

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

3 TAXATION

3.1 Income tax expense

The tax expense for the period comprises current, deferred and withholding tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity. For these items the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date in the countries where the Company and its subsidiaries operate and generate taxable income, and any adjustment to tax payable in respect of previous years. 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.

Deferred tax

Deferred tax is recognised using the liability method, providing for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements for financial reporting purposes. Deferred tax is not recognised if the temporary difference arises from goodwill or from the 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. Deferred tax is measured at tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply to temporary differences when they reverse.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised for unused tax losses or deductible temporary differences only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

As the functional currencies of MTN Sudan Company Limited and MTN Syria (JSC) are currencies of hyper-inflationary economies, deferred tax relating to these subsidiaries is recognised using the liability method, providing for temporary differences arising between the tax bases of assets and liabilities and their restated carrying amounts.

Withholding tax

Withholding tax is payable at different rates varying between 0% and 25% on amounts paid to the Group companies by their subsidiaries as dividends and management fees.

	2015 Rm	2014 Rm
Analysis of income tax expense for the year		
Normal tax	(10 241)	(13 027)
Current year	(11 021)	(13 226)
Adjustments in respect of the prior year	780	199
Deferred tax (note 3.2)	530	1 400
Current year	1 329	1 466
Adjustments in respect of the prior year	(799)	(66)
Capital gains tax	–	(1)
Foreign income and withholding taxes	(1 611)	(1 733)
	(11 322)	(13 361)

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

3 TAXATION (continued)

3.1 Income tax expense (continued)

The table below explains the differences between the expected tax expense on continuing operations, at the South African statutory rate of 28% and the Group's total tax expense for each year.

The Group's effective tax rate is reconciled to the South African statutory rate as follows:

	2015 %	2014 %
Tax rate reconciliation		
Tax at statutory tax rate	28,00	28,00
Expenses not allowed	11,89	1,86
Effect of different tax rates in other countries	(0,16)	0,60
Income not subject to tax	(11,16)	(4,51)
Share of results of associates and joint ventures	(0,99)	(2,31)
Foreign income and withholding taxes	4,62	3,39
Other	0,25	(0,86)
Effective tax rate	32,45	26,17

The following are the corporate tax rates applicable to the various jurisdictions in which the Group operates:

	Corporate tax rate	
Country	2015 %	2014 %
Afghanistan	20	20
Benin ¹	30	30
Cameroon	33	38,5
Congo ¹	30	30
Côte d'Ivoire	30	30
Cyprus	12,5	12,5
Ethiopia	30,0	30,0
Ghana	25	25
Guinea-Bissau	25	25
Guinea	35	35
Kenya	30	30
Liberia	25	25
Monaco	0 – 33	0 – 33
Namibia	33	33
Netherlands	25	25
Nigeria	30	30
Rwanda	30	30
South Africa	28	28
South Sudan	20	20
Sudan ²	2,5	2,5
Syria	14,0	14,0
Uganda	30	30
Yemen	50	50
Zambia	35	35

¹ The entity has been granted a tax holiday at 31 December 2015.

² The entity was granted a tax holiday until March 2015. From April 2015 corporate tax of 2,5% on net revenues became applicable.