

FREE RESOURCE

Turnover Tax Guide

What Turnover Tax is, who qualifies, what it costs, and how to register, based on SARS's current rules and the Budget 2026 threshold changes.

Turnover Tax is a simplified tax system for qualifying small businesses, under which tax is calculated directly on turnover, meaning total sales before expenses, rather than on profit. **Budget 2026 update:** the qualifying turnover threshold increased from R1 million to R2.3 million, and the tax-free band widened from R335,000 to R600,000, effective 1 April 2026, while the requirement that a company's year of assessment end in February has also been removed. This guide reflects those changes, though it is not intended as tax advice, so please confirm your position with SARS or a registered tax practitioner before registering or deregistering.

INFORMATION CURRENT AS OF 15 AUGUST 2026

01 What Turnover Tax Is, and Who Qualifies

Where a business elects Turnover Tax, it replaces Income Tax, VAT, Provisional Tax, Capital Gains Tax, and Dividends Tax for that business, unless the business also chooses to remain in the VAT system.

TURNOVER TAX, THE MECHANICS

Tax-free threshold: no tax is payable on the first R600,000 of annual turnover.

Tax rate: a sliding scale from 0% up to 3%, increasing as turnover rises within the qualifying band.

Election, not automatic: a qualifying business must register for Turnover Tax with SARS, it does not apply by default.

Can combine with VAT: a business can be Turnover Tax registered and still register for VAT, either voluntarily or once it crosses the VAT threshold.

REQUIREMENTS TO QUALIFY

Turnover: qualifying annual turnover of R2.3 million or less.

Business type: a sole proprietor, a partner in a partnership, a company, a close corporation, or a co-operative. Companies must be registered with CIPC and in good standing.

Professional service income: no more than 20% of total receipts from professional services, such as accounting, consulting, engineering, legal, or financial advice.

Investment income (companies): professional service and investment income combined may not exceed 20% of total receipts.

Shareholding: may not hold shares in another company, other than a listed company, a collective investment scheme, or a venture capital company.

Partnership makeup: every partner must be a natural person, and none may hold an interest in more than one partnership.

Asset sales: proceeds from selling business assets may not exceed R1.5 million across the current and past two years combined.

Labour brokers and personal service providers: a business classed by SARS as a labour broker (without an exemption certificate) or a personal service provider does not qualify.

Year end: previously restricted to the last day of February for companies. This restriction was removed as part of the Budget 2026 changes.

02 Rates, Registration and Payment

Rate table for years of assessment ending between 1 March 2026 and 28 February 2027, reflecting the Budget 2026 threshold increase from R1 million to R2.3 million. This is the first update to these rates since 2009.

Taxable Turnover (R)	Rate of Tax
0 – 600 000	0% of taxable turnover
600 001 – 950 000	1% of taxable turnover above 600 000
950 001 – 1 400 000	R3 500 + 2% of taxable turnover above 950 000
1 400 001 – 2 300 000	R12 500 + 3% of taxable turnover above 1 400 000

Source: SARS, Turnover Tax page, updated April 2026.

ILLUSTRATIVE COMPARISON

A business with R600,000 sales and R180,000 expenses (R420,000 taxable income) would pay approximately:

Structure	Amount Due
Sole Proprietor (Personal Income Tax)	R91 437
Standard Company (27%)	R113 400
Small Business Corporation (SBC)	R30 170
Turnover Tax (on R600 000 taxable turnover)	R0

Figures are illustrative examples based on the pre-2026 rate table. Run your own numbers under the new R2.3 million threshold before deciding.

Turnover Tax is based on sales, not profit. A business with low margins and high costs could pay more under Turnover Tax than under standard income tax, since most expenses are not deductible. Compare both tax paths before choosing, and note that exiting the system later is not always straightforward.

HOW TO REGISTER

Complete the online Quick Test at sars.gov.za to confirm eligibility: Small Business and Employers > Turnover Tax > How to Register > Quick Test.

Obtain and submit the TT01 application form by visiting a SARS Branch Office (via eBooking appointment), by email (Tax Practitioners: pcc@sars.gov.za, Taxpayers: contactus@sars.gov.za), or via the SARS Online Query System (SOQS).

Registration timing: before the beginning of a year of assessment (or a later Gazetted date), or within two months of commencing business activities for a business that starts mid-year.

INTERIM PAYMENTS

1st payment: due within six months of the start of the year of assessment, treated as a provisional tax payment (31 August). Equal to 50% of the Turnover Tax payable on estimated taxable turnover for the year, and the estimate may not be lower than the previous year's taxable turnover unless the Commissioner agrees to a lower estimate.

TT02: for your own record purposes only. It does not need to be submitted to SARS.

VAT and PAYE: registered micro businesses may also register for VAT (since 1 March 2012), and may elect to submit VAT and/or PAYE returns six-monthly, at the end of August and February each tax year (since 1 March 2014).

03 Penalties, Interest and Deregistration

Interest: charged at the prescribed rate on late payments.

Penalties: applied if the second interim payment is less than 80% of the actual taxable turnover for that year of assessment. Penalties may be waived in full or in part under certain circumstances, and relief may be granted where interim payments have been deferred.

Voluntary deregistration: may be elected before the start of a year of assessment (or a later Gazetted date), taking effect from the start of that year.

Requested deregistration: a taxpayer can send SARS a written request. SARS will then send a letter confirming deregistration.

Growth past the threshold: if turnover grows past R2.3 million and the increase is not minor and temporary, SARS must be notified within 21 working days.

Once a business exits the Turnover Tax system, it is not permitted to re-enter it, so this decision is worth taking seriously rather than reversing later.

04 Should You Register?

Consider Turnover Tax if: record-keeping under the standard tax system feels too burdensome or costly, or that system is technically difficult to comply with.

Consider staying in the standard system if: hiring a tax practitioner to meet standard requirements is affordable, or your business is in an assessed loss position, where Turnover Tax offers no benefit.

The decision sits with the founder. This guide does not constitute tax advice.

Want this mapped for your specific business?

Book a Discovery Consultation and we will work through the numbers with you.

[Book a Consultation](#)