

YOUR TAX MATTERS
REVENUE 2020/21



REVENUE PERFORMANCE

1 April 2021



SARS
South African Revenue Service

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Domestic economic developments - economic activity weakened heavily in 2020 on the back of the COVID-19 pandemic

- South Africa's real gross domestic product (GDP) moderated markedly to an annualised rate of 6.3% in Q4-2020, from a revised 67.3% in Q3-2020.
- Growth in annual output trended gradually lower from a recent high of 3.3% in 2011 to only 0.2% in 2019, before contracting substantially by 7.0% in 2020. The national lockdown-induced contraction in 2020 was the second-largest annual contraction since 1920, when real GDP fell by 11.9%, and was also about five times larger than the contraction of 1.5% that followed the global financial crisis in 2009.
- The slowdown was broad-based, with output growth decelerating sharply in the primary, secondary and tertiary sectors.

Moderate recovery in economic activities and revenue as COVID-19 restrictive measures ease

	2019 Actual Outcome	2020 Budget Review	2020 Supplementary Budget	2020 Oct MTBPS	2021 Budget Review
GDP	5148.3	5 428.2	4 860.3	4 858.3	4920.9
Real GDP (% growth)	0.2%	0.9%	-8.6%	-9.0%	-8.0%
Revenue	1355.7	1 425.4	1 121.3	1 112.6	1214.5 (1212.3)
Revenue (% growth)	5.3%	5.1%	-17.3%	-17.9%	-10.4%
Tax to GDP Ratio	26.3%	26.3%	23.1%	22.9%	24.7%

Revenue expectations for the 20/21 FY started with R1.425tn at Budget 2020 (PE), was reduced to R1.121tn in June (SE), further lowered to R1.112tn in October (MTBPS) and then increased to R1.212tn at Budget 2021 (RE).

R'million	PY Actuals	PE	SPE	MTBPS	REVISED
Total Gross Receipts	1,647,737	1,737,777	1,383,079	1,383,001	1,492,426
Refunds	-291,970	-312,359	-261,752	-270,422	-280,220
National (Rev Acc)	1,355,766	1,425,418	1,121,327	1,112,579	1,212,206
PIT Net	529,172	548,719	456,771	455,446	484,368
CIT Net	214,986	233,061	157,442	163,672	192,226
VAT Net	346,761	360,555	301,323	287,698	324,554
Import Duties	55,428	59,500	45,834	40,302	45,218
Taxes on Prop.	15,980	17,510	14,192	14,455	15,480
DT/STC	27,930	31,169	16,659	20,651	22,980
Spec. Exc. Dom.	46,827	48,836	36,287	33,778	24,694
Net Fuel Levy	80,175	83,441	63,188	68,384	75,236
Other	38,507	42,626	29,632	28,193	27,450
National (Rev Acc)	1,355,766	1,425,418	1,121,327	1,112,579	1,212,206

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Net revenue collected during the full 2020/21 FY amount to R1.250 trillion vs an expectation of R1.212 trillion. Growth against the PY is lower by R-105 billion, a contraction of 7.8%.

YTD data as at 31 Mar 2021										2020/21	Full year	Full year		
R'million	CY Actuals	PY Actuals	PY Growth		RE	Variance vs RE			Required Growth	REVISED Estimate	2019/20			
Total Gross Receipts	1,541,068	1,647,751	↓	-106,683	↓	-6.5%	1,492,426	↑	48,643	3.3%	↓	-9.4%	1,492,426	1,647,751
Refunds	-290,852	-291,970	↑	1,118	↓	-0.4%	-280,220	↓	-10,632	3.8%	↓	-4.0%	-280,220	-291,970
National (Cash)	1,250,216	1,355,781	↓	-105,564	↓	-7.8%	1,212,206	↑	38,010	3.1%	↓	-10.6%	1,212,206	1,355,781

- **Gross** collections amount to R1.541 trillion against a revised estimate of R1.492 trillion
- **Refund** payments amount to R290.9 billion against a revised estimate of R280.2 billion.
- **Net** revenue collections amount to R1.250 trillion against a full year revised estimate of R1,212.2bn.

The positive performance against the Revised Estimate is mainly driven by net CIT, Specific Excise and net VAT - partially offset by higher refund payments

YTD data as at 31 Mar 2021

R'million	CY Actuals	PY Actuals	PY Growth		RE	Variance vs RE				
Total Gross Receipts	1,541,068	1,647,751	↓	-106,683	↓	-6.5%	1,492,426	↑	48,643	3.3%
Refunds	-290,852	-291,970	↑	1,118	↓	-0.4%	-280,220	↓	-10,632	3.8%
National (Cash)	1,250,216	1,355,781	↓	-105,564	↓	-7.8%	1,212,206	↑	38,010	3.1%
PIT Net	488,580	529,172	↓	-40,592	↓	-7.7%	484,368	↑	4,212	0.9%
CIT Net	204,681	214,986	↓	-10,305	↓	-4.8%	192,226	↑	12,455	6.5%
VAT Net	330,713	346,761	↓	-16,048	↓	-4.6%	324,554	↑	6,159	1.9%
Import Duties	47,430	55,428	↓	-7,998	↓	-14.4%	45,218	↑	2,212	4.9%
Taxes on Prop.	15,970	15,980	↓	-10	↓	-0.1%	15,480	↑	490	3.2%
DT/STC	24,736	27,930	↓	-3,193	↓	-11.4%	22,980	↑	1,756	7.6%
Spec. Exc. Dom.	32,276	46,827	↓	-14,551	↓	-31.1%	24,694	↑	7,581	30.7%
Net Fuel Levy	75,259	80,175	↓	-4,916	↓	-6.1%	75,236	↑	24	0.0%
Other	30,571	38,522	↓	-7,951	↓	-20.6%	27,450	↑	3,121	11.4%
National (Cash)	1,250,216	1,355,781	↓	-105,564	↓	-7.8%	1,212,206	↑	38,010	3.1%

CIT collections exceeded expectations by R12.5bn mainly driven by Provisional Tax from the Mining Sector

YTD data as at 31 Mar 2021										
R'million	CY Actuals	PY Actuals	PY Growth		RE	Variance vs RE				
CIT Gross (incl. int)	225,264	234,311	↓	-9,046	↓	-3.9%	213,675	↑	11,589	5.4%
CIT Prov	209,077	217,445	↓	-8,368	↓	-3.8%	195,360	↑	13,718	7.0%
CIT assmnts+int	15,635	16,247	↓	-612	↓	-3.8%	17,820	↓	-2,186	-12.3%
Royalties	552	618	↓	-66	↓	-10.7%	495	↑	57	11.5%
CIT Refunds	-20,584	-19,325	↓	-1,259	↑	6.5%	-21,450	↑	866	-4.0%
CIT Net	204,681	214,986	↓	-10,305	↓	-4.8%	192,226	↑	12,455	6.5%

- CIT collections (incl Interest) were originally estimated at R233.1bn (PE), lowered to R163.7bn (MTBPS) and then increased to R192.2bn (RE).
- CIT collections were boosted in December 2020 by Provisional Tax payments from the Mining Sector mainly due to an upward trend in the price of Iron Ore, Platinum, Rhodium, Palladium and Gold, coupled with exchange rate gains.
- CIT collections from the Finance sector did not meet expectations as the profitability of Banks was influenced negatively due to the new accounting standard (IFRS 9), which require advance provision to be made for future bad debts.
- Despite mixed performances from two of the largest contributing sectors, a number of opportunities to invoke Paragraph 19(3) opened up during February and March 2021, mainly from the Mining and Finance Sector. These efforts yielded R8.4bn more than what was originally expected. Par 19(3) collections during February and March realised R6.4bn against an original expectations of R2.4bn.
- During the reporting period, 216 companies were placed under business rescue and 704 were placed under liquidation.

Significant growth in CIT Provisional Tax were noted in the Mining sector with a deep contraction recorded against the Finance sector.

Sector	CIT Provisional Tax			
	CY	PY	Growth	Growth %
Agriculture, forestry and fishing	4,761	4,555	206	4.52
Community, social and personal services	5,234	7,341	-2,107	-28.70
Construction	3,393	3,752	-359	-9.57
Electricity, gas and water	2,831	2,257	574	25.45
Financial intermediation, insurance, real-estate and business services	76,626	90,499	-13,873	-15.33
Manufacturing	31,654	37,898	-6,244	-16.48
Mining and quarrying	42,717	27,192	15,525	57.10
Transport, storage and communication	15,429	15,558	-129	-0.83
Wholesale and retail trade, catering and accommodation	23,256	23,251	5	0.02
OTHER	3,176	5,143	-1,967	-38.24
TOTAL	209,077	217,445	-8,368	-3.85

Specific Excise recovered from numerous bans, now boasting a surplus of R7.6bn against the RE

YTD data as at 31 Mar 2021										
R'million	CY Actuals	PY Actuals	PY Growth			RE	Variance vs RE			
Beer (Dom)	10,726	15,525	↓	-4,799	↓	-30.9%	8,352	↑	2,374	28.4%
Sorgh. Beer (Dom)	3	4	↓	-1	↓	-19.9%	3	↑	0	8.2%
Wine (Dom)	3,447	4,574	↓	-1,128	↓	-24.6%	2,636	↑	811	30.8%
Spirits (Dom)	7,640	8,995	↓	-1,354	↓	-15.1%	5,924	↑	1,716	29.0%
Cigs (Dom)	7,536	13,970	↓	-6,433	↓	-46.1%	5,780	↑	1,757	30.4%
Pipe Tob. (Dom)	438	496	↓	-58	↓	-11.6%	385	↑	53	13.9%
Petrol. prods (Dom)	981	826	↑	155	↑	18.8%	596	↑	385	64.6%
Rev. from N. Ctries	1,504	2,437	↓	-934	↓	-38.3%	1,019	↑	485	47.6%
Spec. Exc. Dom.	32,276	46,827	↓	-14,551	↓	-31.1%	24,694	↑	7,581	30.7%

- Specific Excise duties started the 20/21 FY with a PE of R48.8bn, lowered to R33.8bn during MTBPS and revised to R24.7bn in Budget 2021.
- Following numerous bans on the sale of alcohol and tobacco products during the year, revenue (across all tax types) from the Tobacco and Alcohol industry contracted by R21.1bn, (Tobacco R8.2bn, -45.6%; Alcohol R12.9bn, -33.0%). The Specific Excise contribution to this contraction amounted to R7.3bn for alcohol and R6.5bn for tobacco.
- However, declarations started to improve from August 2020 onwards. The following improvements in declarations from August '20 to MTD 30 March '21 are noteworthy:
 - Beer: Aug - R0.9bn (PY: R1.2bn) → March - R1.6bn (PY: R1.9bn)
 - Cigarettes: Aug - R0.03bn (PY: R0.9bn) → March - R1.2bn (PY: R1.1bn)
 - Spirits: Aug - R0.05bn (PY: R0.4bn) → March - R1.2bn (PY: R1.1bn)
 - Wine: Aug - R0.3bn (PY: R0.3bn) → March - R0.5bn (PY: R0.3bn)
- On a case-by-case basis, payment of R23.6bn was approved for deferral on alcoholic beverages and tobacco products. Payments in respect of these deferrals received during March 2021 amounts to R2.4bn.

Despite initial signs of recovery, Domestic VAT collections failed to meet expectations on the back of a contraction in the volumes and values of debit returns

YTD data as at 31 Mar 2021										
R'million	CY Actuals	PY Actuals	PY Growth		RE	Variance vs RE				
VAT dom	392,951	399,288	↓	-6,337	↓	-1.6%	390,430	↑	2,521	0.6%
VAT Refunds	-228,369	-232,515	↑	4,146	↓	-1.8%	-220,170	↓	-8,199	3.7%
TOTAL	164,582	166,773	↓	-2,191	↓	-1.3%	170,261	↓	-5,678	-3.3%

- The PE for Domestic VAT was set at R421.7bn (PE), lowered to R365.1bn (MTBPS) and then increased to R390.4bn (RE). The PE was set with the expectation that Gross Domestic Expenditure would grow by a marginal 0.7% in 2020, with Real Final Household Consumption forecast to expand by 1.1%.
- Real Final Household Consumption Expenditure, (RFHCE) plummeted by 52.0% q/q in Q2-2020 at the height on the lockdown. RFHCE rebounded in Q3-2020 registering a growth of 75.3% q/q, and recorded a growth of 7.5% q/q in Q4-2020. Overall, RFHCE declined by 5.4% y/y in 2020 from a marginal growth of 1.0% in 2019.
- As the country moved through the lockdown levels, early signs of recovery became evident. From September onwards m/m growth rates improved from 2.8% to 5.2% (Oct), 4.4% (Nov), 2.9% (Dec) and 2.0% (Jan).
- In February 2021, collections contracted by 2.9% as the country was placed on adjusted level 3 restrictions. For the YTD period as at 28 February '21, the volume and value of debit returns contracted by 7.7% and 3.1% respectively.
- However, March collections surprised with an above inflation growth of 8.5% following a much welcomed recovery from earlier lockdown levels.

Domestic VAT payments from all sectors contracted against the prior year with the exception of Mining and Agriculture

Sector	VAT payments			
	CY	PY	Growth	Growth %
Agriculture, forestry and fishing	16,636	16,410	226	1.37
Community, social and personal services	19,338	22,332	-2,994	-13.41
Construction	19,108	22,119	-3,011	-13.61
Electricity, gas and water	12,554	13,229	-675	-5.10
Financial intermediation, insurance, real-estate and business services	166,632	167,909	-1,277	-0.76
Manufacturing	62,632	64,065	-1,433	-2.24
Mining and quarrying	20,759	15,489	5,270	34.03
Transport, storage and communication	21,494	23,655	-2,161	-9.13
Wholesale and retail trade, catering and accommodation	53,100	53,418	-318	-0.60
OTHER	698	664	35	5.26
TOTAL	392,951	399,288	-6,337	-1.59

- At 42.0%, the **Finance** sector is a major contributor to Domestic VAT. This sector posted the highest **YTD liability** contraction of R3.5bn (2.3%) due to a lower requirement for financial services under lockdown.
- The 2nd largest contributor, **Manufacturing**, contributes around 16.0%. This sector had the second highest **YTD liability** contraction of R3.5bn (6.5%) mainly driven by the **Food, Drinks and Tobacco** sub-sector which shrunk by R2.6bn (16.3%), contributing 74.8% to the liability contraction for the sector. This came as a result of the downside effect of the continued prohibition of trade within the Alcohol and Tobacco industries, but has eased of late.
- Return volumes of all sectors contracted and liability values shrunk except for the Mining and quarrying sector, due to a spike in Gold prices and the weaker R/\$ exchange rate.

Customs collections realised a surplus of R14.3bn against the Revised Estimate following a bumper 13th statement in March 2021

YTD data as at 31 Mar 2021										
R'million	CY Actuals	PY Actuals	PY Growth			RE	Variance vs RE			
Import VAT	166,131	179,987	↓	-13,857	↓	-7.7%	154,294	↑	11,837	7.7%
Import Duties	47,430	55,428	↓	-7,998	↓	-14.4%	45,218	↑	2,212	4.9%
Customs duties	33,790	37,029	↓	-3,239	↓	-8.7%	31,896	↑	1,894	5.9%
Specific excise - Imp.	5,457	7,924	↓	-2,467	↓	-31.1%	4,865	↑	592	12.2%
Ad val. excise - Imp.	8,183	10,475	↓	-2,292	↓	-21.9%	8,457	↓	-273	-3.2%
Customs (Other)	656	833	↓	-177	↓	-21.2%	364	↑	292	80.3%
Incand. light bulb L	25	34	↓	-9	↓	-26.8%	23	↑	1	6.0%
Misc. C&E	575	733	↓	-157	↓	-21.5%	285	↑	291	102.2%
Hlth Prom. Levy (imp)	56	67	↓	-10	↓	-15.7%	56	↑	0	0.0%
Customs	214,217	236,249	↓	-22,032	↓	-9.3%	199,876	↑	14,342	7.2%

The devastating impact of COVID-19 exacerbated the already weak domestic demand for consumption and capital goods, most of which are key contributors to Import VAT and Customs Duties. YTD as at 30 March 2021, customs declarations declined in volume by 12.0%, clearing 6.3 million declarations versus 7.2 million the prior FY, with the overall liability dropping by 6.1%.

During the first two fiscal quarters Import taxes struggled to match PY performances, registering average Y/Y declines of -13.1%. However, from September onwards, Customs collections began recording positive growth rates. A total of 48 applications worth R750 million were received in respect of Covid tax relief measures.

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Most institutions expect improved domestic growth in the next three years

% GDP
Growth



3.3

2.2

1.6



3.8

2.4

2.5



3.1

2.5



2.8

1.4



3.3

1.7

2021

2022

2023

Sources:

- OECD Economic Outlook, December 2020
- IMF World Economic Outlook, January 2021

- SARB March 2021 MPC report
- National Treasury National Budget, February 2021

- World Bank Global Economic Prospects, January 2021

Revenue Outlook

- For the new financial year of 2021/22, the 2021 Budget Printed Estimate is set at R1 365.1 billion representing a growth of 12.6% against the 2021 Budget Revised Estimate (RE) for 2020/21 of R1 212.2 billion. The main assumptions underpinning this estimate is nominal growth in GDP of 8.8%, inflation rate of 4.2%. and a tax-to-GDP extraction ratio of 25.5%. Tax proposal losses of R2.2bn in PIT are expected to be off set by gains of R2.2bn in new Export tax on scrap metals and increase in Specific excise duties.
- The 2021 Budget Printed Estimate of R1 365.1 billion represents a growth of 9.2% against the 2020/21 preliminary collections of R1 250.2 billion.

Revenue Outlook

- **Tax revenue estimates were revised up strongly (9.2% year on year) in the 2021 Budget** (the upward revision reflects improvements in personal and corporate income taxes, value added tax, fuel levies and customs duties).
- **Key risks to economic growth and revenue remain COVID-19 pandemic, job losses together with retrenchments, low consumption demand, strained company profitability following hard lockdown and uncertain global demand.**

Revenue Key Focus Areas in 2021/22

International taxes - Transfer Pricing and BEPS

- We will continue our work that commenced last year in identifying non-compliance by multi-national entities, with particular emphasis on transfer pricing and non-resident entities who supply electronic services and who have an obligation to register for VAT in South Africa.
- In this regard, SARS has commenced risk reviews of documents received in response to the query letters issued which requested basic transfer pricing information, policies and contemporaneous documentation. The results indicate definitive transfer pricing risk in terms of the use of high risk jurisdictions (low / no tax jurisdictions and conduit jurisdictions); erratic payment amounts and types and high extraction levels.

Ultra High Net Worth individuals

- We are establishing a separate unit to focus on Individual Taxpayers with wealth and complex financial arrangements with effect from 1 April 2021. Furthermore, these taxpayers have been identified and we will engage with those taxpayers who have successfully applied for SVDP and who were required to disclose all of their assets.

Regional & Segment Specific Revenue Initiatives

Revenue Key Focus Areas in 2021/22

Government spend

- According to the Financial Statistics of consolidated general government 2018/2019, government spent R1.79 trillion, of which 41.9% was in respect of wages and 21.3% was in respect of purchases of goods and services. The Rand value spend on goods and services equates to approximately R380b. We will be expanding the PPE project to identify non-compliance by all suppliers to government and assess these taxpayers for all outstanding taxes due, together with the relevant interest and penalties.

Improved debt collection methodologies

- We intend to continue focussed efforts and improve our processes with regards to debt collection with the aim of collecting.

Entrench the use of 3rd Party data (structured and unstructured)

- Activate the compliance steps on the identified 25,000 of individuals with bank credit balances in excess of R1m however are not in the tax register. This work has been lifted up through sophisticated algorithms and supervised machines learning.

Thank you
Re a leboha
Re a leboga
Ndza Khensa
Dankie
Ndi a livhuwa
Ngiyabonga
Enkosi
Ngiyathokoza

February collections exceeded the Revised Estimate by R10.4bn

R'bn					
TAX TYPE	FEB RE EST.	FEB ACT.	FEB VAR.	PY FEB.	PY M/M GROWTH
CIT Prov Tax	25.7	32.6	6.9	29.5	+10.3%
Import VAT	11.5	14.9	3.4	14.4	+3.0%
PAYE	39.2	42.3	3.1	42.2	+0.2%
PIT Prov Tax	14.3	15.8	1.5	18.5	-14.6%
Specific Excise	0.7	2.3	1.5	4.2	-45.6%
General Fuel Levy	6.4	7.3	0.8	7.3	-0.4%
Dividends Tax	1.8	2.5	0.7	2.2	+14.0%
Domestic VAT	31.6	31.1	-0.5	32.0	-2.9%
VAT Refunds	-17.5	-23.0	-5.5	-16.0	+43.8%
PIT Refunds	-1.7	-3.4	-1.7	-1.6	+111.6%
CIT Refunds	-2.2	-2.0	+0.2	-2.0	-2.1%

March collections exceeded the Revised Estimate by R27.6bn

R'bn					
TAX TYPE	MAR RE EST.	MAR ACT.	MAR VAR.	PY MAR.	PY M/M GROWTH
CIT Prov Tax	17.7	24.5	6.8	20.6	+19.1%
Import VAT	17.8	26.3	8.5	22.8	+15.1%
PAYE	44.2	47.6	3.4	47.5	+0.2%
PIT Prov Tax	0.3	0.6	0.2	0.4	+62.6%
Specific Excise	1.3	7.3	6.1	5.0	+45.5%
General Fuel Levy	6.7	6.9	0.2	7.8	-12.2%
Dividends Tax	2.0	3.0	1.0	2.1	+39.9%
Domestic VAT	32.5	35.5	3.0	32.8	+8.5%
VAT Refunds	-17.6	-20.3	-2.7	-19.4	+4.8%
PIT Refunds	-1.5	-2.4	-0.9	-1.4	+73.0%
CIT Refunds	-2.8	-2.2	+0.6	-3.1	-28.5%