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	Share Scheme R'000	Other** R'000	Total R'000
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)	(3 590)	31 541	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**	**(3 590)**	**9 825**	**212 767**
Charged/(credited) to the income statement	**(37 953)**	**(8 406)**	**(33 681)**	**3 236**	**683**	**(3 365)**	**(25 673)**	**(88 812)**	**(193 971)**
At 31 May 2025	**242 198**	**41 272**	**(67 676)**	**(99 598)**	**5 749**	**5 101**	**(29 263)**	**(78 987)**	**18 796**

* These relate to intangible assets included in note 4.2.

** Other deferred tax includes R22.5 million (2023: R31.4 million) deferred taxation asset in respect of taxes paid on the gross profit that arose from the airtime sale and repurchase transaction 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.

	2025 R'000	2024 R'000
Deferred tax asset comprises:		
Capital allowances	**(292)**	(338)
Purchase price allocations and fair value gains	**(302)**	—
Provisions	**(109 414)**	(72 443)
Tax losses	**(99 598)**	(102 834)
Prepayments	**(214)**	—
Unrealised foreign exchange differences	**(1 883)**	—
Share scheme	**(29 263)**	(3 590)
Other	**(107 599)**	(25 548)
Total deferred tax asset	**(348 565)**	(204 753)
Deferred tax liability comprises:		
Capital allowances	**242 490**	280 489
Purchase price allocations and fair value gains	**41 574**	49 678
Provisions	**41 738**	38 448
Prepayments	**5 963**	5 066
Unrealised foreign exchange differences	**6 984**	8 466
Other	**28 612**	35 373
Total deferred tax liability	**367 361**	417 520
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	**(58 681)**	(32 354)
Deferred tax assets to be recovered within 12 months	**(145 871)**	(111 523)
Net deferred tax asset	**(204 552)**	(143 877)
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	**39 861**	106 599
Deferred tax liabilities to be recovered within 12 months	**183 487**	250 045
Net deferred tax liability	**223 348**	356 644

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 R59.6 million (2024: R50 million) in respect of losses amounting to R224.1 million (2024: R181.4 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.