7. TAXATION continued

7.2 Deferred taxation

Deferred taxation is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by year-end and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Critical accounting estimates and assumptions

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

	Capital allowances R'000	Purchase price allocations and fair value gains* R'000	Provisions R'000	Tax losses R'000	Prepayments R'000	Unrealised foreign exchange differences R'000	Other** R'000	Total R'000
At 31 May 2022	341 572	67 736	(97 714)	(127 808)	8 623	—	24 248	216 657
Charged/(credited) to the income statement	(13 247)	(11 312)	(42 485)	44 391	(4 182)	10 195	(40 598)	(57 238)
Charged to other comprehensive income	—	1 460	—	(4 668)	—	—	—	(3 208)
Tax rate change	—	—	—	—	—	—	(1 879)	(1 879)
At 31 May 2023	**328 325**	**57 884**	**(140 199)**	**(88 085)**	**4 441**	**10 195**	**(18 229)**	**154 332**
Charged/(credited) to the income statement	**(48 174)**	**(8 206)**	**106 204**	**(14 749)**	**625**	**(1 729)**	**27 951**	**61 922**
Charged to other comprehensive income	**—**	**—**	**—**	**—**	**—**	**—**	**(3 487)**	**(3 487)**
At 31 May 2024	**280 151**	**49 678**	**(33 995)**	**(102 834)**	**5 066**	**8 466**	**6 235**	**212 767**

* These relate to intangible assets included in note 4.2.

** Other deferred tax includes R31.4 million (2023: R50 million) deferred taxation asset in respect of taxes paid on the gross profit that arose from the airtime sale and repurchase transaction which formed part of the Cell C Recapitalisation Transaction. For South African income tax purposes this is included in gross income when the sale of the airtime takes place. For accounting purposes, the gross profit on the airtime will only be recognised in profit or loss when the airtime repurchased, is sold to customers. This is offset by a R35.4 million (2023: R26.2 million) deferred tax liability that arose as a result of contract revenue recognised in advance.

	2024 R'000	2023 R'000
Deferred tax asset comprises:		
Capital allowances	**(339)**	(243)
Provisions	**(72 443)**	(140 199)
Tax losses	**(102 834)**	(88 085)
Other	**(29 137)**	(44 464)
Total deferred tax asset	**(204 753)**	(272 991)
Deferred tax liability comprises:		
Capital allowances	**280 489**	328 567
Purchase price allocations and fair value gains	**49 678**	57 884
Provisions	**38 448**	—
Prepayments	**5 066**	4 441
Unrealised foreign exchange differences	**8 466**	10 195
Other	**35 373**	26 236
Total deferred tax liability	**417 520**	427 323
The analysis of deferred tax assets and deferred tax liabilities is as follows:		
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	**(32 354)**	(14 641)
Deferred tax assets to be recovered within 12 months	**(111 523)**	(150 167)
Net deferred tax asset	**(143 877)**	(164 808)
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	**106 599**	252 082
Deferred tax liabilities to be recovered within 12 months	**250 045**	67 058
Net deferred tax liability	**356 644**	319 140

Where deferred tax assets have been recognised in respect of entities which have incurred losses in the current or prior years, a formal process of assessment of the future profitability of the entity has been performed based on detailed budgets and cash flow forecasts. As a result, management believes that the current tax losses will be utilised within one to five years.

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of R50 million (2023: R48.8 million) in respect of losses amounting to R181.4 million (2023: R180.9 million) that can be carried forward against future taxable income.

There is no withholding tax that would be payable on any dividends received from the Group's equity-accounted associates and joint ventures and therefore no deferred tax has been raised in this regard.