

# Tax warning for loyalty programmes in South Africa



Loyalty programmes in South Africa have exploded in popularity, with companies and customers transacting in billions of rands worth of points and discounts.

However, with some members gaming the system and some programmes giving them a way to 'cash out', legal experts have warned that this might soon draw the attention of the taxman.

The latest Truth Loyalty and BrandMapps Loyalty Landscape Whitepaper for 2025 showed that 82% of South Africans use loyalty programmes, shooting up from 67% a decade ago.

The whitepaper flagged the growing cost of living and deep financial shortfalls as one of the main reasons consumers are turning to these programmes, helping them to make ends meet.

On average, South Africans are actively using 10 loyalty programmes, mainly to buy groceries, fuel and clothing.

According to Doelie Lessing, Head of Tax and Robyn Schonegevel, associate at Werksmans Attorneys, the use of loyalty programmes and things like rewards points is now commonplace, and draws a very pertinent tax question.

Customers are drawn to these programmes because they get rewards for everyday transactions, like swiping cards, making purchases or even behavioural actions like going to the gym.

While these rewards may appear to be a perk, or incidental bonus for things customers would do anyway, the South African Revenue Service (SARS) could look closer to determine whether they are income-generating in any way.

The legal experts said the key question is whether rewards and programmes are capital in nature, or could be considered revenue.

“If loyalty points are revenue—earned through deliberate effort or a profit-making scheme, they’re likely taxable as income,” they said.

“Revenue is what you hustle for, the fruit of your work or strategic capital use. Contrast this with capital, which arises fortuitously, like a birthday gift, and escapes the tax net.”

While most loyalty points fall into the capital camp, if customers game the system to somehow turn a profit, it could very easily become a taxable item should SARS pursue it as such.

The tax experts said this could be where customers chase multiple loyalty programmes and tailor their spending to maximise points, or orchestrate purchases to churn points for cash.

## Another tax angle on rewards



Checkers’ Xtra Savings rewards programme is one of the biggest in South Africa, used by mass market and middle market consumers alike.

Another question would be where exchanging points would trigger capital gains tax.

“A reward point is a personal right, a claim against the issuing company for a benefit. Disposing of such rights can, in some cases, spark tax—like selling a share, a bundle of rights against a company,” the experts said.

But this is not always the case. For example, when selling a house, the seller trades the property for a right to payment, then swaps that right for cash when the buyer pays.

SARS’ own Comprehensive Guide to Capital Gains Tax confirms this final swap isn’t a taxable disposal.

Fortunately for rewards points chasers, redeeming loyalty points isn’t a separate tax event—it’s the natural culmination of their existence.

“Points are valuable only because they can be redeemed; it’s baked into their DNA. Taxing their redemption as a distinct disposal risks absurd outcomes, like taxing every ‘buy one, get one free’ deal,” the experts said.

In addition, it is unlikely that SARS would be able to argue that cashing in rewards is the spoils of a revenue-generating hustle; at least for now.

The tax experts noted that, even though this is not a focus area of SARS at the moment, the sector is still shrouded in grey areas and uncertainty regarding tax. This could change in the future.

The Revenue Service is under pressure to find between R20 billion and R50 billion in extra revenue this year.

However, it said its main target for meeting this challenge will be illicit trade and taxpayers who have been trying to mask their wealth.

The group has been bolstering its workforce and equipping specialised teams to go after big-ticket categories like high net-worth individuals and crypto traders.

There is no indication that murkier areas like the loyalty and rewards ecosystems are a target. Despite this, the legal experts warned that it should not be seen as untouchable.

“SARS may not yet be knocking, but with billions in rewards flowing through these programmes, it’s only a matter of time before they sharpen their knives,” they said.