

# 3 COMPANY INCOME TAX

## 10-YEAR REVIEW

An analysis of Company Income Tax (CIT) collections from 2007/08 to 2016/17 fiscal years shows:

- After PIT and VAT, CIT has been the third largest contributor to total tax revenue for the past decade. It briefly surpassed VAT in 2008/09, recording a year-on-year growth rate of 18.1%, the highest growth in the past 10 years. Thereafter, collections contracted in the following two years due to the global financial crisis that affected the profitability of companies. Key sectors such as mining, manufacturing and finance declined as global demand and commodity prices deteriorated during this period.
- CIT recovered from the post financial crisis in 2011/12, recording a year-on-year growth rate of 13.8%, particularly from improved profits of large corporations in the finance, mining as well as coal and petroleum sectors. The high oil prices also contributed to the improved performance.
- With the exception of 2013/14, when CIT growth improved to 11.6%, the subsequent years have seen CIT growth rates pegged back to between 3.6% in 2015/16, the lowest growth rate during the 10-year period, and the 7.1% achieved in 2016/17.
- This has seen the relative contribution CIT makes to total tax revenue decline from a peak of 26.7% in 2008/09 to 18.1% in 2016/17. This decline is largely attributable to reduced company profits in the face of weak global demand following the crisis, unforeseen shocks to economic activity such as labour disruptions in the mining and manufacturing sectors, electricity supply constraints as well as the weak global demand for commodities.
- The Secondary Tax on Companies (STC) rate, which had remained at 12.5% since 14 March 1996, was reduced to 10% with effect from 1 October 2008. STC was replaced by Dividends Tax (DT) that was introduced at a rate of 15%, commencing on 1 April 2012. This resulted in an abnormal increase in STC collections in March 2012. This was as a result of the imminent implementation of DT.
- An increase of the DT rate from 15% to 20% effective from 22 February 2017 created similar payment trends to the ones that we recorded in March 2012. Dividend Tax of R7.0bn was received in March 2017. The DT rate increase was effective immediately for all dividends payable on or after 22 February 2017.