insights from Theory to International Experience," *Institute for Economic Justice*, June 12, 2025, https://iej.org.za/navigating-the-taxation-of-wealth-insights-from-theory-to-international-experience/.

[14] Adrien Matray and Charles Boissel, "Higher Dividend Taxes, No Problem! Evidence from Taxing Entrepreneurs in France," *Princeton University, Department of Economics, Center for Economic Policy Studies*, Working Paper no. 276 (September 2020), https://ideas.repec.org/p/pri/cepsud/276.html.

[15] PricewaterhouseCoopers (PwC), "Tax Summaries – Brazil," 2024, https://taxsummaries.pwc.com/brazil/corporate/income-determination.

Why the current dividend tax policy is detrimental to women

Preferential treatment for dividend income also presents gender issues, as men are more likely than women to access capital and receive capital and dividend income, particularly at higher wealth and income levels where dividend income is concentrated.[16] For example, in South Africa, men own 52% of agricultural land, women own 34%, and the gender of the remaining 14% of owners is unknown.[17] Despite limited data, it is recognised that women in South Africa and globally own fewer assets than men, and those assets tend to be of lower value.[18] This disparity is further evidenced by the fact that the majority of high-income earners in South Africa are male, a trend supported by tax statistics.[19] The implication is that men are more likely to earn income in the form of capital gains and dividends than women are. If dividends are taxed at a lower rate than other forms of income, men will face a lower effective tax rate on their total income than women.

Research suggests that women may exhibit different investment preferences from men. Factors such as societal expectations and the disproportionate burden of caregiving responsibilities often placed on women may influence these preferences. For instance, women may be more inclined towards investments with lower volatility and steadier income streams, such as bonds, rather than riskier assets like high-growth equities. This preference may stem from a desire for financial stability and predictability, particularly for those with caregiving responsibilities. Conversely, men may be more likely to invest in riskier assets that produce higher dividend payments, disproportionately benefiting from lower dividend tax rates.[20]

Research suggests that certain high-income occupations, such as entrepreneurial roles, positions in high-tech and finance, and CEO positions, are often male-dominated.[21] These roles frequently involve compensation packages that include share incentives, which can generate significant capital gains and dividends. In this context, the lower tax rate applied to dividends may disproportionately benefit this group of high-income earners, who are mainly men.

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[16] Clare Coffey et al., *A Short Guide to Taxing for Gender Equality* (Oxford: Oxfam, 2019), https://oxfamilibrary.openrepository.com/bitstream/handle/10546/620629/gd-short-guide-taxation-gender-equality-070319-en.pdf?sequence=9&isAllowed=y; Marjorie E. Kornhauser, "Gender and Capital Gains Taxation," SSRN Scholarly Paper no. 1425664 (Social Science Research Network, January 25, 2011), https://papers.ssrn.com/abstract=1425664.
[17] Statistics South Africa, *Sustainable Development Goals: Country Report 2019* (Pretoria: Statistics South Africa, 2019), 106, https://www.statssa.gov.za/MDG/SDGs_Country_Report_2019_South_Africa.pdf.
[18] Department of Women, *The Status of Women in the South African Economy* (Pretoria: Government of South Africa, 2015), 97, https://www.gov.za/sites/default/files/gcis_document/201508/statusofwomeninsaeconomy.pdf.
[19] SARS, *Tax Statistics 2024* (South African Revenue Service, 2026), https://www.sars.gov.za/wp-content/uploads/Docs/TaxStats/2024/Tax-Statistics-2024.pdf.
[20] Taskeen Jaffer, "Women's Rights Are Human Rights – A Review of Gender Bias in South African Tax Law" (MCom thesis, University of Pretoria, 2020), https://repository.up.ac.za/handle/2263/80447.
[21] Marjorie E. Kornhauser, "Gender and Capital Gains Taxation," 275.

How to make tax on dividend income fairer

The ownership of dividend-paying assets like stocks and bonds is heavily skewed toward the wealthiest: in 2017, the top 10% of South Africans held over 99.8% of such assets. A preferential tax rate on dividends over wage income is, therefore, overwhelmingly a tax benefit for the already wealthy.

We propose that all local and foreign dividends received by SA individuals and trusts be taxed as part of their ordinary income at each recipient's applicable marginal income tax rate. For foreign dividend income, this implies changing the percent of the income subject to PIT from 44.4% to 100%.

Dividend income currently faces the advantage of high levels of compliance, as the dividend tax is withheld directly from the dividend payment by the entity distributing the dividend. Incorporating dividend income under PIT should not put a stop to this system. Rather, it should result in an additional tax liability for the taxpayer whose liability at their effective PIT rate exceeds the withholding tax rate. The entity distributing the dividend would be responsible for the payment of 20% of the dividend as Dividends Tax directly to SARS, and the recipient of the dividend would be responsible for the payment of any additional tax, if the effective tax rate on their income is higher than 20%. The dividend tax rate would therefore have a floor of 20%, with people with higher effective tax rates paying more.

How would reforming dividends tax affect revenue collection?

Although the reform is driven mainly by goals of tax equity across income sources and reducing entrenched inequality, it will nonetheless carry revenue consequences. We estimate that taxing dividends received by SA individuals and trusts at applicable marginal income rates rather than the flat 20% dividends tax rate would raise an additional R16.1–R19.3 billion per year in government revenue, with a central estimate of R17.5 billion. [22]

[22] See Appendix for calculation of estimated additional revenue.

Table 3: Estimated additional revenue by income group (billion)

Income Group	Marginal PIT Rate	% of Share Ownership	Gross Dividend Income	Current Tax Revenue (20%)	Revenue at Marginal Tax Rate
P90–P99 (top 10% excl. top 1%)	26%	4.8%	R3.70	R0.74	R0.96
P99–P99.99 (top 1% excl. top 0.01%)	41%	32.5%	R25.02	R5.00	R10.26
Top 0.01%	45%	62.7%	R48.27	R9.65	R21.72
TOTAL		100%	R77.0	R15.4	R32.9
Additional revenue					R17.5

Gross dividend income = R77.0bn × ownership share. Current dividends tax = Gross dividend income × 20%. Tax at marginal rate = Gross dividend income × applicable marginal rate. Additional revenue = Tax at marginal rate – current dividends tax.

Table 3 shows how much of the additional revenue is expected to come from each income group. We estimate that the additional tax burden will be highly concentrated in the top 0.01% of income earners. Across all scenarios, approximately 69% of the additional revenue comes from the top 0.01% of income earners, who hold roughly 63% of directly-held financial assets outside retirement funds. The next 1% of earners (P99–P99.99) contribute approximately 30%. The remaining 90th-to-99th percentile of earners contributes only about 1% of the additional revenue.

This concentration arises directly from the extreme skewness of financial asset ownership in South Africa, as documented by Chatterjee et al. (2022), and means that the proposed reform would function almost entirely as a tax on the very wealthiest households.

Conclusion

In South Africa, income from wages, what workers earn from their labour, is taxed at rates of up to 45%. Income from dividends is taxed at a flat rate of 20%, regardless of how much income the recipient earns.[23]

This gap means that wealthy individuals, who receive significant passive income from their assets rather than from salaries or sales, can pay a lower effective tax rate on their total income than working people pay on their wages. This is not an accident; it is a policy choice, and it entrenches class inequality.

Ownership of dividend-bearing assets is concentrated to a striking degree among higher-income households; in 2017, the wealthiest decile of South Africans held in excess of 99.8% of such assets. A concessionary tax rate applied to dividend income consequently delivers its benefits almost entirely to those at the top of the wealth distribution.

What We Recommend

- Tax all local and foreign dividend income received by residents as part of their normal income (under PIT for individuals, at 45% for trusts) rather than at a flat preferential rate. This means dividend income is taxed at the recipient's marginal rate, just like their salary or business income. We estimate that this would raise an additional R17.5 billion per year, increasing current revenue from dividends tax by 50%.
- To protect compliance, the current withholding mechanism (where the distributing entity deducts the tax at source) should be retained. The current 20% rate would become a floor, those with higher effective income tax rates would pay the additional amount directly to SARS.

These reforms will close the gap between the tax paid by wealthy people on their passive income and that from the salaries and wages of working people. In addition, we estimate that this reform will generate between *R16-19 billion* in additional tax revenue each year.

[23] In the case of foreign dividend income, 44.4% of the income is subject to PIT. This results in a maximum dividend tax rate of 20% if an individual faces a marginal tax rate of 45% and less than 20% in all other cases. We propose that 100% of foreign dividend income be subject to PIT for SA residents.

Appendix: Revenue Implications of Suggested Reform

South African Revenue Service (SARS) collected R43 billion in Dividends Withholding Tax in the 2024/25 fiscal year.[24] Under current law, SA individuals and trusts pay dividends tax at a flat 20% rate, and this is a final tax; dividends are not added to their taxable income. This note estimates how much additional revenue the government would collect if, instead, dividends received by SA individuals and trusts were taxed as part of their ordinary income at each recipient's applicable marginal income tax rate.

The analysis proceeds in two parts. Part A establishes the total gross dividend income flowing to SA individuals and trusts, using actual dividends tax collected as the anchor and adjusting for the fact that foreign investors (who hold a large share of the JSE) often pay at reduced rates under double taxation agreements (DTAs).[25] Part B distributes that income across marginal tax brackets using published wealth concentration data, and calculates the additional revenue under the proposed reform. Conservative assumptions are used throughout.

Part A: Establishing the Gross Dividend Income Base for SA Individuals and Trusts

1. How Dividends Withholding Tax Works

When a South African company pays a dividend to its shareholders, it is required by law to deduct a Dividends Withholding Tax from the payment before it reaches the shareholder. The company then pays this withheld tax directly to SARS. The shareholder receives only the net amount, the dividend minus the tax. Because the tax is deducted at source and is the final tax on that income, the shareholder does not declare the dividend on their personal income tax return.

Not all shareholders are treated the same way. South African companies, retirement funds (pension and provident funds), public benefit organisations, and government entities are exempt from dividends tax and receive dividends in full.[26] This means that a very large share of JSE dividends (those flowing to retirement funds and SA holding companies) never enter the dividends tax system at all. The R43 billion collected by SARS therefore represents only the dividends tax on dividends paid to non-exempt shareholders: SA individuals, SA trusts, and foreign investors (who may pay at reduced rates under double taxation agreements, discussed in Section 3).

One important consequence of this design is that SA-source dividends received by individuals do not appear in income tax returns. SARS publishes data on dividend income

[24] SARS, Tax Statistics 2025 (South African Revenue Service, 2025), https://www.sars.gov.za/wp-content/uploads/2025taxstats/2025-Tax-Statistics-PDF-.pdf. Table A1.4.1

[25] This note does not cover analysis of the dividends tax paid by foreign investors. This is covered in other AIDC publications, such as Chapter 4 of Tax in the World's Most Unequal Country.

[26] SARS, "FAQ: Are There Any Exemptions Applicable to Dividends Tax?," Dividends Tax, South African Revenue Service, 2025, https://www.sars.gov.za/faq/faq-are-there-any-exemptions-applicable-to-dividends-tax/.

declared by individuals on their annual tax returns (ITR12), which shows R6,444 million for the 2024 tax year.[27] However, this figure substantially undercounts the true dividends received by SA individuals. It primarily captures foreign dividends (which are taxable as income) and distributions from Real Estate Investment Trusts (REITs). The bulk of SA-source dividends, which are exempt from income tax because dividends tax is already the final tax, are simply not declared on the ITR12.[28] This is why Part A of this note works backwards from the dividends tax actually collected rather than from declared dividend income. We do, however, add the R6,444 million in foreign dividends back to the SA total at the end of Section 3, as this income would also be subject to the proposed reform.

2. The Total Non-Exempt Dividend Pool

The starting point is straightforward. SARS collected R43 billion in dividends tax in 2024/25. Since dividends tax is a flat 20% withholding tax on every rand of taxable dividend paid to non-exempt shareholders (before any adjustment for double taxation agreements) one might initially calculate the total non-exempt gross dividend base as:

R43 billion ÷ 20% = R215 billion in gross dividends to non-exempt shareholders

This R215 billion figure is our anchor. It represents the total dividends paid to all shareholders who are not exempt from dividends tax: SA individuals, SA trusts, and foreign investors. The next step is to separate out the foreign investor portion — because foreign investors frequently pay at rates below 20% under DTA agreements, the R215 billion calculation implicitly overstates how much gross dividend income flows to SA individuals and trusts.

3. Adjusting for Foreign Investors and Double Taxation Agreements

3.1 Who are the foreign investors?

The JSE has substantial foreign ownership. The most comprehensive publicly available analysis is the National Treasury JSE Ownership Monitor (2017), which used Strate/FinSurv data to find that foreign investors held approximately 38% of JSE-listed South African companies.[29] Other corroborating sources put this figure at 40–46% for the Top 40 companies. For this analysis, we use the 38% figure from the Ownership Monitor as it is the most systematically derived estimate. No updated Ownership Monitor has been published.

SA individuals and trusts (the non-exempt SA resident shareholders) are estimated to hold approximately 13% of the JSE, made up of direct individual holdings, non-retirement-fund investment vehicles such as unit trusts and endowment policies, and trusts. This 13% figure is derived from the 14% direct ownership category in the Ownership Monitor after allocating approximately 1% to SA holding companies (which are exempt from dividends tax). The 1%

[27] SARS, Tax Statistics 2025 (South African Revenue Service, 2025), Table A2.11.1.

[28] South African Revenue Service and National Treasury, Tax Statistics 2025, Table A2.11.1. Dividend income reported on ITR12 returns for the 2024 tax year was R6,444 million. Because SA-source dividends are exempt from income tax under the Income Tax Act and dividends tax is a final tax, individuals have no obligation to include these dividends in their taxable income. The declared figure, therefore substantially undercounts SA-source dividends and predominantly reflects foreign dividends and REIT distributions (taxable as income).

[29] National Treasury, "Ownership of JSE-listed Companies" (Pretoria: National Treasury, September 2017). The monitor uses end-2016 Strate/FinSurv data and is the most comprehensive publicly available breakdown of JSE ownership by investor category. No updated edition has been published.

allocation reflects the presence of SA-resident investment holding companies and listed investment vehicles within the direct ownership count; the rationale for this specific allocation is explained in the accompanying footnote.[30] The remaining 49% (100% – 38% foreign – 13% SA individuals/trusts) is held by exempt holders: SA retirement funds (~24%), other exempt institutional investors, and SA companies.

The ownership ratio between foreign investors and SA individuals/trusts is therefore approximately 38:13, or about 2.92:1. Foreign investors hold roughly three times as much of the non-exempt JSE as SA individuals and trusts combined. This ratio is used in the algebra below.

3.2 What rates do foreign investors actually pay?

South Africa's domestic dividends tax rate is 20%. However, South Africa has double taxation agreements (DTAs) with approximately 80 countries, and most of these agreements reduce the rate that foreign shareholders pay on SA dividends.[31] The standard DTA structure is:

- 5% for substantial corporate shareholders (typically those holding 10–25% or more of the company's capital, depending on the specific treaty)
- 15% for all other beneficial owners, including portfolio investors, pension funds, and individual shareholders

In practice, the 15% portfolio rate applies to the overwhelming majority of foreign JSE investors by number, these are the large international index funds, pension funds, and asset managers that collectively constitute the bulk of foreign ownership. The 5% rate applies only to a relatively small number of strategic corporate shareholders holding substantial blocks. However, because strategic shareholders hold large positions, they may account for a meaningful share of total foreign dividend flows.

A further complication is that foreign investors must submit declaration forms to claim DTA relief. Not all do. Some intermediaries do not have the necessary documentation on file and simply withhold at the full 20% domestic rate. This means the actual blended effective rate paid by foreign investors sits somewhere between the theoretical DTA rate and 20%.

Taking all of this into account, a reasonable estimate for the blended effective dividends tax rate paid by foreign investors is in the range of 12–16%. We use 14% as our central estimate, with 12% and 16% as lower and upper bounds, respectively. The 12% scenario represents a situation where more foreign investors claim DTA relief (pushing rates lower); the 16%

[30]The allocation of approximately 1% to SA-resident exempt holding companies within the 14% direct ownership category reflects the presence of SA-registered investment holding companies and listed investment vehicles that fall outside the institutional investor categories captured separately in the Ownership Monitor. Large SA company cross-holdings (such as those held by major investment groups) are generally captured in the 24% "other institutional" category; the 1% residual represents smaller SA corporate entities in the direct ownership count.

[31]South African Revenue Service, "Dividends Tax: Summary of Withholding Tax Rates per South African Double Taxation Agreements Currently in Force," version 9 (Pretoria: SARS, June 2023). The standard structure across most of South Africa's approximately 80 active DTAs is 5% for substantial corporate shareholders (holding 10–25% or more of capital depending on the treaty) and 15% for all other beneficial owners, including portfolio investors and individuals.

scenario represents more investors paying close to or at the full 20% domestic rate, or a higher proportion held by portfolio investors paying 15%. A higher assumed DTA rate represents a more conservative assumption and results in a lower revenue potential for the reform.

3.3 Deriving the SA dividend base from source dividends

Now that we have the ownership ratio (38:13) and the rate assumptions (14% central, 12–16% range), we can solve for the SA gross dividend base. The total dividends tax collected (R43 billion) is made up of:

$$\text{R43bn} = (\text{SA gross dividends} \times 20\%) + (\text{SA gross dividends} \times 2.923 \times \text{DTA rate})$$

The 2.923 multiplier is the ratio of foreign to SA individual/trust dividend flows (38 ÷ 13), reflecting that foreign investors receive proportionally more dividends than SA individuals and trusts. We can rearrange and solve for SA gross dividends (from SA-source dividends) at each DTA rate assumption:

Table 3: Total Dividend Tax Split by DTA Assumption (billion)

Blended DTA Rate Assumption	SA Gross Dividends (source)	SA dividends tax	Foreign dividends tax	Total dividends tax Check
12% (low DTA relief claimed, higher SA base)	R78.1	R15.6	R27.4	R43.0 ✓
14% (central estimate)	R70.6	R14.1	R28.9	R43.0 ✓
16% (high DTA relief claimed, lower SA base)	R64.4	R12.9	R30.1	R43.0 ✓

All three scenarios are internally consistent: SA dividends tax + Foreign dividends tax = R43bn. The lower the assumed rate paid by foreign investors (higher DTA relief), the larger share of total dividends tax (the R43bn) that is assumed to be paid by SA individuals and trusts.

3.4 Adding foreign dividend income received by SA individuals

The algebra in Section 3.3 derives only the SA-source dividend income flowing to SA individuals and trusts: dividends from SA-resident companies subject to DWT. However, SA individuals also receive dividends from foreign companies listed or held abroad. These foreign dividends are not subject to DWT; instead, they are taxed as ordinary income in the individual's hands through the PIT system. However, only 20/45 or 44.4% of the dividend income is taxed at an individual's marginal PIT rate, resulting in a maximum rate of 20%, the same tax rate as SA-source dividends.[32] Our reform suggests taxing the full foreign dividend income, not only 4.4% of it, at an individual's marginal PIT rate. The additional revenue from bringing them into a marginal-rate regime is therefore calculated the same way as for SA-source dividends: the difference between the highest possible current rate (20%) and the applicable marginal rate. In cases where individuals paid less than 20%, our estimate will underestimate the possible revenue gain.

SARS Tax Statistics 2025 (Table A2.11.1) records R6,444 million in dividend income declared by individuals on ITR12 returns for the 2024 tax year.[33] As discussed in Section 1, this figure represents the minimum foreign dividends received by SA individuals, since foreign dividends must be declared on the ITR12 (they are taxable as income).[34] We therefore add this R6.4 billion to the SA-source dividend base derived in Section 3.3. The combined total (SA-source dividends plus foreign dividends) represents the full dividend income base on which the proposed reform would operate.

Table 4: Total Dividend Income Relevant to Proposed Reform (billion)

Component	DTA Rate Assumption	SA-Source Dividends	Total SA Dividends (incl. R6.4bn foreign)
Low DTA relief	12%	R78.1	R84.5
Central estimate	14%	R70.6	R77.0
High DTA relief	16%	R64.4	R70.8

The R77.0bn central estimate (R70.6bn SA-source + R6.4bn foreign dividends) is used as the dividend income base in Part B.

4. Why Individuals and Trusts Are Treated Together

This analysis treats SA individuals and SA trusts as a single combined group. The main reason is practical: under current South African tax law, trusts are not required to retain dividend income; they can distribute it to their beneficiaries, who are then taxed on it at their own marginal rates rather than the flat 45% trust tax rate.[35] This is the so-called attribution principle, which allows trustees to reduce the effective tax rate on trust income by routing it through lower-bracket beneficiaries.

[32] SARS, "Interest and Dividends," South African Revenue Service, February 4, 2021, https://www.sars.gov.za/tax-rates/income-tax/interest-and-dividends/.

[35] SARB, "Tax Chronology of South Africa: 1979–2022," South African Reserve Bank, 2022, https://www.resbank.co.za/content/dam/sarb/publications/quarterly-bulletins/supplements/2022/SARB%20Tax%20chronology%202022.pdf.

If the proposed reform were enacted (taxing dividends as ordinary income) we would expect a significant behavioural response from trust-held portfolios. Trustees would have a strong incentive to distribute dividend income to beneficiaries rather than retaining it, because retaining income in the trust would attract the full 45% marginal trust rate, whereas distributing it to a beneficiary taxed at, say, 41% would reduce the tax liability. The resulting dividend flows would in practice, look more like individual income than trust income.[36]

Treating the two groups together and applying the individual marginal rate distribution to the combined pool, therefore, serves two purposes: first, it reflects the expected post-reform behaviour; second, it avoids the need for strong assumptions about how much of the trust-held dividend base would be distributed versus retained. The result is a conservative estimate. If trusts retained all dividend income and paid at 45%, the additional revenue would be higher than our estimate.

Part B: Additional Revenue from Taxing Dividends at Marginal Income Tax Rates

5. The Proposed Reform

Under current law, SA individuals and trusts pay dividends tax at a flat 20% on dividends received from SA-resident companies, and this is a final tax. The proposed reform would treat dividends in the same way as other income: they would be added to the recipient's taxable income and taxed at their applicable marginal rate under the Personal Income Tax (PIT) schedule. For trusts that retain income (rather than distributing to beneficiaries), the applicable rate would be the flat 45% trust rate. For individuals, the marginal rate depends on their total income.

5.1 Why the marginal rate is the correct rate to apply

Under a progressive tax system, when a new source of income is added to a taxpayer's existing taxable income, it is taxed at the marginal rate, the rate that applies to the top slice of their income. This is because the dividend sits on top of all other income already earned in the year. Applying the effective rate (the average rate across all income from zero upwards) would be incorrect: it would understate the tax by implying that dividends are earned at the lower rates applicable to the first bands of income, rather than at the rate applicable at the taxpayer's actual income level.

[36]The "attribution principle" refers to a mechanism that allows income generated within a trust to be "attributed" or "vested" in the trust's beneficiaries. This means that instead of the trust itself paying tax on that income or gain at its higher, flat rate, the income "flows through" to the beneficiaries and is then taxed in their individual hands at their respective marginal tax rates. If a beneficiary is in a lower income tax bracket than the trust's flat rate, this "income splitting" can lead to a lower overall tax burden for the family unit. The Davis Tax Committee critically viewed this principle, especially for South African resident trusts. They argued that what was originally an anti-avoidance measure had effectively become a "concession to high-net-worth individuals," allowing them to reduce their tax liability by having trust income taxed at lower beneficiary rates. We recommend that the attribution provisions principle for trusts be repealed.

For example, a taxpayer with a salary of R2 million already uses up all the lower tax brackets. Any additional rand of income (including a dividend) is taxed at 45%, the top marginal rate. Applying their effective rate of, say, 38% would understate the true tax on that dividend.

6. Distributing Dividend Income Across Tax Brackets

6.1 The concentration of financial asset ownership

To calculate additional revenue, we need to know what share of the R77.0 billion in SA individual and trust dividend income is received by earners in each tax bracket. This is not observable from SARS data, dividends tax returns do not record the beneficial owner's income level. We therefore draw on the academic literature on wealth concentration in South Africa.

Chatterjee, Czajka, and Gethin (2022) combine tax microdata, household surveys, and national balance sheets to estimate the distribution of household wealth in South Africa.[37] Their key findings for financial assets (bonds and stocks) are:

- The wealthiest 10% of adults own 99.8% of all bonds and stocks in the South African economy
- The wealthiest 1% alone own approximately 95.2% of all bonds and stocks
- The wealthiest 0.01% own approximately 62.7% of all bonds and stocks

These figures imply the following distribution of ownership within the top 10%:

Table 6: Financial Wealth Distribution in South Africa

Wealth Band	Share of Financial Assets	Derivation
P90–P99 (top 10%, excluding top 1%)	4.8%	100% – 95.2%
P99–P99.99 (top 1%, excluding top 0.01%)	32.5%	95.2% – 62.7%
Top 0.01%	62.7%	Directly from Chatterjee et al. (2022)
Total	100.0%	

Source: Chatterjee, Czajka, and Gethin (2022). Proportions sum exactly to 100.0%.

[37] Aroop Chatterjee, Léo Czajka, and Amory Gethin, "Estimating the Distribution of Household Wealth in South Africa," UNU-WIDER Working Paper 2022/55 (Helsinki: UNU-WIDER, 2022). The paper combines tax microdata, household surveys, and national balance sheets. Key findings: 99.8% of bonds and stock are owned by the wealthiest 10% of adults; approximately 95.2% by the top 1%; and approximately 62.7% by the top 0.01%.

6.2 Applying wealth proportions to income earners: justification

The Chatterjee et al. proportions refer to wealth concentration, not income concentration. For tax purposes, however, we need to allocate dividend income across income brackets. The Momentum-Unisa Household Finance Survey (2023) provides evidence that these are different populations: the top 1% by income holds 15.5% of household wealth, whereas the top 1% by wealth holds 36.5%.[38]

Despite this gap, applying wealth-based financial asset proportions to income earners is defensible, specifically for direct financial asset ownership outside retirement funds. Two reasons support this:

First, the population of direct shareholders is extremely small. As of 2015, fewer than 280,000 South Africans (about 0.5% of the population) directly owned JSE-listed shares.[39] While retail investment platforms have grown since then, participation remains highly restricted by income, education, and financial literacy.[40] Structural barriers (including minimum investment sizes and financial literacy requirements) mean that the population of direct shareholders is very largely drawn from the same high-income households that dominate the wealth distribution.

Second, pension and provident fund assets are excluded. Because retirement fund investments are exempt from dividend tax and are excluded from our analysis, the financial assets we are distributing are only those outside pension wrappers. These are the most concentrated assets in the South African economy, held almost exclusively by wealthy households.

6.3 Matching Income Bands to Wealth Groups

The World Inequality Database finds that those who earn more than R 315 888 per year are in the highest earning 10%, and those who earn more than R 1 772 736 are in the highest earning 1% of South Africans.[41] Based on this, we assume that the top 0.01% earn more than R1 878 601 (the top marginal tax bracket). The marginal rates applicable to each income group under the 2026/27 PIT schedule are:[42]

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[38]Momentum Metropolitan Holdings and University of South Africa, Momentum-Unisa Household Financial Wellness Survey (Centurion: Momentum, 2023). The survey finds that the highest-earning 1% of income earners hold 15.5% of household wealth, compared to 36.5% for the wealthiest 1% by wealth, demonstrating that income rank and wealth rank identify meaningfully different populations.

[39]EasyEquities platform commentary, 2015. As of that year, fewer than 280,000 South Africans (approximately 0.5% of the adult population) directly owned JSE-listed shares. Retail investment platform participation has grown since then but remains highly restricted by income, education, and financial literacy.

[40] Kingstone Nyakurukwa and Yudhvir Seetharam, "Household Stock Market Participation in South Africa: The Role of Financial Literacy and Social Interactions," Review of Behavioral Finance 16, no. 1 (2022): 186–201, https://doi.org/10.1108/RBF-03-2022-0083. The paper documents structural barriers to direct equity market participation in South Africa.

[41]World Inequality Database (WID.world), South Africa income distribution data, 2024. Available at: https://wid.world/country/south-africa/. The WID draws on tax records and harmonised survey data to estimate pre-tax income thresholds for each percentile of the adult income distribution.

[42] SARS, Rates of Tax for Individuals, South African Revenue Service, February 4, 2026, https://www.sars.gov.za/tax-rates/income-tax/rates-of-tax-for-individuals/.

Table 7: Income level by Wealth Group

Wealth Band	Income Band	Marginal PIT Rate	Basis
P90–P99: earners at the top 10% threshold	R315,888 – R1,772,736	26%	PIT bracket: R237,101–R370,500 taxed at 26%
P99–P99.99: earners at the top 1% threshold	R1,772,736 – R1,878,601	41%	PIT bracket: R857,901–R1,817,000 taxed at 41%
Top 0.01%: earners above R1,878,601	> R1,878,601	45%	Top PIT bracket: above R1,817,000 taxed at 45%

The 26% rate for the P90–P99 band is the rate at the threshold income of R315,888 and is conservative: many earners within this band have incomes well above the threshold and face marginal rates of 31–41%. Using the threshold rate understates the additional revenue for this group.

7. The Additional Revenue Calculation

7.1 Central estimate (14% blended DTA rate, total SA dividends = R77.0bn)

Table 8: Estimated additional revenue by income group (billion)

Income Group	Marginal PIT Rate	% of Share Ownership	Gross Dividend Income	Current Tax Revenue (20%)	Revenue at Marginal Tax Rate
P90–P99 (top 10% excl. top 1%)	26%	4.8%	R3.70	R0.74	R0.96
P99–P99.99 (top 1% excl. top 0.01%)	41%	32.5%	R25.02	R5.00	R10.26
Top 0.01%	45%	62.7%	R48.27	R9.65	R21.72
TOTAL		100%	R77.0	R15.4	R32.9
Additional revenue					R17.5

Gross dividend income = R77.0bn × ownership share. Current dividends tax = Gross dividend income × 20%. Tax at marginal rate = Gross dividend income × applicable marginal rate. Additional revenue = Tax at marginal rate – current dividends tax.

7.2 Sensitivity analysis: varying the blended DTA rate

The single most important assumption driving uncertainty in this analysis is the blended effective dividends tax rate paid by foreign investors. A lower rate (more DTA relief claimed) implies a larger SA dividend base; a higher rate implies a smaller one. We test three scenarios:

Table 9: Sensitivity Analysis (billion)

DTA Rate Assumption	% of Share Ownership	Total Share Ownership	Current Tax Revenue	Revenue at Marginal Tax Rate	Additional Revenue
12% — Low DTA relief (higher SA base)	45%	R84.5	R16.9	R36.2	R19.3
14% — Central estimate	41%	R77.0	R15.4	R32.9	R17.5
16% — High DTA relief (lower SA base)	38%	R70.8	R14.2	R30.3	R16.1

The range of outcomes across the three scenarios is R16.1bn–R19.3bn, a spread of R3.2bn. The relatively narrow range demonstrates that the result is not highly sensitive to the DTA assumption within a plausible range. All figures include the R6.4bn in foreign dividends.

7.3 Breakdown by income group across all scenarios

The following table shows how additional revenue breaks down by income group across all three DTA rate scenarios. It highlights that the top 0.01% of earners (holding 62.7% of directly-held financial assets) account for the large majority of additional revenue in all scenarios.

Table 10: Highest earning 0.01% bear the largest burden of the reform (billion)

Income Group	Marginal PIT Rate	12% DTA - Additional Revenue	% of total	14% DTA - Additional Revenue	% of total	16% DTA - Additional Revenue
P90–P99	26%	R0.24	1.3%	R0.22	1.3%	R0.20
P99–P99.99	41%	R5.77	29.9%	R5.25	30.0%	R4.83
Top 0.01%	45%	R13.24	68.7%	R12.07	68.7%	R11.10
TOTAL		R19.3	100%	R17.5	100%	R16.1

The income group distribution of additional revenue is virtually identical across all three scenarios (~1%, ~30%, ~69% for P90–P99, P99–P99.99, and top 0.01% respectively). This is because changing the DTA rate assumption scales the SA dividend base up or down proportionally, leaving relative shares unchanged.

8. Caveats and Limitations

8.1 Assumptions driving uncertainty

Table 11: Assumptions

Assumption	Value Used	Plausible Range	Direction and Magnitude of Bias
Blended foreign DTA rate	14%	12–16%	Tested in sensitivity analysis; driver of range given
Foreign ownership share of non-exempt JSE	38%	38–46%	If higher, SA base is smaller (overestimate)
Wealth-to-income bracket analogy	Applied directly	Better for direct holdings than total wealth	Likely understates additional revenue (conservative underestimate)
P90–P99 marginal rate at 26%	26% (threshold)	26–41%	Understates marginal PIT rate for this group (conservative underestimate)
Trust distribution behaviour	Distribute to individuals	Could retain at 45%	Understates if trusts retain income (conservative underestimate)
Unlisted company dividends	Excluded	Likely material	Understates total additional revenue (conservative underestimate)
Allocation of 1% to SA-resident companies within the 14% direct ownership category	1%	0.01%-2%	Uncertain

8.2 Behavioural responses not modelled

In practice, several behavioural responses could affect the revenue yield:

- Profit retention: If the marginal rate on dividends exceeds the corporate tax rate (27%), shareholders and companies may prefer to retain profits rather than distribute them, reducing the taxable dividend base over time.
- Income reclassification: High-income shareholders may restructure remuneration or business arrangements to take advantage of lower-taxed income forms.

A fully specified dynamic model incorporating behavioural elasticities would be required for a more precise estimate but is beyond the scope of this note.

9. Conclusions

Taxing dividends received by SA individuals and trusts at applicable marginal PIT rates rather than the flat 20% dividends tax rate would raise an estimated additional R16.1–R19.3 billion in government revenue.

The most striking finding is the extreme concentration of the additional tax burden. Across all scenarios, approximately 69% of the additional revenue comes from the top 0.01% of income earners, who hold roughly 63% of directly-held financial assets outside retirement funds. The next 1% of earners (P99–P99.99) contribute approximately 30%. The remaining 90th-to-99th percentile of earners contributes only about 1% of the additional revenue.

This concentration arises directly from the extreme skewness of financial asset ownership in South Africa, as documented by Chatterjee et al. (2022), and means that the proposed reform would function almost entirely as a tax on the very wealthiest households.