Notes to the financial statements continued

for the year ended 31 March 2024

8. Taxation continued

8.2 Deferred taxation

Significant accounting judgements, estimates and assumptions

Deferred taxation asset

Management's judgement is exercised when determining the probability of future taxable profits which will determine whether deferred taxation assets should be recognised or derecognised. The realisation of deferred taxation assets will depend on whether it is possible to generate sufficient taxable income, taking into account any legal restrictions on the length and nature of the taxation asset. When deciding whether to recognise unutilised deferred taxation credits as deferred tax assets, management needs to determine the extent that the future obligations are likely to be available for set-off against the deferred taxation asset. In the event that the assessment of the future obligation and future utilisation changes, the change in the recognised deferred taxation asset is recognised in profit or loss. The carrying amount of the deferred tax asset is reviewed at each reporting date and adjusted to reflect changes in the probability that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Source of estimation uncertainty

Deferred tax assets are recognised for unused tax losses, unused tax credit and deductible temporary differences (as applicable) to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be used. The Group is required to make significant estimates in assessing whether future taxable profits will be available.

Future taxable profits are determined based on business plans for individual entities in the Group and the probable reversal of taxable temporary differences in future. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Such reductions are reversed when the probability of future taxable profits improves. The Group recognised deferred tax assets in the current year amounting to R4 160 million (31 March 2023: R4 304 million).

Based on the five-year business plan, it is envisaged that Telkom will have future taxable profits available against which the deferred tax asset can be used.

	Group		Company	
	31 March 2024 Rm	Restated[3] 31 March 2023 Rm	**31 March 2024 Rm**	31 March 2023 Rm
Deferred taxation[1]	**3 873**	4 064	**1 386**	1 415
Opening balance	**4 064**	71	**1 415**	(28)
Profit and loss and opening balance movements	**(248)**	4 022	**(29)**	2 039
Capital allowances[2,3]	**(1 115)**	3 226	**(362)**	1 490
Provisions and other allowances[3]	**412**	319	**(131)**	345
Tax losses	**458**	470	**471**	197
(Underprovision)/overprovision prior year	**(3)**	7	**(7)**	7
Common control transactions/business combinations	**8**	9	**–**	(568)
Held for sale adjustment	**48**	–	**–**	–
Other comprehensive income deferred tax impact	**1**	(38)	**1**	(28)
The balance comprises:	**3 873**	4 064	**1 386**	1 415
Capital allowances[3]	**(1 669)**	(1 510)	**(2 604)**	(2 242)
Provisions and other allowances[3]	**4 053**	4 579	**2 736**	2 873
Business combination	**(31)**	(40)	**–**	–
Common control transactions	**–**	(31)	**–**	–
Tax losses	**1 977**	1 523	**1 712**	1 241
Other comprehensive income tax impact	**(457)**	(457)	**(458)**	(457)
Deferred taxation balance is made up as follows:[1]	**3 873**	4 064	**1 386**	1 415
Deferred taxation assets[1]	**4 160**	4 304	**1 386**	1 415
Deferred taxation liabilities	**(287)**	(240)	**–**	–

[1] *The Group considered the following factors in assessing whether it is probable that the Group will have future taxable profits against which the deferred tax asset (DTA) can be utilised:*

- *It is expected that the circumstances resulting in the Group's tax losses will not continue and that no additional tax losses will arise within the next two to three years.*
- *The DTA that arose as a result of the impairment of property, plant and equipment and intangible assets in the prior year will continue to be utilised within approximately seven years through the use of the assets. The commencement of the utilisation in the current year is evident in the reduction of the DTA attributable to the movement in capital allowances.*

[2] *The decrease of R4 341 million on capital allowances is due to the reduced depreciation charge following the impairments that were raised in the prior year.*

[3] *Restated due to the adoption of the IAS 12 amendments. The restatement has resulted in the adjustment of a negative R26 million and R26 million to capital allowances and provisions and other allowances, respectively, under the profit and loss and opening balance movements and negative R813 million and R813 million to capital allowances balance and provisions and other allowances balance, respectively. Refer to* *note 2.2.1* *for details.*