

4 VALUE-ADDED TAX

10-YEAR REVIEW

For the 10-year period covering fiscal years from 2007/08 to 2016/17:

- On average, Net VAT accounted for 25.9% of Total Tax Revenue, with Net VAT collections comprising 6.4% of GDP for the period.
- The compound average growth rate (CAGR) for VAT over the review period was 7.5%.
- The number of vendors decreased from the pre-financial crisis level of 745 487 in 2007/08 to the lowest figure of 650 540 which was recorded in 2012/13. The 2016/17 figure of 742 388, though still lower than the figures of the pre-crisis level, shows some recovery from that slump. However, the number of active vendors is a concern. Their proportion to the register has decreased from the highest of 71.9% in 2008/09 to 58.2% in 2016/17
- The *Financial intermediation, insurance, real estate & business services* sector has remained the largest sector, consistently constituting around 40% of the VAT register.
- The Domestic VAT contribution of this sector increased from just over 39.0% in 2007/08 to 42.5% in 2016/17. In the same period, the VAT refunds paid out to the sector decreased from over 25.0% to around 20.0%.
- Vendors in the monthly category constituted 10.3% of the VAT register on average; this category has increased from 7.9% of the VAT register in 2007/08 to 12.5% in 2016/17. Although the category ranks only third largest in terms of size, it is the highest contributor to Domestic VAT payments, accounting for between 74.7% to 78.7% of collections. Monthly vendors also receive the largest proportion of VAT refunds, accounting for as much as 84.0% to 90.1% of the total refunds paid,
- Companies and close corporations are the biggest type of enterprise in the active VAT register. They constituted 66.6% of that population in 2007/08; and their share increased to 74.8% in 2016/17. On average, they paid 90.8% of Domestic VAT and received 88.5% of VAT refunds in that period.
- The VAT efficiency factor measures the Domestic VAT payments made relative to turnover percentage point of the VAT rate. The VAT efficiency factors for the period 2007/08 to 2016/17 show that relatively high efficiency ratios were attained in 2009/10 and 2010/11.
- The set of 2007/08/ - 2016/17 Domestic VAT and VAT refund cohort vendors numbered 224 219. The combined turnover of these vendors increased by a CAGR of 7.4% from R5.0 trillion in 2007/08 to R9.6 trillion in 2016/17. Their Domestic VAT payments increased by a CAGR of 7.6% whilst VAT refunds paid to these vendors grew by a CAGR of 7.0%. This confirms that the economy has remained subdued over the decade as these growth rates slightly exceed the higher end of the inflation target band.

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