# Notes to the annual financial statements continued

for the year ended 31 March 2025

## 8. Taxation

### 8.1 Income tax expense

**Significant accounting judgements, estimates and assumptions**

Management determines the income tax charge in accordance with the applicable tax laws and rules which are subject to interpretation. The calculation of the Group's total tax charge involves judgements and estimations in respect of certain items whose tax treatment cannot be finalised until resolution has been reached with the involved parties. The resolution of some items may give rise to material profits, losses and/or cash flows. Where the effect of tax is not certain, management makes taxation liability estimates based on the available information, using either the most likely outcome approach or the expected value approach. Tax assets are only recognised when amounts receivable are virtually certain. The resolution of taxation issues is not always within the control of the Group and, as a result, there can be substantial differences between the taxation charge in the statement of profit or loss and other comprehensive income and the current tax payments.

**Summary of material accounting policies**

Current tax is calculated as amounts that are expected to be paid (or recovered), using the tax rates and laws that have been enacted or substantively enacted by the reporting period date. Deferred tax is calculated on all taxable temporary differences that exist at the reporting date, except those that are exempted based on IAS 12.

Telkom periodically evaluates positions taken in tax returns with respect to situations in which the applicable tax regulation is subject to interpretation. The Group establishes provisions where the position is considered more likely than not to occur. The provision is recognised and measured based on the single most likely outcome approach.

| | Group | | Company | |
|---|---|---|---|---|
| | **31 March 2025** | 31 March 2024 | **31 March 2025** | 31 March 2024 |
| | **Rm** | Rm | **Rm** | Rm |
| **Taxation**[1] | **(858)** | (655) | **(442)** | (59) |
| Discontinued operation | **(199)** | (158) | **—** | — |
| Continuing operations | **(659)** | (497) | **(442)** | (59) |
| South African normal company taxation | **(282)** | (258) | **(86)** | (30) |
| Current taxation | **(280)** | (258) | **(86)** | (30) |
| Underprovision for prior year | **(2)** | — | **—** | — |
| Deferred taxation (refer to note 8.2) | **(376)** | (239) | **(357)** | (29) |
| Capital allowances | **(892)** | (1 115) | **(419)** | (362) |
| Provisions and other allowances | **674** | 412 | **350** | (131) |
| Tax losses | **(236)** | 458 | **(344)** | 471 |
| Acquisition of BCX[2] | **9** | 9 | **—** | — |
| Overprovision/(underprovision) for prior year[3] | **69** | (3) | **56** | (7) |
| **Reconciliation of taxation rate** | **%** | % | **%** | % |
| South African normal rate of taxation | **27.0** | 27.0 | **27.0** | 27.0 |
| Decreased by the following adjustments: | **(7.9)** | (1.5) | **(21.2)** | (25.4) |
| Non-taxable income | **(7.4)** | (3.1) | **(23.2)** | (25.0) |
| Dividends received[4] | **(0.2)** | — | **(4.5)** | (24.5) |
| Profit on sale of assets and investments[5] | **(5.8)** | — | **(18.0)** | (0.3) |
| Cell captive fair value adjustments | **—** | — | **(0.7)** | (0.2) |
| Other exempt income | **(1.4)** | (3.1) | **—** | — |
| Non-deductible expenditure | **2.6** | 2.0 | **0.2** | (0.4) |
| Capital expenditure | **2.0** | 3.4 | **0.4** | 0.2 |
| IFRS 2 share-based payment adjustments | **(1.0)** | (2.0) | **(0.5)** | (1.2) |
| Interest and penalties | **0.3** | 0.1 | **—** | — |
| Other disallowed expenditure | **1.3** | 0.5 | **0.3** | 0.6 |
| Prior year adjustments | **(1.9)** | (0.4) | **(0.9)** | — |
| Prior year overprovision/(underprovision) tax expense[3] | **(1.9)** | (0.4) | **(0.9)** | — |
| Other taxes | **(1.2)** | — | **2.7** | — |
| Discontinued operation effect | **(9.9)** | — | **—** | — |
| Capital gains tax | **8.7** | — | **2.7** | — |
| Effective rate[6] | **19.1** | 25.5 | **5.8** | 1.6 |

[1] *The Group tax expense increased by R203 million to R858 million in the current year primarily due to the increase in the Group's taxable profits.*
[2] *This relates to non-deductible write-offs in respect of the previous acquisition of BCX.*
[3] *The movement in the overprovision/underprovision is mainly due to adjustments that related to capital allowances on fixed assets that were recognised in prior years and reversed in the current year as they did not have any impact going forward.*
[4] *The movement in dividends received for Group is mainly due to dividends received from the insurance cell captive. The Company received less dividends from subsidiaries in the current financial year.*
[5] *The movement in the Group tax rate relating to profit on sale of assets is mainly due to the increase in profits related to property disposals that took place in FY2025. The increase in Company is mainly due to the sale of Swiftnet which is subject to a capital gain inclusion of 80% compared to the full accounting profit that is non-taxable.*
[6] *The decrease of 6.4% in the effective tax rate for Group is primarily attributable to property disposals that are subject to a capital gain inclusion of 80% compared to the full accounting profit that is non-taxable. The increase in the effective tax rate for Telkom Company is mainly due to the lower amount of dividends received in FY2025.*