2008

Media statement by the Minister of Finance, Trevor A. Manuel, MP, on the preliminary revenue results for the fiscal year 2007/08

Pretoria, 1 April 2008 -- The robustness of the South African economy and the efficacy of our fiscal institutions have once again been confirmed by the revenue collection efforts of the South African Revenue Service (SARS) in the fiscal year 2007/08 which ended at midnight last night.

In February 2008 I set a revised, increased revenue target of R571.06 billion notwithstanding the challenges of the global economic developments.

It gives me a great pleasure to announce that SARS collected preliminary R571.8 billion during the fiscal year 2007/8. This was the number recorded at 02h40 am this morning!

The preliminary result is R0.8 billion above the revised Feb 2008 Budget estimate and R15.2 billion above the Feb 2007 printed estimate of R556.6 billion. Taking into account additional departmental revenue of R1.4 billion and deducting transfers to our SACU partners, the preliminary main budget revenue estimate is R560.1 billion. Our preliminary estimate of national expenditure is R541.6 billion, bringing the main budget surplus to R18.5 billion or 0.9% of GDP which is 0.1% higher than the February 2008 estimate.

Once again, the resilience of the South African economy and the ability of SARS to mobilize efforts way beyond the call of duty have been demonstrated more than adequately. The results confirm the continuing expansion of our economy, and the growing strength of the partnership between SARS and taxpayers.

This excellent revenue performance was based on the following economic factors in 2007:
- Domestic GDP grew at 5.0%.
- Robust growth in fixed investment spending boosted import of capital goods.
- Employment continued to throughout 2007. Average wage settlements were 7.3% in 2007, compared to 6.5% in 2006.
- Higher inflation and interest rates.
- A slowdown in household consumption.

Given the economic circumstances in 2007 the target of R571.06 billion was a formidable one. It required that SARS staff had to develop and implement extraordinary measures to identify the monies rightfully owing to the fiscus and actually collect these amounts. Among the innovative measures SARS utilized were the following:
- During March 2008 about 300 000 telephone calls were made to taxpayers resulting in a commitment to pay an additional R5 billion in revenue. Most taxpayers appreciated the courtesy and reminder from SARS. A small minority continued to seek ways to avoid meeting their obligations.
- Debt recovery: An additional R4.36 billion was collected during March through special initiatives to recover long outstanding debt.
- A system was introduced to avoid payment delays by prescreening defective (RD) cheques to ensure that these are banked in time.
- A larger number of companies of all sizes were contacted to ensure that they pay their fair share of tax.

I am very appreciative of the tremendous cooperation by many businesses – larger corporations and smaller enterprises - and individuals. This bodes extremely well for the creation of the right kind of compliance culture for a young democracy like ours. This is indispensable to sustaining our successes and building our nation. We appreciate every taxpayer whose contribution to the fiscus is up to date!

Key Revenue Trends and Underlying Factors

The following are the key trends and drivers for the revenue outcome of R571.8 billon:
- The growth in employee compensation from 10.6% in 2006 to 11.7% in 2007 and the increase in the number of jobs resulted in the strong growth of Personal Income Tax.
- The revised estimate of Value Added Tax was exceeded despite the slowdown in final household expenditure from 8.2% in 2006 to 7% in 2007 impacting negatively on domestic VAT. The overrun in VAT receipts results from the high growth in imports of 20.9% in 2007.
- Gross operating surplus grew from 15% in 2006 to 18.1% in 2007 resulting in sustained growth in Corporate Income Tax. The growth in corporate income is spread across all sectors.

Summary Key Trends

Analysis of Revenue Results

The table below contains a preliminary view of the revenue outcome for 2007/08 R'million

R'million	Feb 2007 Estimate (Printed)	Oct 2007 Estimate (MTBPS)	Feb 2008 Estimate (Budget)	2007/08 Actual
			R'million	
Personal Income Tax	156.535	167,800	169,300	169,104
Company Income Tax	139,615	141,300	142,600	143,048
Secondary Tax on Companies	16,000	18,000	20,200	19,972
Value-Added Tax	155,068	147,000	147,000	149,653
Specific Excise	17,792	18,500	18,000	28,083
Fuel Levy	23,398	23,200	24,000	23,480
Customs Duties	27,084	27,600	26,600	26,677
Other	20,530	22,663	23,363	21,790
Total Tax Revenue	**556,562**	**566,063**	**571,063**	**571,807**

Personal Income Tax (PIT)
The R169.1 billion in revenue for PIT exceeded the printed estimate of R156 billion by R13 billion and was marginally less than the revised target of R169.3 billion.

The growth in PIT was largely due to the growth in the tax register complemented by growth in remuneration by 11.7% and employment growth of 2.4% at end September 2007.

Value Added Tax (VAT)
The Revised VAT Target of R147 billion was exceeded by R2.6 billion

Despite the moderation in the growth rate of final consumption expenditure, VAT has benefited from inflation in the short term. Our preliminary figures indicate that there has been a shift in the composition of the VAT receipts. In the year under review, import VAT, including tax on equipment and producer goods contributed R1.1bn more to total VAT collection whereas domestic VAT contributed R2.7bn less than estimated.

Corporate Income Tax (CIT)
The revised corporate income tax target of R142.6 billion was exceeded by R448 million.

This target increased from the printed estimate of R139.1 billion to R142.6 billion in the 2008 budget. Trends in company income tax revenue over the past five years has been volatile and therefore present a particular challenge for revenue forecasting.

Higher CIT collections were primarily due to annual growth in total gross operating surplus of 18.1%. All sectors posted positive tax growth. Manufacturing contributed the most to the year-on-year growth of 20% in CIT followed by Mining, Financial Services, Insurance and Banks. In terms of sectoral contribution to CIT, Manufacturing accounts for 22%, Mining 12%, Financial Services 11%, Wholesale and Retail 10%, Banks 8% and Insurance 7%.

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