

Saving Money with Solar Power

What is the SARS 12B Tax Allowance?

The 12B Tax Allowance is ideally targeted at Shopping centres, Business Premises, Farms, Small Manufacturing Plants and Property with larger-than-residential roof space!

What is it?

Section 12B of the Income Tax Act provides for an accelerated capital allowance in respect of certain assets owned and used by a taxpayer in the generation of electricity from wind power, solar energy, hydropower to produce electricity of not more than 30 Mega Watts as well as biomass comprising organic wastes, landfill gas or plant material.

It is important to note that the allowance is only available if the asset is brought into use for the first time by the taxpayer. In other words, the allowance is not limited to new or unused assets. The wording merely prevents the taxpayer from claiming the section 12B allowance twice on the same asset.

As from 1 January 2016, Section 12B of the Income Tax Act (South Africa) was amended from a three-year (50% 30% 20%) accelerated depreciation allowance on renewable energy to an even quicker depreciation allowance of just one year (100%).

How do we benefit?

Business / company's tax in South-Africa is 28%. With this incentive, you can deduct the value of your new solar power system as a depreciation expense from your company's profits. This means that your company's income tax liability will be decreased by the same value as the value of the installed solar system. This reduction can also be carried over to the next financial year as a deferred tax asset.

This is a direct saving of 28% on the purchase price from day one on the solar system!

The financial ROI model of such a solar power system looks very attractive. If a system is bought cash, the ROI would be 3-4 years and if it's on a loan, the ROI would be 4-5 years, depending on the local municipality kWh tariff billing rates.

For more information visit the SARS website www.sars.gov.za