Notes to the Group annual financial statements continued

For the year ended 31 May 2017

7. Taxation

7.1 Income tax expense

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at year-end in the countries where the Company's subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Uncertain tax positions are considered by the Group at the level of the individual uncertainty or group of related uncertainties.

Critical accounting estimates and assumptions

As with any enterprise, the Group faces uncertainties in the markets in which it operates and over which it has little or no control. The Group is subject to income tax in numerous jurisdictions and judgement is required in determining the provision for tax.

There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Amounts accrued are based on management's interpretation of country-specific tax law and the likelihood of settlement. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognised to the extent that it is probable that taxable income will be available in the future against which these can be utilised. Future taxable income is estimated based on business plans which include estimates and assumptions regarding economic growth, interest rates, inflation and competitive forces.

	2017 R'000	2016 R'000
Current tax	**345 990**	305 420
Current year	**344 739**	305 652
Adjustment in respect of prior years	**1 251**	(232)
Deferred tax	**(13 953)**	13 363
Current year	**(14 667)**	14 749
Adjustment in respect of prior years	**714**	(1 386)
	332 037	318 783
Profit before tax	**1 152 898**	1 050 395
Tax at 28%	**322 811**	294 111
Fair value adjustments	**(1 565)**	(10 829)
Expenditure of a capital nature	**11 480**	9 082
Other income not subject to tax	**(11 421)**	(5 238)
Other expenses not deductible for tax purposes	**4 434**	8 090
Tax effect of reclassification of investment in associates and joint venture to venture capital investment	**(44 855)**	—
Capital gains tax	**2 876**	2 431
Tax effect of assessed losses not recognised	**130**	2 467
Share of losses from associates and joint ventures	**46 183**	20 096
Adjustment in respect of prior years	**1 964**	(1 618)
Effect of different tax dispensations	**—**	191
Tax charge	**332 037**	318 783
Effective tax rate (%)	**29**	30