Notes to the Group annual financial statements
continued

for the year ended 31 May 2021

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

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.

	2021 R'000	2020 R'000
Current tax	**199 720**	313 000
Current year	**199 907**	312 991
Adjustment in respect of prior years	**(187)**	9
Deferred tax	**58 939**	(8 146)
Current year	**58 874**	(8 914)
Adjustment in respect of prior years	**65**	768
Withholding tax	**—**	(5 612)
Transfer from other comprehensive income	**293**	—
Income tax expense	**258 952**	299 242
Total taxation is attributable to:		
Profit from continuing operations	**249 416**	219 752
Profit from discontinued operations	**9 536**	79 490
	258 952	299 242

7. Taxation continued

7.1 Income tax expense continued

	2021 R'000	2021 %	2020 R'000	2020 %
Profit from continuing operations before tax	**1 102 111**		500 835	
Profit from discontinued operations before tax	**34 858**		17 514	
Profit before tax	**1 136 969**		518 349	
Tax at 28%	**318 351**	**28.0**	145 138	28.0
(Gain)/loss on liquidity support not (taxable)/ deductible	**(5 435)**	**(0.5)**	13 634	2.6
Expenditure of a capital nature	**2 420**	**0.2**	5 935	1.1
Financial guarantee contracts	**(24 287)**	**(2.1)**	—	—
Recycling of foreign currency translation reserve on sale of subsidiary (refer to note 11)	**—**	**—**	(14 990)	(2.9)
Recycling of foreign currency translation reserve on sale of joint venture	**(14 711)**	**(1.3)**	—	—
Profit on disposal of joint venture	**(7 547)**	**(0.7)**	—	—
Impairment of goodwill	**—**	**—**	59 804	11.6
Interest receivable impaired in prior years written off	**(25 188)**	**(2.2)**	—	—
ECL movement on loans receivable	**(17 529)**	**(1.5)**	—	—
Loan written off	**—**	**—**	49 791	9.6
Derecognition of put option liability on disposal of VAS Operations (refer to note 11)	**—**	**—**	(60 077)	(11.6)
Recognition of derivative liability	**—**	**—**	21 707	4.2
Fair value adjustments to loans receivable	**—**	**—**	21 186	4.1
Fair value adjustments to discontinued operations	**—**	**—**	27 669	5.4
Surety loan fair value adjustment	**5 912**	**0.5**	(5 551)	(1.1)
Other income not subject to tax	**(8 483)**	**(0.7)**	(25 895)	(5.0)
Other expenses not deductible for tax purposes	**1 549**	**0.1**	61 417	11.9
Capital gains tax	**—**	**—**	8 291	1.6
Tax effect of assessed losses not recognised	**45 378**	**4.0**	2 627	0.5
Utilisation of previously unrecognised assessed losses	**(10 823)**	**(1.0)**	(1 955)	(0.4)
Share of profits from associates and joint ventures (refer to note 2.1)	**(826)**	**(0.1)**	(3 819)	(0.7)
Adjustment in respect of prior years	**(122)**	**(0.0)**	777	0.1
Effect of different tax dispensations	**—**	**—**	(835)	(0.2)
Transfer from OCI	**293**	**0.0**	—	—
Withholding tax	**—**	**—**	(5 612)	(1.1)
Tax charge	**258 952**	**22.7**	299 242	57.7
Effective tax rate	**23%**		58%	