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February 2026

## February Provisional Tax Deadline: How to Avoid Stiff Underestimation Penalties

*“Today, it takes more brains and effort to make out the income tax form than it does to make the income.” (Alfred E. Neuman, Mad Magazine Mascot)*

Provisional tax is among the most confusing aspects of the tax regime – and it’s also the most heavily penalised. There are numerous declarations and payments overlapping throughout each year, not to mention a raft of rules and exceptions.

The next provisional tax deadline for the 2026 tax year (coming up on 27 February 2026) is also the trickiest and most important provisional tax deadline of the year. This is because the income estimates declared must be highly accurate. A stiff 20% under-estimation penalty can apply if the declared income estimate doesn’t fall within 80–90% of the actual taxable income.

Our professional assistance is your ticket to avoiding non-compliance and stiff penalties.



### Must you pay provisional tax?

- **Companies** are automatically provisional taxpayers.
- **Individuals** who receive income other than a salary may also be provisional taxpayers, depending on various criteria. This includes sole proprietors and may include members of CCs and company shareholders / directors that earn income not fully subject to PAYE. SARS places the onus on you to determine if you are liable for provisional tax, so it’s best to check your status with us if in any doubt.
- **Other taxpayers** include trusts and any person notified by the SARS Commissioner. Exceptions and thresholds apply in every instance, so be sure to verify with our team of tax professionals.

### What is provisional tax?

Provisional tax is not a type of tax, but rather a way of paying an annual income tax liability in two or three payments during a tax year. This prevents taxpayers from facing one large tax bill at year-end when the annual personal income tax (PIT) return or corporate income tax (CIT) return is filed.

Making provisional tax payments allows you to spread the tax liability across the year. But it also creates additional administrative obligations (calculations, returns), and increases the risk of penalties – particularly under-estimation penalties.

### Three provisional tax payments each year

The following rules apply to individuals and to companies / trusts with a year of assessment running from 1 March to 28 February:

- **First payment:** Due within six months of the start of the year of assessment. For the 2026 year (which commenced on 1 March 2025), this was due end August 2025. This forward-looking payment is based on half of the total estimated tax for the full year, less employees' tax already paid and any applicable tax credits and rebates.
- **Second payment (due 27 February 2026):** This is retrospective and based on the total estimated tax for the full tax year, less provisional tax and employees' tax already paid in the first period, and any applicable tax credits and rebates. The rules are far stricter with harsh penalties for under-estimating.
- **Third payment (optional):** Can be made after the end of the tax year but before the issuing of the annual income tax assessment by SARS each year, typically by 30 September.

Bear in mind that SARS can ask for your estimate to be justified, so you'll need accurate records of all source documents and calculations used. SARS can even increase the estimate if they're dissatisfied with your amount, and this is not subject to objection or appeal.

#### Further penalties to watch out for

- **Late filing:** If an IRP6 is filed more than four months after the deadline, SARS will consider a 'nil' return to have been submitted. Unless actual taxable income really was zero, an under-estimation penalty will also apply.
- **Interest charges:** Interest will be levied on underpayment of provisional tax resulting from under-estimation.
- **Late payment penalty:** Not making provisional tax payments on time will result in an immediate 10% penalty, regardless of whether it's not paid at all or simply paid late.

#### Rely on our expert assistance

The rules of provisional tax are daunting and confusing, yet SARS holds provisional taxpayers responsible for their tax affairs.

SARS recommends that the provisional tax estimate is determined sensibly and by careful reasoning and judgement, in a mathematical manner, and using experience, common sense and all available information.

**Our professional assistance is invaluable as you prepare and review your provisional tax and income tax returns prior to submission.** We proactively take care of all necessary steps to correctly calculate estimated taxable income and submit timeously – in the process saving you time, money, and hassle.

## Why Doing Nothing May Be the Best Thing You Can Do

*"The difference between successful people and really successful people is that really successful people say no to almost everything." (Warren Buffett)*

In a world where constant activity is seen as progress, the real high-performing leaders are doing something different. These entrepreneurs, CEOs and founders understand that not every signal deserves a response, not every problem requires an immediate solution, and not every opportunity is worth pursuing. In volatile markets, noisy feedback loops and emotionally charged leadership environments, doing nothing can be the hardest and smartest move you'll ever make. Here's why.



#### You don't make decisions with insufficient information

If the data is weak, contradictory, or incomplete, action often locks in the wrong conclusion. High-performing founders pause to gather better inputs, test assumptions, or wait for the environment to stabilise. Acting early may feel decisive, but it increases the chances of rework and wasted capital. Don't hesitate to consult with your accountant, or other experts while you wait to ensure all data is as complete as possible before acting.

#### You avoid solving problems that aren't real yet

Many issues in start-ups resolve on their own: customer complaints from edge cases, short-term revenue dips, internal friction during growth... Founders who intervene too early often create processes, complexity, or cost for problems that would have disappeared organically. Strategic inaction prevents over-engineering.

#### You delay irreversible decisions

Hiring senior executives, firing key staff, pivoting your business model, or entering long-term contracts are all hard to undo. High-performing founders deliberately slow these decisions. Waiting allows emotions to settle and consequences to become clearer. Speed matters, but not when mistakes are expensive.

#### You prevent emotional decision-making

Founders are most likely to act badly when under stress. Losing a client, missing a target, or facing criticism is guaranteed to heighten feelings. Strategic inaction creates distance between the stimulus and the response. This reduces decisions driven by fear, ego, or the need to appear in control.

#### You let existing systems run before changing them

When something underperforms, the instinct is to intervene. You would be better off first asking whether the system has had enough time to work. Premature changes make it impossible to know what is actually effective. Doing nothing (for a while) is often the fastest way to learn.

### You conserve focus and organisational capacity

Every new initiative pulls attention away from existing priorities. Try to recognise that your company's capacity is limited. By choosing not to act, you will protect delivery on what already matters. This is especially important as teams scale and coordination costs increase.

### You use time as a risk-management tool

Waiting can reduce uncertainty. Competitors reveal their strategies. Markets clarify. Customer behaviour becomes more predictable. Strategic inaction is often about allowing risk to resolve itself before committing resources.

### The bottom line: Choosing not to act is still a decision

Doing nothing is not neutral. It must be intentional, reviewed, and time-bound. Experienced entrepreneurs track what they are choosing not to do and reassess regularly. **Remember, strategic inaction works only when paired with attention and accountability.**

## Your Year-End Tax Checklist: Smart Moves Before 28 February

*"The avoidance of taxes is the only intellectual pursuit that still carries any reward. (John Maynard Keynes)"*



### 1. Boost your retirement savings

Contributing to a Retirement Annuity (RA) before 28 February can reduce your taxable income and grow your long-term wealth. If you haven't maximised your annual tax deduction for contributions to retirement funds, this is a good moment to review it. Got any questions – ask us.

### 2. Top up your Tax-Free Savings Account (TFSA)

Each member of your family (even minor children) can have a TFSA and you can contribute up to R36,000 per year to each account. Interest and dividends paid from and capital growth inside a TFSA are completely tax-free, making it one of the most powerful long-term investment tools available.

### 3. Consider making a section 18A donation

Donations to qualifying Public Benefit Organisations (PBOs) and some other donees that are approved to issue section 18A receipts, are tax-deductible (up to 10% of taxable income). If you're planning to give, now is a good time to do so.

### 4. Review your investment gains and losses

If you've realised capital gains this year, you may be able to offset them by realising losses on underperforming investments. This is known as "tax-loss harvesting" and can help reduce your capital gains tax. If you're unsure if this applies to you, we can definitely assist. There is also a CGT exclusion (up to R2 million in gains) on the sale of your primary residence so the timing of your house sale may have big tax implications (positive or negative).

### 5. Check your interest income

South Africans enjoy an annual local interest exemption of R23 800 (R34 500 for individuals 65 or older). If your interest income is close to or above the threshold, it may be worth reviewing where your cash is held and whether a more tax-efficient structure makes sense. Our advice here could be crucial.

### 6. Gather all your Tax Certificates

Make sure you have the necessary documents from your investment platforms, including:

- Interest and dividend statements
- Capital gains summaries
- RA and TFSA contribution reports

These will make your tax return smoother and help avoid SARS mismatches.

### 7. Review medical and other allowable expenses

If you've had out-of-pocket medical costs or other deductible expenses, gather those records now so they're ready for your return.

## 8. Provisional taxpayers: Double-check your estimate

If you're a provisional taxpayer, your second payment is due at the end of February. Ensuring your estimate is accurate can help you avoid penalties later.

### A stitch in time saves nine

If you'd like help reviewing any of these items or want to explore opportunities specific to your financial plan, we are here to support you.

## So, You Want to Diversify? You Might Be Making a Mistake

*"Any intelligent fool can make things bigger and more complex. It takes a touch of genius, and a lot of courage, to move in the opposite direction." (Statistician and economist, E.F. Schumacher)*

Diversification makes intuitive sense. When one revenue stream falters, another should compensate. When one market cools, another heats up. In theory, it's prudent. In reality, however, as businesses accumulate products, geographies, customer segments and internal processes, decision-making slows and execution weakens. What began as risk management turns into managerial overload. The uncomfortable truth is that sometimes executing fewer things extraordinarily well, for longer than competitors can tolerate, is sometimes the path to true success.



Whether you're selling koeksisters from your garage or leading a multinational tech behemoth, the ten pointers below are worth taking note of.

### Diversification feels safer than it actually is

Diversification offers psychological comfort. It gives leaders the sense that they are "covered" from uncertainty. But safety in theory is not safety in execution. Each new product, market or channel introduces its own operational demands, regulatory requirements, customer expectations and failure points. Risk doesn't disappear, it fragments. Instead of managing one or two critical risks deeply, leadership is forced to shallowly monitor many. The illusion of safety often masks a rise in systemic fragility.

### Complexity is a hidden tax on performance

Every additional business line adds meetings, reporting layers, decision pathways and coordination costs. These costs rarely appear cleanly on an income statement, but they erode margins all the same. Management attention becomes diluted. Strategic conversations shift from "How do we win?" to "How do we keep everything from breaking?"

### Focus is a force multiplier

Focused companies learn faster. They serve customers better because feedback loops are tight and clear. When something goes wrong, causes are easier to identify and fix. When something goes right, it can be scaled with confidence. Diversified organisations often struggle to replicate this clarity. Success in one unit is obscured by mediocrity in others. Focus doesn't just improve execution, it sharpens strategic judgment.

### Diversification often masks unresolved core weaknesses

One of the most under-discussed drivers of diversification is discomfort. When growth slows in the core business, expanding outwards can feel more exciting than fixing what's broken. Unresolved issues, weak unit economics, unclear positioning, operational inefficiencies ... These things don't vanish when you diversify, they multiply to new areas. The same leadership blind spots and process failures are often replicated across a wider footprint. If you're wondering whether diversification might be hurting you, feel free to ask for our input – sometimes a fresh perspective is all it takes.

### Operational excellence doesn't scale sideways

What works brilliantly in one context rarely translates seamlessly into another. Different customer segments require different value propositions. Different geographies demand different logistics, pricing structures and cultural understanding. Founders often underestimate how bespoke excellence truly is. Horizontal expansion assumes transferable competence – but in reality, each new area requires its own learning curve. The result can be a portfolio of businesses that are all "good enough," but none exceptional.

### Small and fast – Or big and slow?

Speed is one of the greatest advantages of entrepreneurial organisations. Diversification erodes it. As organisations grow broader, decisions require more stakeholders, more data reconciliation and more compromise. What once took days now takes weeks. Opportunities expire while you're trying to coordinate a Teams meeting to discuss them. In fast-moving markets, this loss of velocity can be fatal. Competitors with narrower focus can outmanoeuvre diversified incumbents simply by deciding, and acting, faster.

### **Diversification can dilute brand meaning**

Strong brands stand for something specific. They occupy a clear mental position in the customer's mind. Diversification blurs that signal. Customers struggle to understand what the company truly excels at. Is it premium or mass? Specialist or generalist? Innovative or reliable? When brand meaning weakens, pricing power follows. What was once differentiation becomes confusion – and confusion is rarely profitable.

### **The most resilient businesses often look concentrated, not diversified**

History is filled with companies that endured precisely because they stayed narrow. They dominated niches, controlled quality obsessively and reinvested relentlessly into their core advantage. Their resilience came not from spread, but rather from deep customer relationships, deep expertise and deep operational mastery. Concentration allowed them to absorb shocks because their fundamentals were strong, not because they were hedged.

### **Simplicity is not stagnation**

**Rejecting diversification does not mean rejecting growth.** It means choosing growth paths that reinforce the core rather than distract from it. Vertical integration, geographic expansion of a proven model, or deeper penetration of the same customer segment can all drive scale without overwhelming complexity.

### **Don't ask "Can we?" but "Should we?"**

Most businesses diversify because they can, not because they should. Capital is available. Talent is curious. Opportunities appear abundant. But the cost of complexity is rarely paid upfront, it is paid slowly, in lost clarity, slower execution and diminished excellence. Leaders who understand this ask a harder question: what must we protect at all costs and what are we willing to walk away from?

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### **Your Tax Deadlines for February 2026**

- 06 February – PAYE submissions and payments
- 25 February – VAT manual submissions and payments
- 26 February – Excise duty payments
- 27 February – VAT electronic submissions and payments, CIT Provisional Tax payments where applicable and PIT Second Provisional Tax payments for the 2026 year of assessment.



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