



# WHAT YOU NEED TO KNOW ABOUT SA'S NEW SECTION 12BA SOLAR ASSET DEDUCTION

- 1 Taxpayers that carry on a trade and own solar assets which are used in the production of income can claim the 12BA deduction against income.
- 2 The 12BA deduction amounts to 125% of the arm's length cost of the qualifying solar assets used in the generation of electricity (solar system assets).
- 3 The solar system assets must be brought into use for the first time on or after **1 March 2023** and **before 1 March 2025**.
- 4 The 12BA deduction must be claimed in the year of assessment when the solar system assets are brought into use for the first time.
- 5 The 12BA deduction does not have an electricity generation limit (unlike the existing 12B deduction).
- 6 A lessor can claim the deduction if the lessee brings the solar system assets into use for the first time. However, the lessor's 12BA deduction is limited to taxable income arising from the rental income.
- 7 The owner of the solar system assets will claim the 12BA deduction against electricity sold in a power purchase agreement (if any) and other trading income.
- 8 If the solar system assets are sold **before 1 March 2026**, an enhanced recoupment of the 12BA deduction will occur. If sold at or above cost, the recoupment will be equal to the full 12BA deduction. If sold below cost, the recoupment will be 125% of the proceeds received.
- 9 If the solar system assets are sold on or after **1 March 2026**, the recoupment will be equal to the lesser of the proceeds received and the 12BA deduction.
- 10 The 12BA qualifying solar system asset expenses include foundation or supporting structures, costs of all PV panels and parts, voltage solar cells and panels, bi-directional utility meter, AC inverters, batteries, power optimisers, DC combiner, DC boxes and feeder lines, racking, cables, wiring, and planning, installation and delivery costs of these items. Stand-alone batteries and inverters not used with solar panels will not qualify as they do not generate electricity.

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