Launch of 2015 Tax Statistics

8th edition

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SARS
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Introduction

- In a number of countries, tax statistics are assuming more prominence in the formulation and evaluation of fiscal policy as well as policies on employment and income.
- This 8th edition of the annual South African Tax Statistics Publication provides an overview of tax revenue collections and tax return information for the 2011 to 2014 tax years as well as the 2010/11 to 2014/15 fiscal years.

Some Application of Tax Statistics

- The media, examples of coverage for the previous bulletin:
  - ✓ *"SA's richest people live … where?"* Mail and Guardian, 12 March 2015
  - ✓ *"The levels of corporate income tax (CIT) collected by the South African Revenue Service (SARS) are only now beginning to recover from the 2008 financial crisis, SARS said on Tuesday."* (Business Day, Corporate tax only recovering now, SARS says, November 04 2014)
  - ✓ *"Efficiency improves, but young and old vulnerable."* (Moneyweb, Four key trends from SARS' tax statistics, 05 November 2014)
  - ✓ *"The South African Revenue Service (SARS) says taxable income among the employed youth has increased by more than 12% a year in the past 10 years."* (SABC News, Youth's taxable income on the increase: SARS, 4 November 2014)

- Researchers e.g. UNISA's Personal Finance Research Unit, REDI
- Davis Tax Review Committee
- International Monetary Fund (IMF)

Contents of Tax Statistics 2015

- *Chapter 1: Revenue Collections* provides a summary of aggregate tax revenue collection trends from 2010/11 to 2014/15.

- *Chapter 2: Personal Income Tax (PIT)* gives an overview of assessed personal income tax revenues of registered individual taxpayers. It also provides information about taxable income by income group, age, gender, municipality of residence and source of income, as well as fringe benefits, allowances and deductions.

- *Chapter 3: Company Income Tax (CIT)* gives an overview of company income tax revenues. Information about taxable income by income group, sector and type of business as declared in the tax returns is also provided.

Contents of Tax Statistics 2015 (continued)

- *Chapter 4: Value-Added Tax (VAT)* provides a breakdown of VAT liabilities, receipts and refunds, by sector and payment category, as well as an overview of input and output VAT data derived from VAT returns submitted by vendors.

- *Chapter 5: Import VAT and Customs Duties* provides information about the customs value of imported goods by product type, according to the Harmonised System (HS) at chapter level, as well as Import VAT, Customs duty and Ad valorem excise duty revenues on imported goods.

- *Chapter 6: Other Taxes and Collections* provides information about taxes such as Capital Gains Tax (CGT), Transfer duty, Mineral and Petroleum Resources Royalty (MPRR) (previously provided in Chapter 1), Southern African Customs Union (SACU) payments and Diesel refunds.

New features in this edition

- Chapter 2:
  - The 10 year comparison has been expanded to include analysis of taxpayers who are 65 years of age and older
- Chapter 3:
  - An analysis of common companies assessed for tax years 2004 to 2013
- Chapter 5:
  - Tables and graphs detailing the contribution of Import VAT and Customs duties by customs port of entry.
- Chapter 6 :
  - Table and graph on Transfer Duty by nature of the property and by property value

2015 TAX STATISTICS AT A GLANCE

DATA	TAX REGISTER AS AT MARCH 2015	EXPECTED TO SUBMIT & ACTIVE	ASSESSMENTS, PAYMENTS, REFUNDS, BILLS OF ENTRY	COLLECTIONS FOR 2014/15
PIT	18.2 million individuals *(429 691 employers)*	6 597 244 expected to submit[1]	4 941 390 assessed[1] R1.2tr taxable income[1] R245.9bn tax assessed[1]	PIT R353.9bn *(includes PAYE)*
CIT	2.9 million companies	835 306 expected to submit[2]	652 847 assessed[2] R162.1bn tax assessed[2]	CIT R186.6bn
VAT	679 274 VAT vendors	420 940 active vendors[3]	R286.9bn payments[3] R162.1bn refunds[3]	Net VAT R261.3bn *(includes payments, refunds & Import VAT)*
Import VAT & Customs Duties	280 953 importers		R1.5tr Customs value[3] R136.8bn Import VAT[3] R42.5bn Customs duties[3]	Customs duties R40.7bn

Tax Statistics chapters	Chapter 1: Revenue collections	Chapter 2: PIT	Chapter 3: CIT	Chapter 4: VAT	Chapter 5: Import VAT & Customs Duties	Chapter 6: Other Taxes and Collections[4]

1. For the 2014 tax year
2. For the 2013 tax year
3. For the 2014/15 fiscal year
4. New chapter includes CGT, transfer duties,MPRR, SACU and diesel refunds

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Analysis of tax collections

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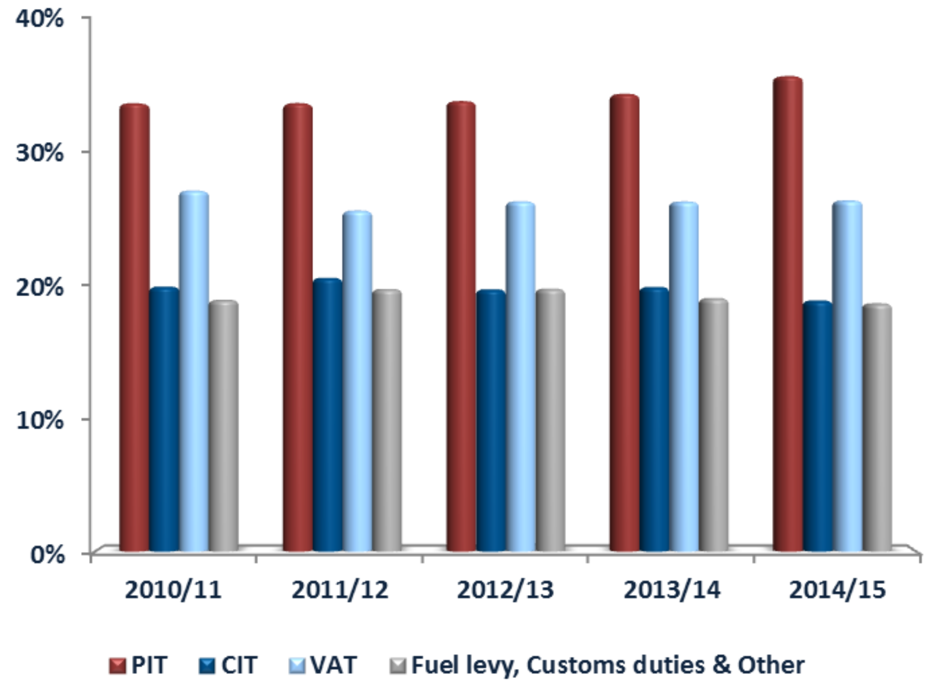
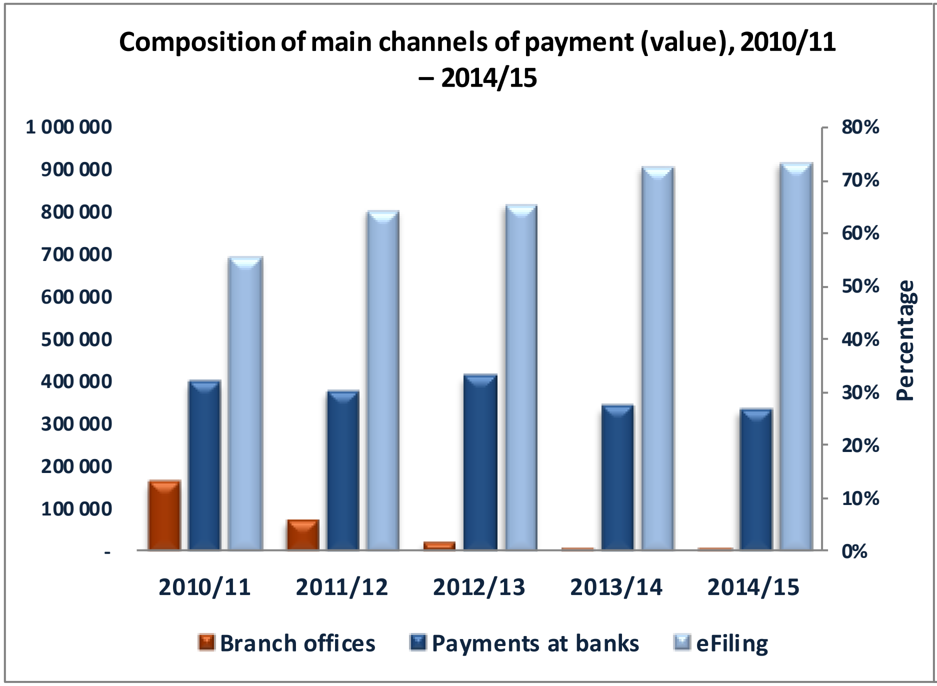
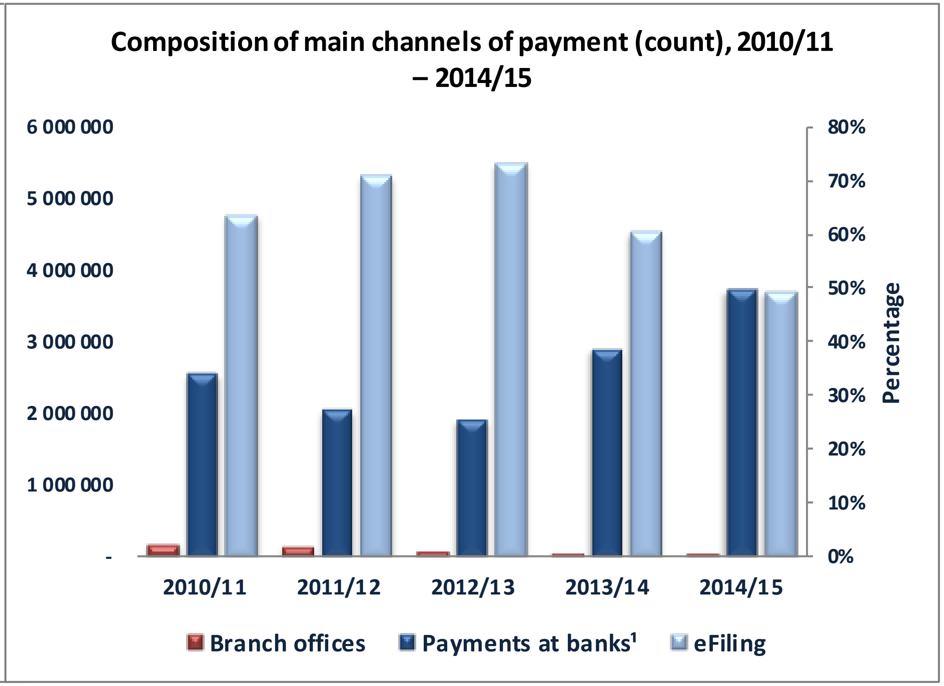
Three main taxes combined (PIT, CIT and VAT) contributed 81.3% of total taxes in 2014/15



PIT dominates contributing more than a third of total tax revenue, compensating for the weak CIT performance post the financial crisis.

Significant uptake in electronic payment channels, resulting in collections at Branch offices almost being eliminated





- The increase in the number of payments at banks from 2013/14 is due to the discontinuation of the debit pull facility
- During 2014/15 SARS collected R1 229.0bn of which only R2.0bn (0.2%) was collected at Branch offices

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Analysis of PIT data

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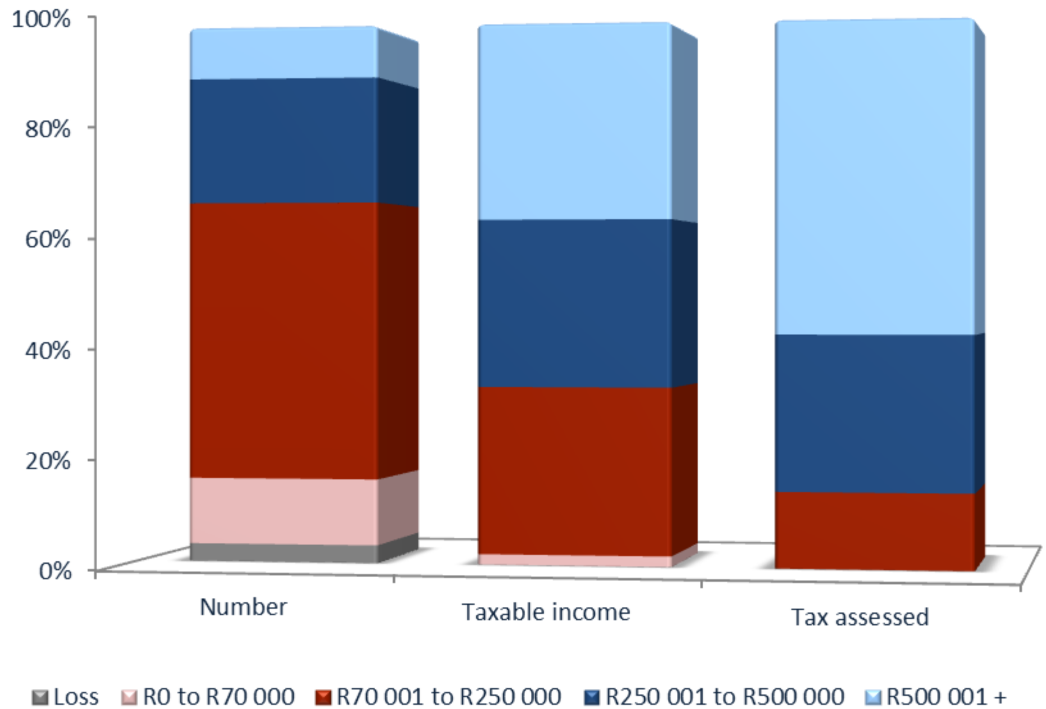
South African individual tax rates highly progressive



- 67.0% of the 2014 assessed individual taxpayers had taxable income below R250 000, earned 31.7% of the total taxable income and contributed 14.0% of the tax assessed.
- 9.7% of the 2014 assessed taxpayers had taxable income above R500 000 and were liable for 57.4% of the tax assessed.
- For the 2015 tax year it is estimated that 7 million taxpayers will pay tax although not all will be assessed as some will fall below the return submission threshold.

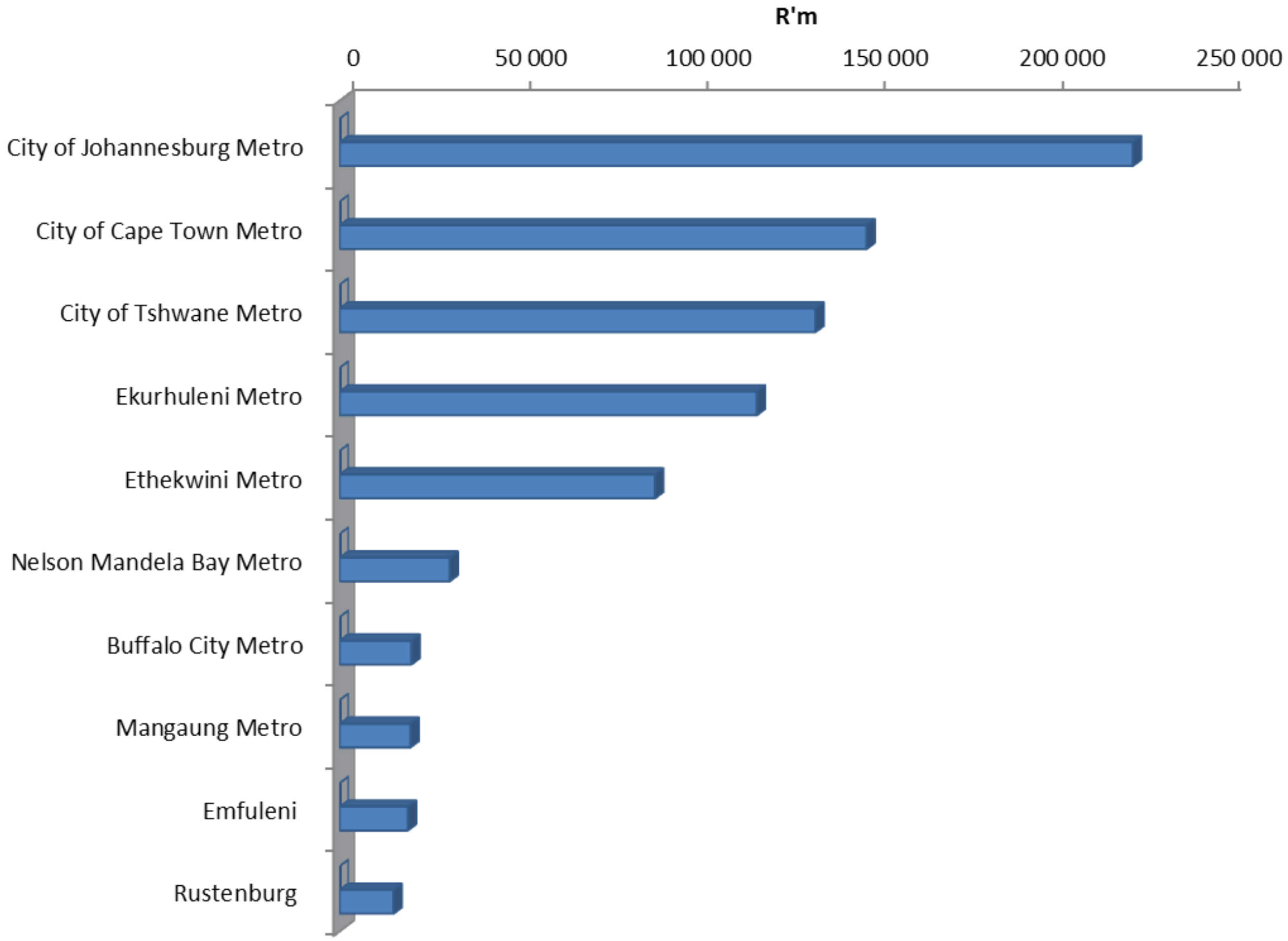
2014 Assessed taxpayers by municipality (based on residential address)

- Assessed taxpayers were grouped to 234 Municipalities based on their residential addresses
- The municipality with the most taxpayers is Johannesburg Metro with 629 667 taxpayers, they had taxable income of R223.7 billion, assessed taxes of R54.7 billion and the average taxable income per assessed taxpayer amounted to R355 310 and an effective tax rate of 20.8%
- The municipality with the smallest number of assessed taxpayers is Ntambanana in Kwa-Zulu Natal with 246 taxpayers, with taxable income of R42 million and R5 million of the assessed tax (average taxable income per assessed taxpayer R172 454) and an effective tax rate of 12.1%

Johannesburg Metro in terms of

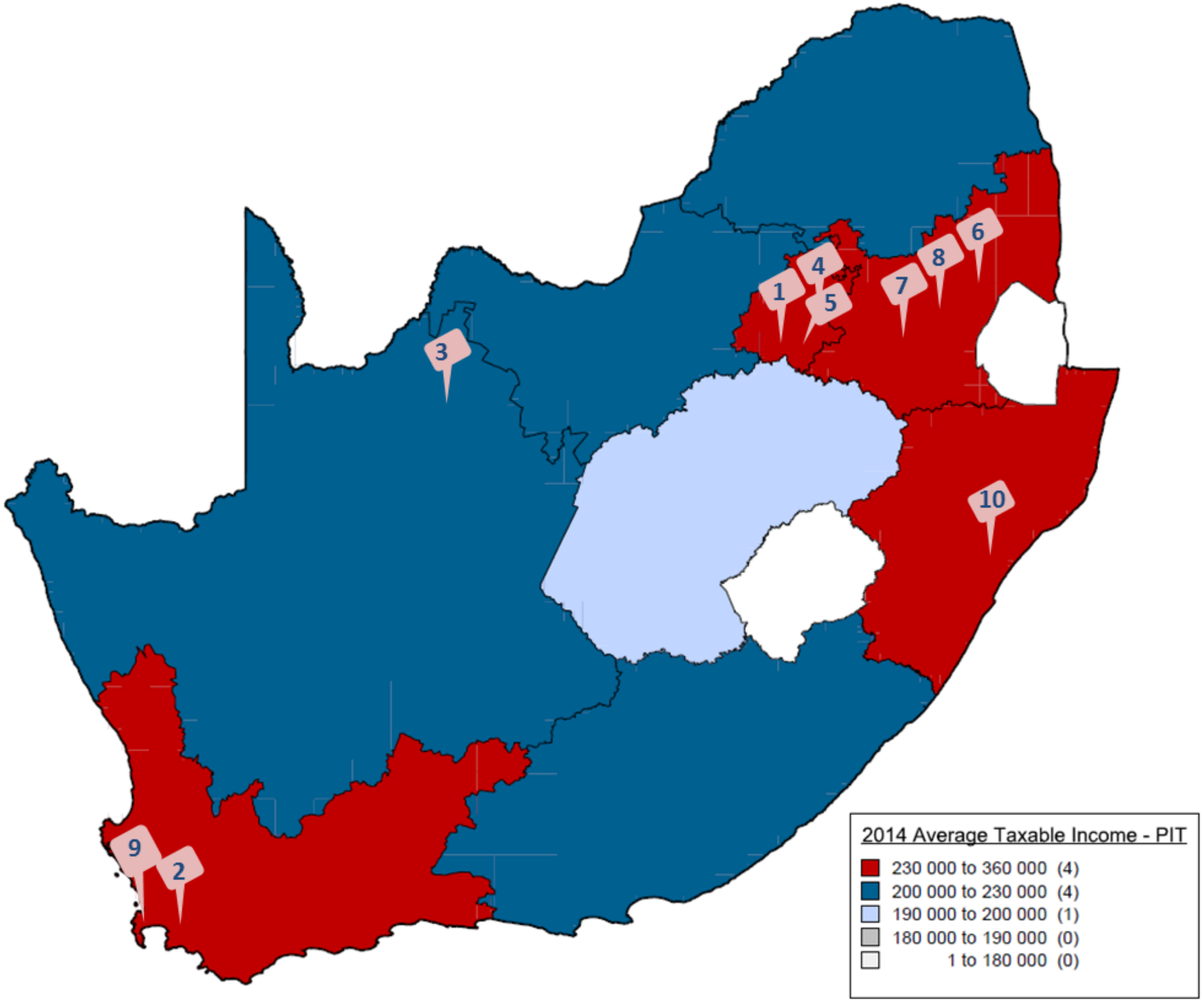
- ✓ The number of assessed taxpayers is as big as the bottom 170 municipalities combined, but even then the taxable income of R118.0 billion and R19.0 billion of the assessed tax (average taxable income per assessed taxpayer R186 646) of this group is still well below that of Johannesburg Metro
- ✓ Taxable income is as big as the bottom 205 municipalities combined, but even then the tax assessed of R38.0 billion of this group is still well below that of Johannesburg Metro, but the number of assessed is then 504 563 more than Johannesburg Metro
- ✓ Assessed tax is as big as the bottom 219 municipalities combined, but the number of assessed is then 931 339 more than Johannesburg Metro

Metros account for the largest share of the 2014 assessed taxable income

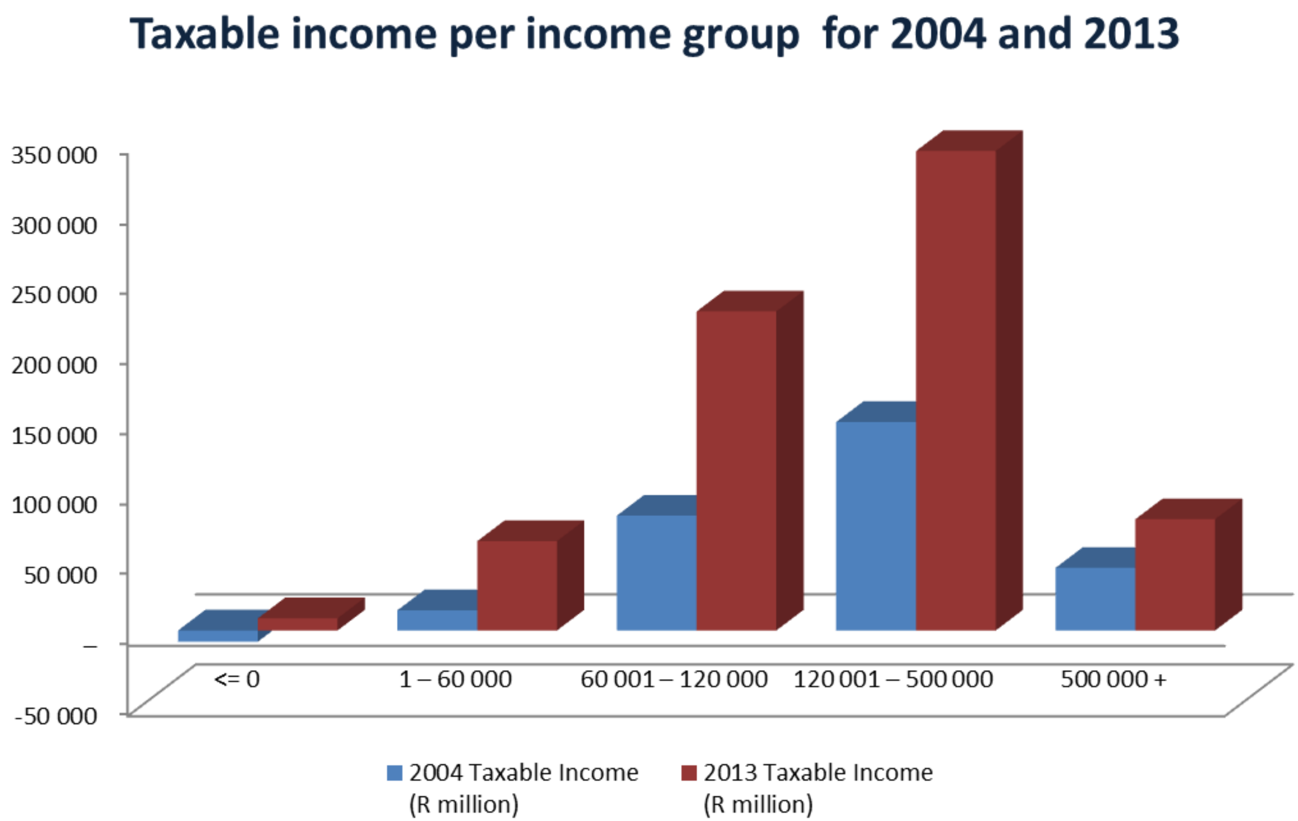


2014 Assessed taxable income per capita per municipality – top 10

1. City of Johannesburg Metro
   Gauteng **R355 310**
2. Stellenbosch local municipality
   Western Cape **R334 554**
3. Gamagara local municipality
   Northern Cape **R315 360**
4. City of Tshwane Metro
   Gauteng **R294 738**
5. Midvaal local municipality
   Gauteng **R284 660**
6. Thaba Chweu local municipality
   Mpumalanga **R281 604**
7. Emalahleni local municipality
   Mpumalanga **R275 419**
8. Steve Tshwete local municipality
   Mpumalanga **R271 810**
9. City of Cape Town Metro
   Western Cape **R269 486**
10. Kwadukuza local municipality
    KwaZulu-Natal **R266 135**

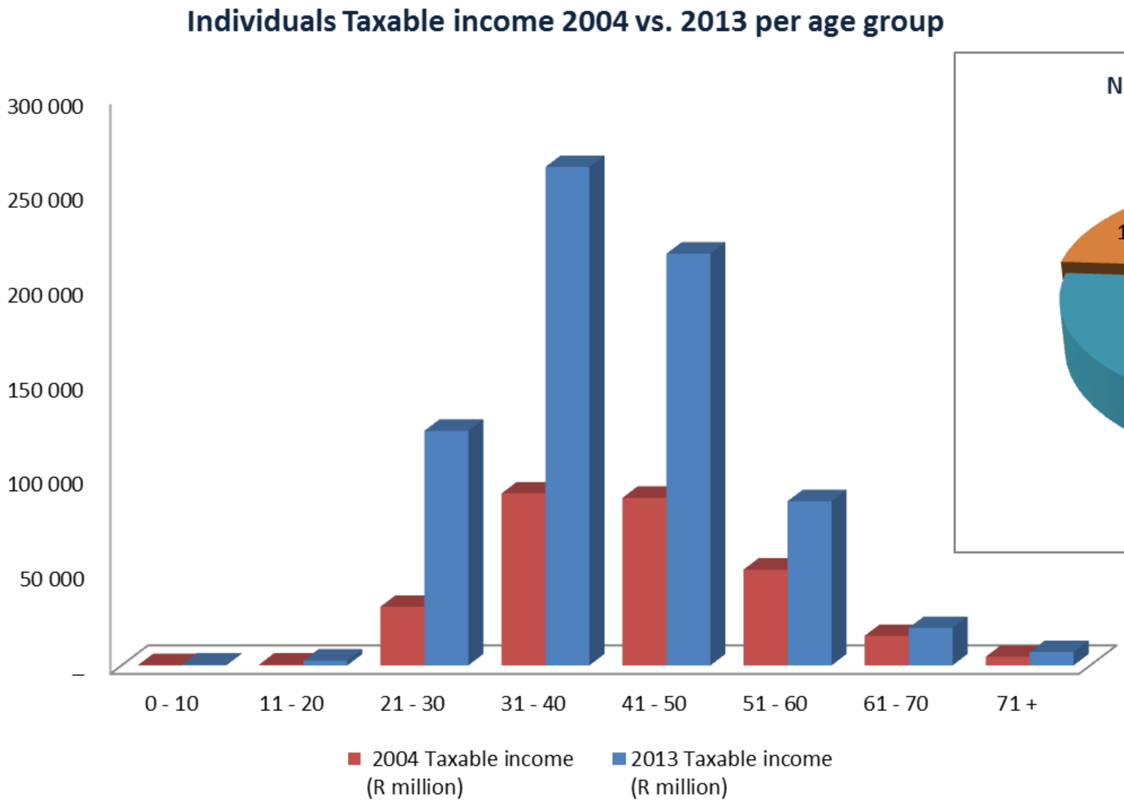


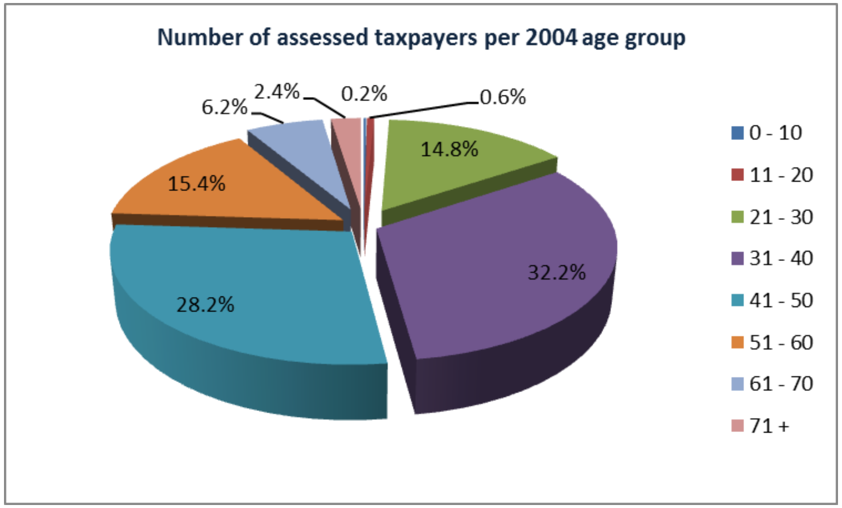
Assessed data shows significant upward mobility of taxpayers from 2004 to 2013 – (growth in excess of inflation)



- In 2004 there were 923 681 taxpayers in the R60k-R120k taxable income bracket and their average taxable income amounted to R88 512 which increased to R245 900 in 2013 (11.7% CAGR).
- This group's effective tax rate increased from 13.3% to 16.6% during this period.

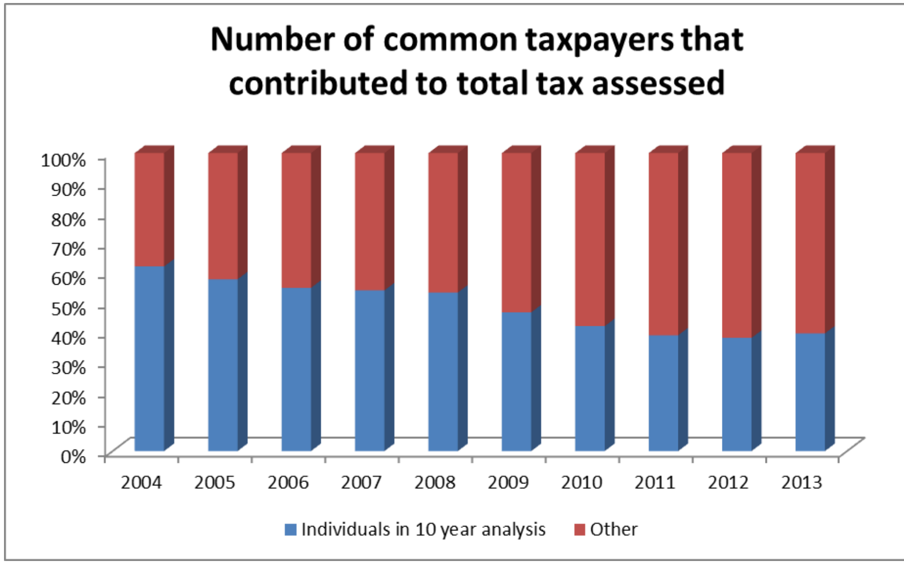
Below 40 age group had taxable income progression in excess of inflation during the 2004 to 2013 year period

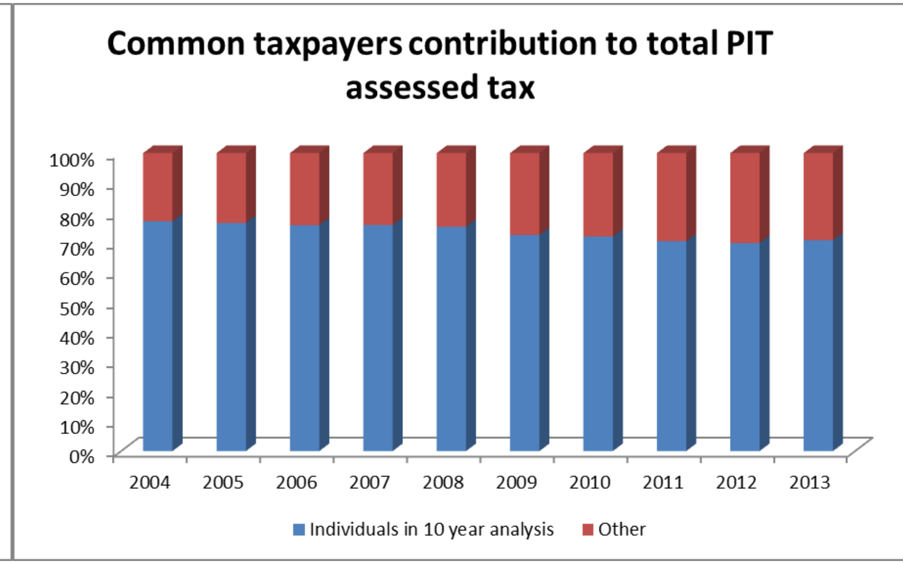




- There were 707 307 taxpayers in the 31-40 age bracket in 2004 and their average taxable income amounted to R128 089 which increased to R371 519 in 2013 (13.8% CAGR over the period).
- This age bracket's effective tax rate increased from 21.5% to 23.6% during this period.

Common taxpayers tracked over 10 years allow for cohort studies

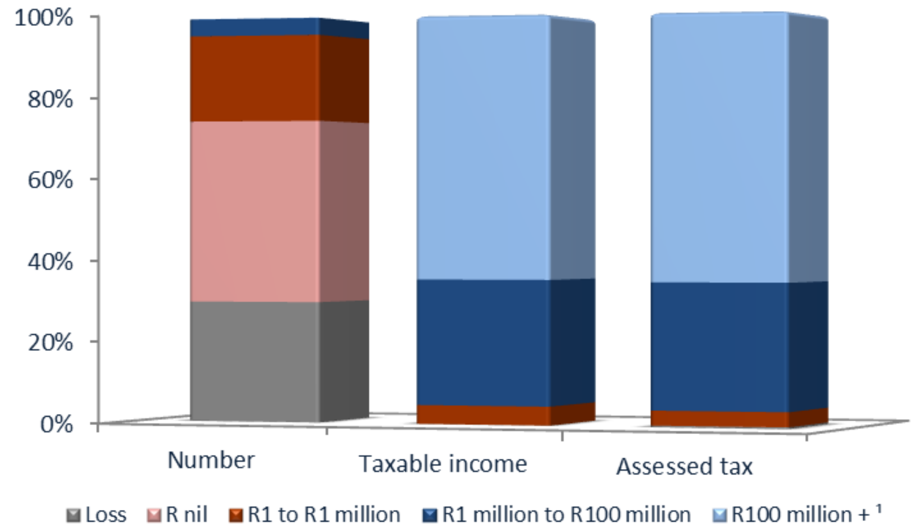




- Total assessed individuals in 2004 were 3.5 million and in 2013 there were 5.6 million
- There were 2.2 million common taxpayers assessed during the 10 year period and they accounted for 62% of the number of assessed in 2004 and 39.5% in 2013
- Despite the growth in the number of assessed individuals, the common taxpayers contribution to assessed tax declined slightly from 77.0% in 2004 to 70% in 2013
- The additional 2.1 million non common tax payers only accounted for 7.0% of the 2013 assessed tax.

Analysis of CIT collections

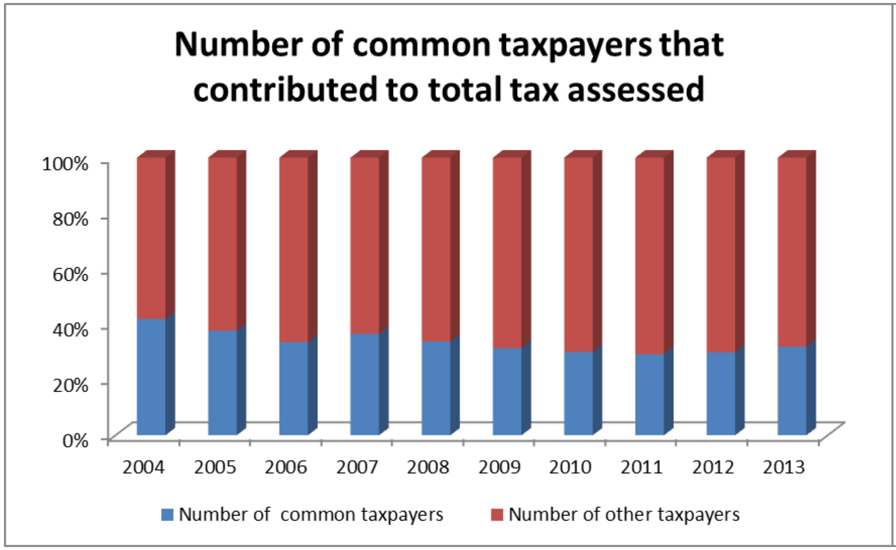
2013 Assessed companies shows highly concentrated nature of the SA economy

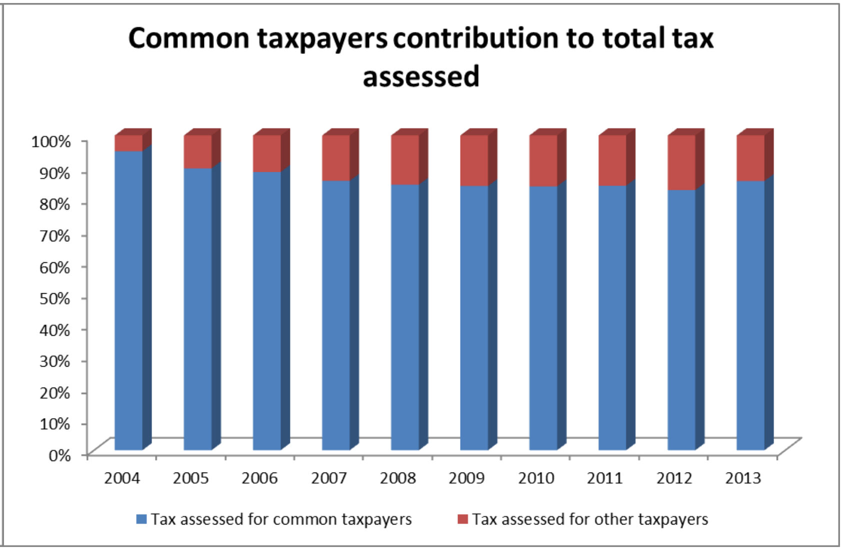


1. Companies with taxable income greater than R100 million constituted 0.1% of the number of companies (not visible in number bar) but contributed 64.6% of taxable income and 65.0% of assessed tax.

- 25.0% of all assessed companies reported positive taxable income, 45.0% reported zero taxable income and 30% had assessed losses.
- 58.6% of the tax assessed in 2013 was paid by large companies with taxable income in excess of R200 million which comprise only 0.2% of the companies assessed that had positive taxable income.

Common CIT taxpayers tracked over 10 years allow for cohort studies

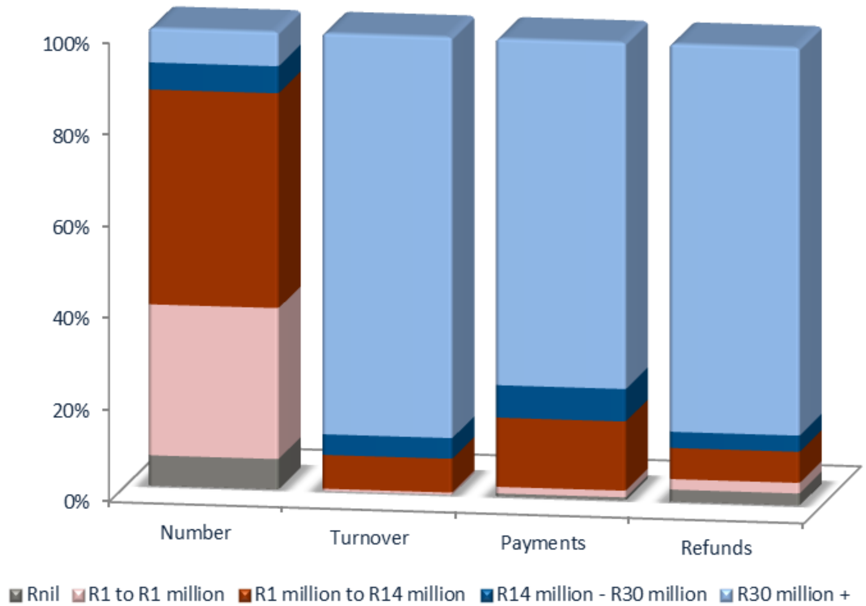




- Although there are 207 918 common companies, they over the 10 year period comprised 33.1% of the number of companies assessed and their contribution to CIT assessed tax declined from 95.0% in 2004 to 85.5% in 2013.
- There is significant movement of companies in and out of the assessed tax base, but these tend to be less profitable than those present throughout the period.

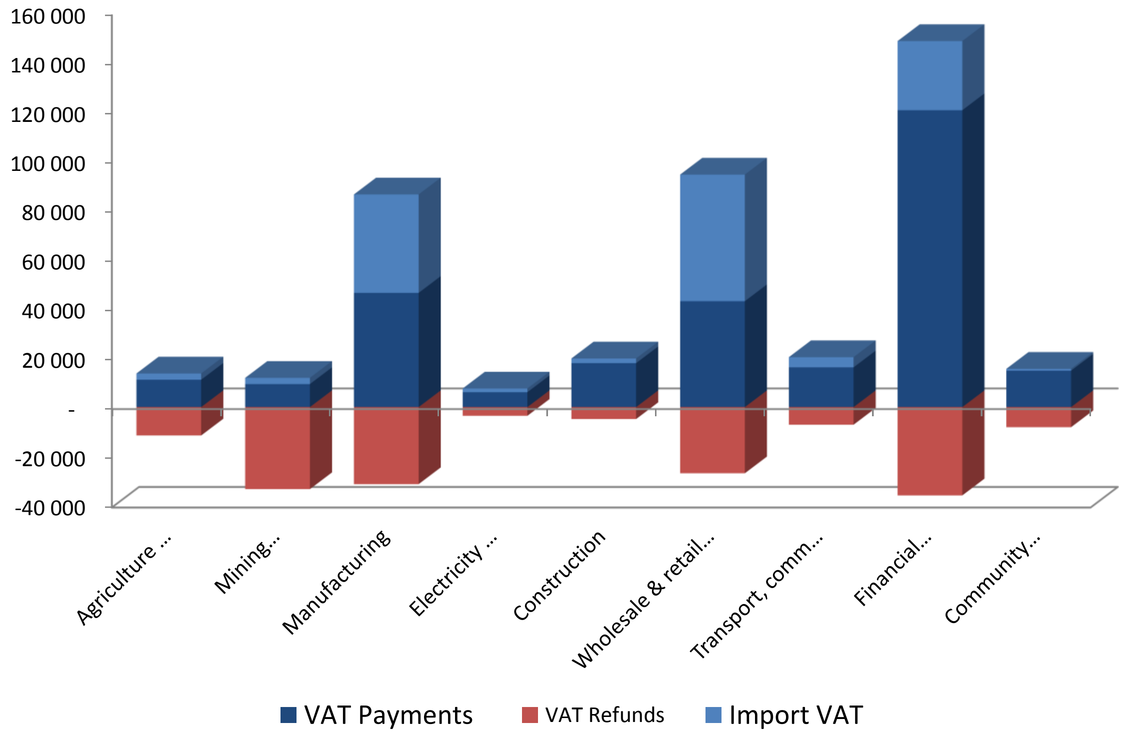
Analysis of VAT and Import Taxes

Distribution of VAT vendors by turnover groupings, 2014/15



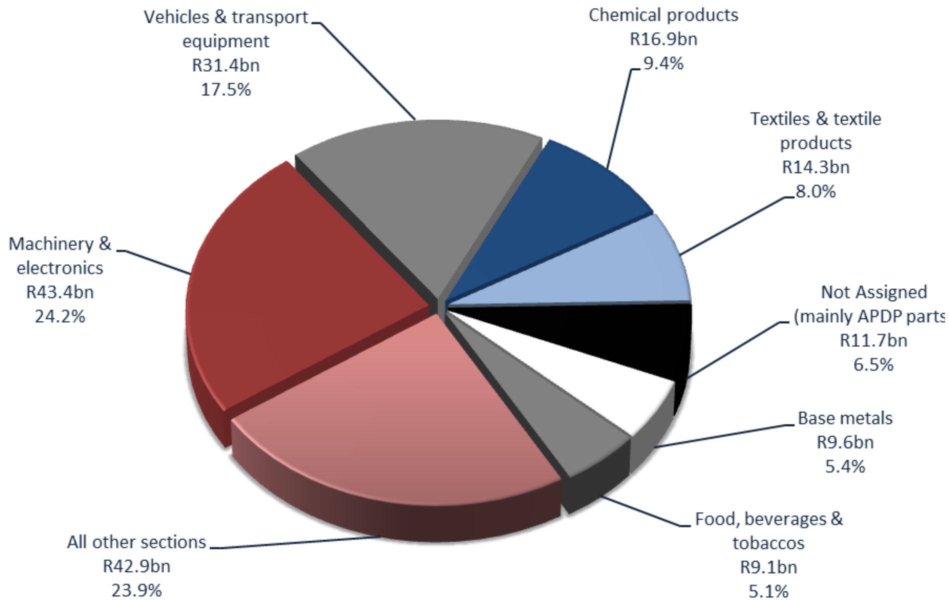
- A significant number of VAT vendors (39.6%) had a turnover of R1 million or less, yet accounted for only 2.1% of Domestic VAT payments and 4.9% of VAT refunds.
- In contrast, 2.6% of VAT vendors had an annual turnover greater than R100 million, they accounted for 63.0% of Domestic VAT payments and 76.0% of VAT refunds

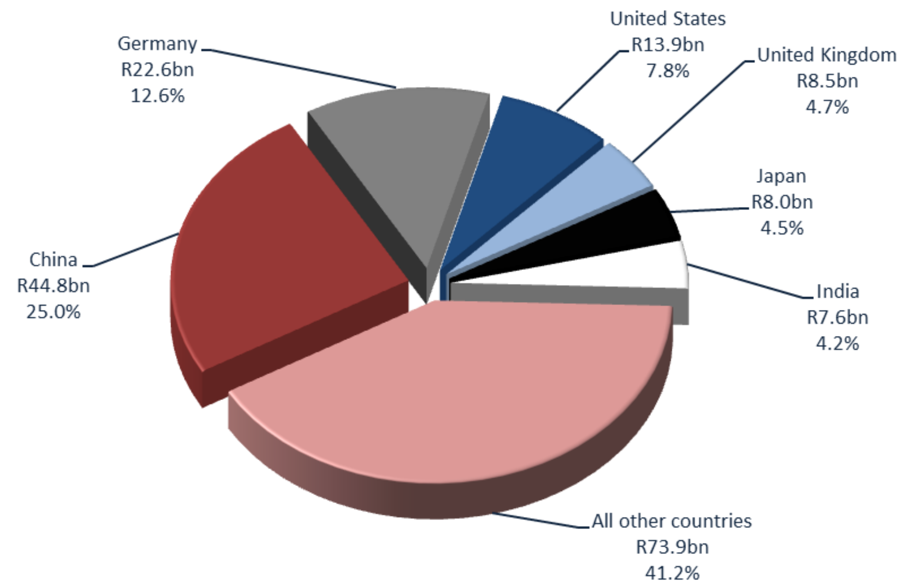
Distribution of VAT components by sector, 2014/15



- The three components move in tandem in most sectors except the mining sector which always receives high refunds due to the bulk of its output being exported, and exports being zero rated.
- Otherwise, high Import VAT translates to high Domestic VAT and VAT refunds

Machinery & electronics and vehicle & transport equipment account for 41.7% of import taxes



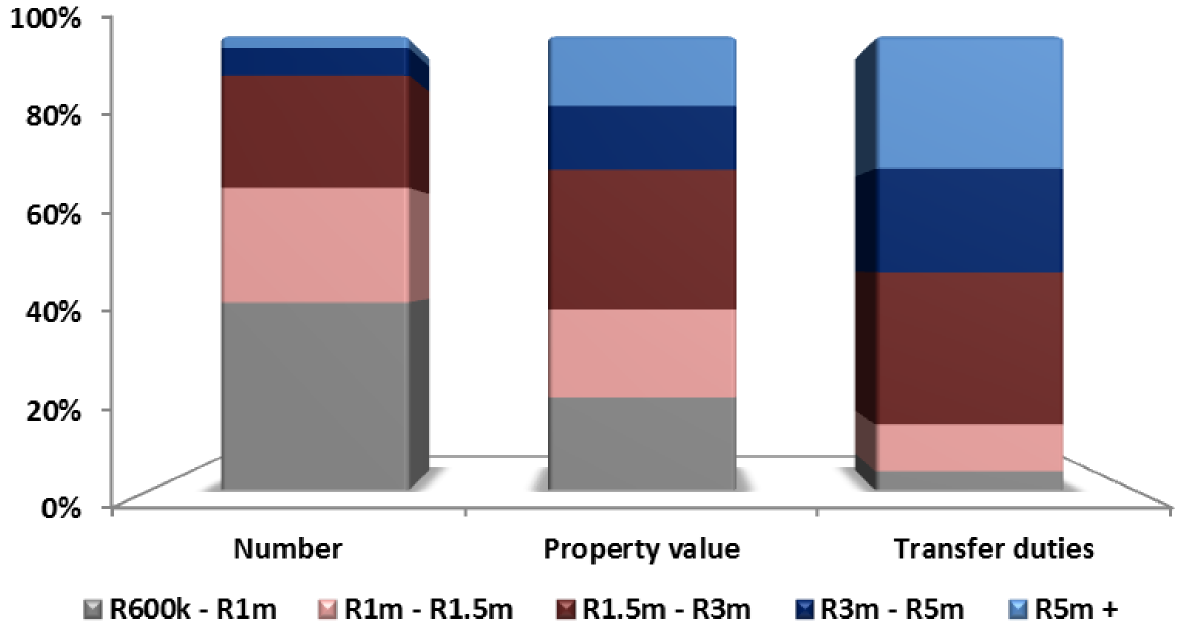


- Machinery & electronics contribute the highest at 24.2% followed by vehicles and transport equipment with 17.5%.
- Most Import VAT is collected from imports from China (25.0%), with Germany second (12.6%).
- Africa accounted for only 4.3% of import taxes

Analysis of other taxes

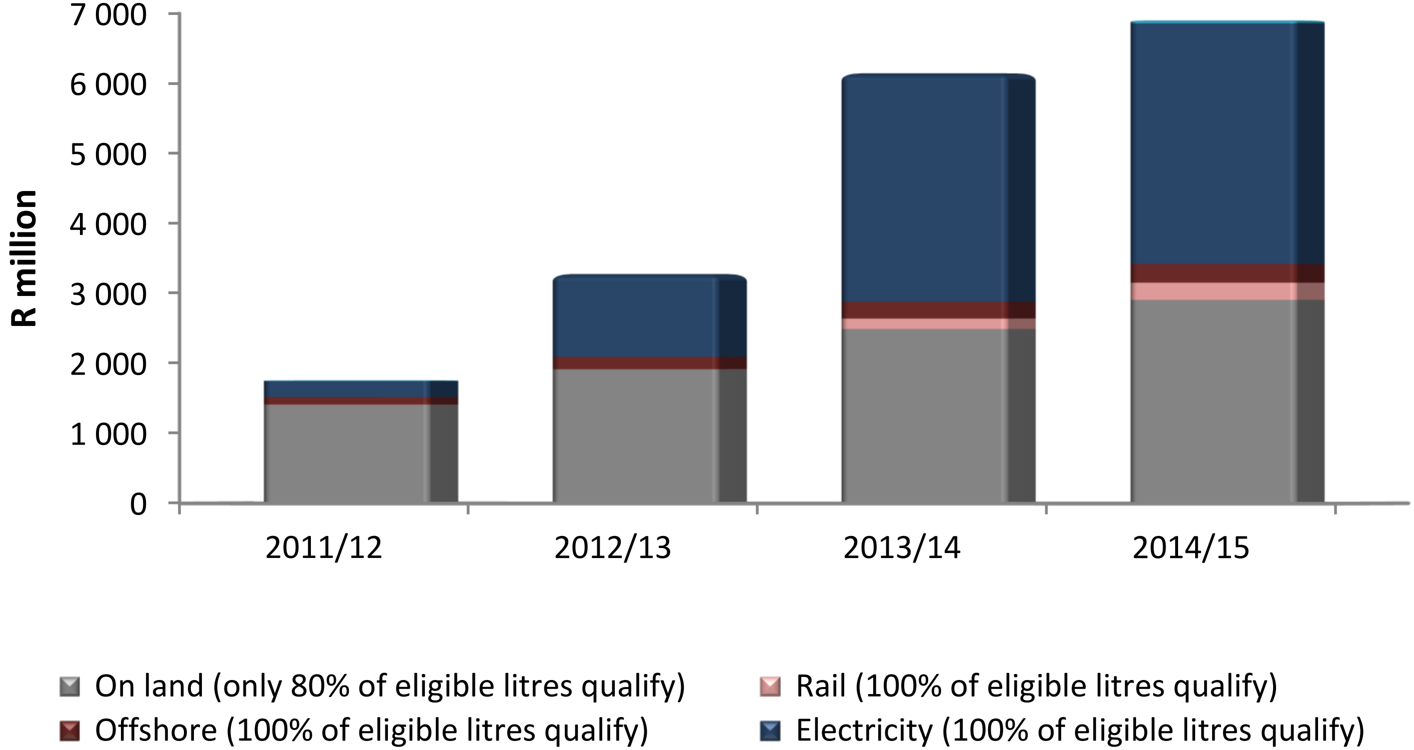
The bulk of transfer duty transactions (82.6%) were from primary residences which accounted for 76.9% of the transfer duty collected

Distribution of Transfer duty collected by property value, 2014/15



- The average value of dutiable property transfers during 2014/15 amounted to R1.6m and the average transfer duty amounted to R56 278, an increase above 12.0% against the prior year due to the increase in transfer duty rates.

Diesel claims for electricity generation has increased significantly since 2012/13



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