NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

	Group		Company	
	2013	2012	**2013**	2012
	Rm	Rm	**Rm**	Rm
9. TAXATION	**490**	595	**326**	766
South African normal company taxation	**1,105**	1,026	**959**	882
Current taxation	**1,079**	1,055	**933**	903
Under/(over)provision for prior year	**26**	(29)	**26**	(21)
Deferred taxation (refer to note 19)	**(621)**	(494)	**(633)**	(163)
Capital allowances	**(309)**	(516)	**(316)**	(179)
Provision other allowances	**(318)**	(520)	**(324)**	14
Underprovision prior year	**6**	2	**7**	2
Tax loss	**–**	526	**–**	–
Temporary difference – Secondary Taxation on Companies tax credits reversed	**–**	14	**–**	–
Secondary Taxation on Companies (STC)	**–**	70	**–**	47
Foreign taxation	**6**	(7)	**–**	–
The decrease in the current year deferred taxation is as a result of the shorter taxation write off periods on property, plant and equipment that was previously utilised and the add back of employee related provisions. Previously STC was provided for at a rate of 10% on the amount by which dividends declared by Telkom exceeded dividends received. Withholding taxation on dividends is effective for dividends declared on 1 April 2012 at a rate of 15%. All unutilised STC credits as at 31 March 2012 were utilised in full with the declaration of the dividend on 8 July 2011.				
Reconciliation of taxation rate:	**%**	%	**%**	%
Effective rate	**(4.4)**	76.7	**(2.8)**	129.8
South African normal rate of taxation	**28.0**	28.0	**28.0**	28.0
Adjusted for:	**(32.4)**	48.7	**(30.8)**	101.8
Exempt income	**1.0**	(23.8)	**1.1**	(16.9)
Disallowable expenditure*	**(4.1)**	68.5	**(3.7)**	114.6
Foreign taxation	**(0.1)**	(0.9)	**–**	–
Deferred tax asset limitation	**(28.9)**	–	**(27.9)**	–
Other adjustments	**–**	(2.3)	**–**	(3.0)
Underprovision for prior years	**(0.3)**	(3.6)	**(0.3)**	(3.2)
Secondary Taxation on Companies tax credits reversed	**–**	1.8	**–**	2.4
Secondary Taxation on Companies tax charge	**–**	9.0	**–**	7.9

The significant decrease in the effective taxation rate related to 2013 is mainly due to lower amounts of disallowable expenditure that occurred in 2013. The majority of non-deductable expenditure added back in 2013 related to the Competition Commission fines. Included in disallowable expenditure in 2012 are the impairment of iWayAfrica, the realisation of foreign exchange differences due to the disposal of Multi-Links Telecommunications Ltd and certain non-deductible expenses.

Refer to note 19 with regard to the deferred tax asset limitation.

* *Included in the 4.1% in the 2013 financial year is the effect of 0.3% relating to the ring fencing of foreign entity losses.*