Notes to the annual financial statements continued

for the year ended 31 March 2026

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 estimates in respect of certain items for which the 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 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 2026 Rm	31 March 2025 Rm	**31 March 2026 Rm**	31 March 2025 Rm
Taxation[1]	**(1 208)**	(858)	**(795)**	(442)
Discontinued operation	**—**	(199)	**—**	—
Continuing operations	**(1 208)**	(659)	**(795)**	(442)
South African normal company taxation	**(264)**	(282)	**(123)**	(86)
Current taxation	**(273)**	(280)	**(128)**	(86)
Overprovision/(underprovision) for prior year	**9**	(2)	**5**	—
Deferred taxation (refer to note 8.2)	**(944)**	(376)	**(672)**	(357)
Capital allowances	**(758)**	(892)	**(436)**	(419)
Provisions and other allowances[2]	**106**	674	**276**	350
Tax losses	**(325)**	(236)	**(514)**	(344)
Acquisition of BCX[3]	**23**	9	**—**	—
Overprovision for prior year[4]	**10**	69	**2**	56
Reconciliation of taxation rate	**%**	%	**%**	%
South African normal rate of taxation	**27.0**	27.0	**27.0**	27.0
Decreased by the following adjustments:	**(1.6)**	(7.9)	**(7.1)**	(21.2)
Non-taxable income	**(1.6)**	(7.4)	**(6.9)**	(23.2)
Dividends received	**—**	(0.2)	**(5.4)**	(4.5)
Profit on sale of assets and investments[5]	**(0.9)**	(5.8)	**(0.5)**	(18.0)
Cell captive fair value adjustments	**—**	—	**(1.0)**	(0.7)
Other exempt income	**(0.7)**	(1.4)	**—**	—
Non-deductible expenditure	**1.1**	2.6	**0.5**	0.2
Capital expenditure	**1.4**	2.0	**1.0**	0.4
IFRS 2 share-based payment adjustments	**(0.5)**	(1.0)	**(0.6)**	(0.5)
Interest and penalties	**0.1**	0.3	**—**	—
Other disallowed expenditure	**0.1**	1.3	**0.1**	0.3
Prior year adjustments	**(0.9)**	(1.9)	**(0.7)**	(0.9)
Prior year underprovision tax expense[4]	**(0.9)**	(1.9)	**(0.7)**	(0.9)
Other taxes	**(0.2)**	(1.2)	**—**	2.7
Discontinued operation effect	**(0.2)**	(9.9)	**—**	—
Capital gains tax	**—**	8.7	**—**	2.7
Effective rate[6]	**25.4**	19.1	**19.9**	5.8

[1] *The Group tax expense increased by R350 million to R1 208 million in the current year primarily due to the increase in the Group's taxable profits.*

[2] *The movement in the provisions and allowances is mainly due to the IFRS 16 lease liabilities that increased as a result of remeasurements and additions in the current year.*

[3] *This relates to non-deductible write-offs in respect of the previous acquisition of BCX.*

[4] *The decrease in overprovision/underprovision is mainly due to capital allowances on fixed assets that were recognised in the prior years.*

[5] *The decrease in the Group tax rate relating to profit on sale of assets is mainly due to reduced profits in respect of property disposals that occurred in Gyro Properties compared to the prior year. The decrease in Company is mainly due to the sale of Swiftnet in the prior year which was subject to a capital gain inclusion of 80% compared to the full accounting profit that is non-taxable.*

[6] *The increase of 6.3% in the effective tax rate for Group is primarily attributable to property disposals in the prior year that were subject to a capital gain inclusion rate of 80%. The increase in the effective tax rate for Telkom Company is mainly due to the impact of the reduced exempt income from the insurance cell captives, higher capital losses and reduced impact of the IFRS 2 share-based expense adjustment in the current year.*