



South African Revenue Service

Preliminary Revenue Results for 2017/18

Press Briefing

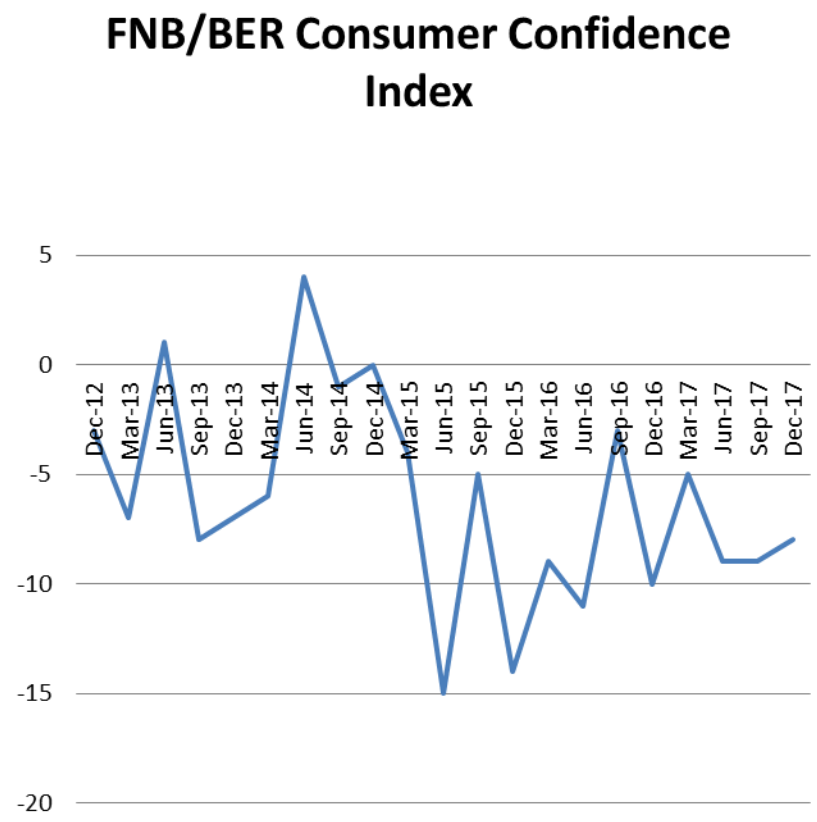
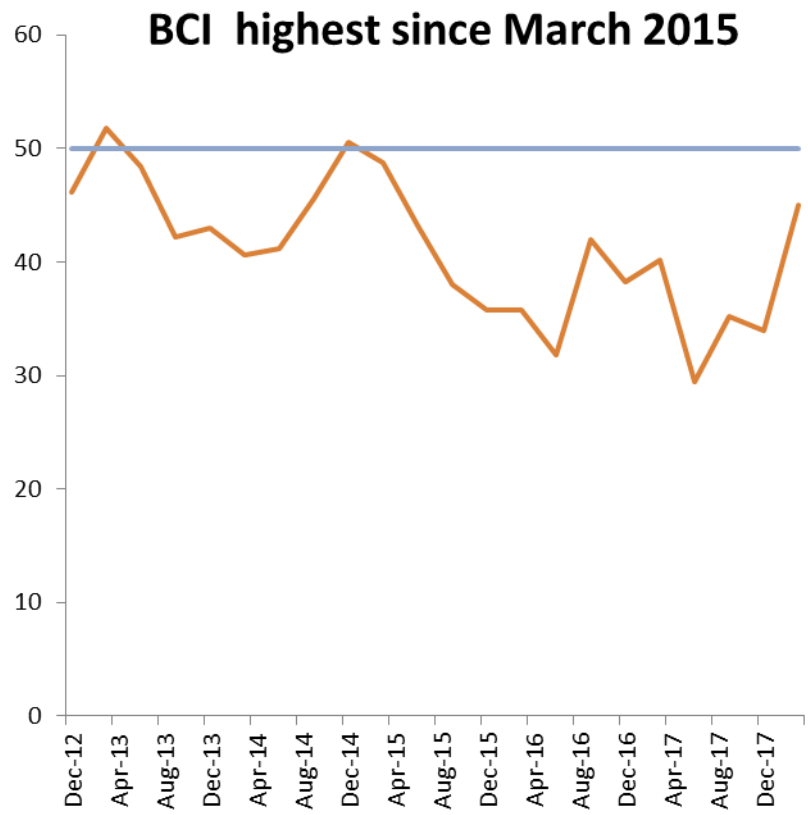
Tuesday, 03 April 2018

1. Contents

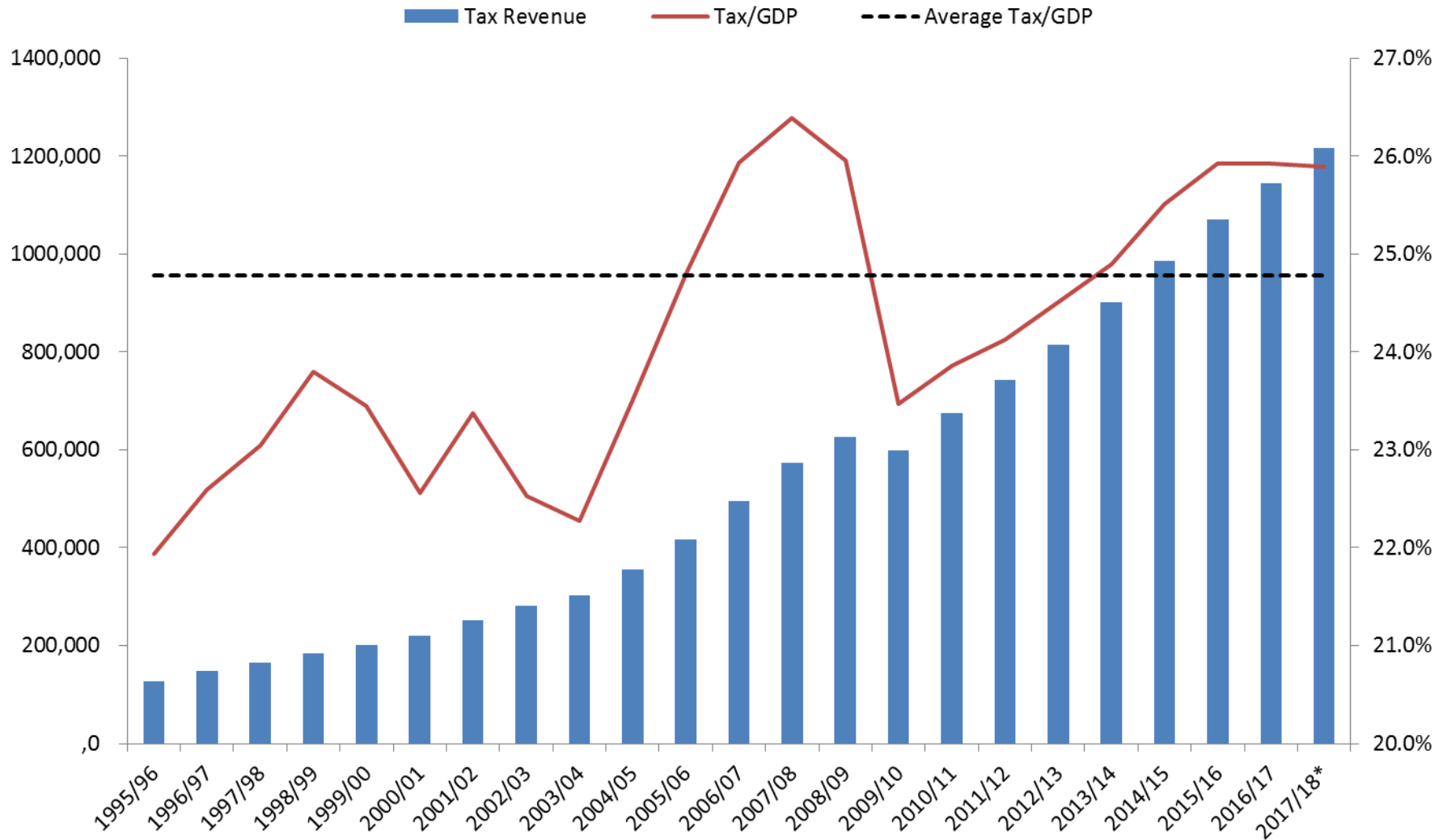
- **Drivers of Tax Revenue**
 - **Economy**
 - **Tax Policy**
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- **Addenda**

2.1. Economic Factors that Drive Tax Revenue

Business & Consumer Confidence is improving, which bodes well for the revenue outlook



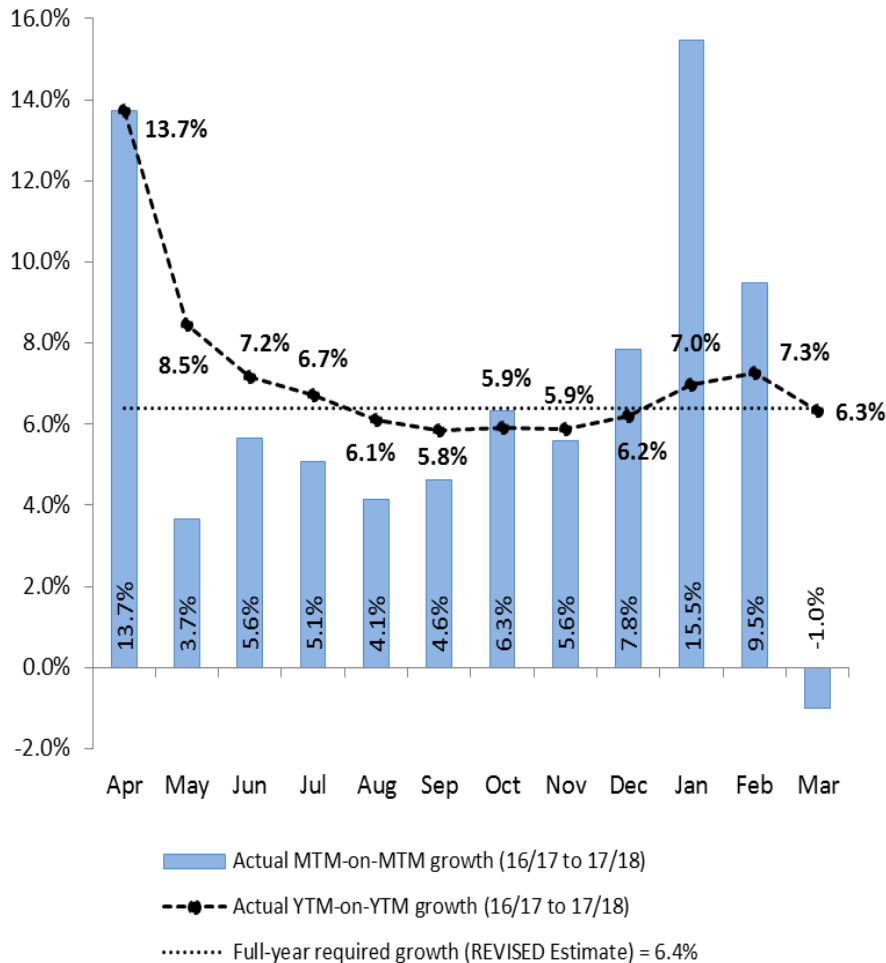
Tax-to-GDP ratio above average but still below pre-recession levels, tax buoyancy estimated at 0.94



* Revenue results are preliminary

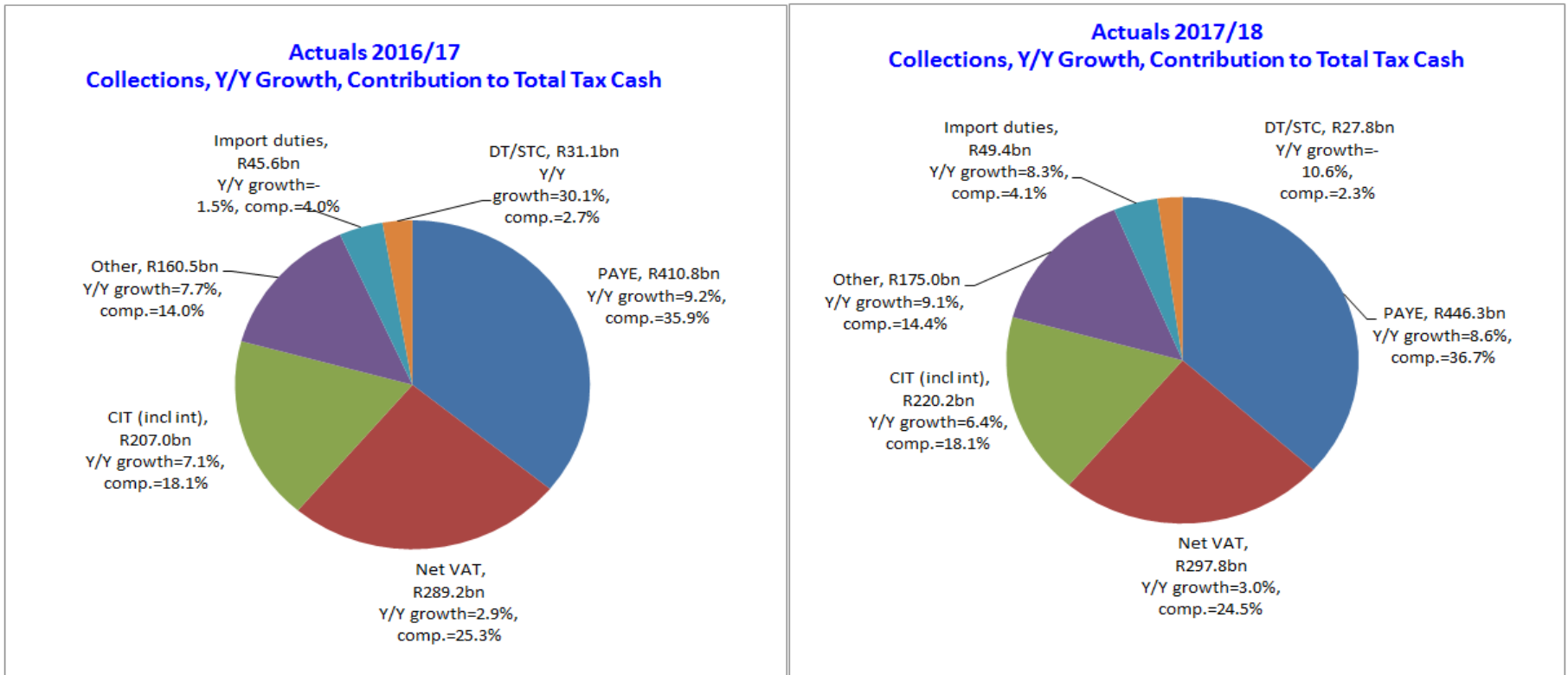
Preliminary Revenue Performance 2017/18

TOTAL TAX REVENUE IN CASH
Month-on-Month and YTD growth by month 2017/18



- Preliminary Revenue collections for 2017/18 totalled R1 216.6bn a deficit of R0.7bn against expected outcome. This reflect an annual growth of R72.2bn (6.3%) against PY.
- The deficit has largely been driven by VAT (-R1.6bn), DWT (-R1.2bn), Fuel Levy (-R0.3bn), CIT (-R0.3bn) and PIT (-R0.1bn).
- The improved revenue trend in the latter part of the year was short lived as March collections contracted. The contraction in y-o-y collections displayed in March is largely underpinned by timing issues, base effects relating to bringing collections forward.
- The significant contractions relating to DWT and the continued weak Domestic VAT performance throughout the year, further hampered performance.

PAYE, Net VAT and CIT remain the largest contributors to tax revenue totalling 80.0%



2.2. Tax Policy

Tax Policies Implemented in 2017/18

Table 4.3 Impact of tax proposals on 2017/18 revenue¹

R million	Effect of tax proposals
Gross tax revenue (before tax proposals)	1 237 464
Budget 2017/18 proposals	28 024
Taxes on individuals and companies	
Personal income tax	16 516
Revenue from not fully adjusting for inflation	12 148
<i>Revenue if no adjustment is made</i>	14 628
<i>Bracket creep adjustment</i>	-2 480
New top marginal income tax bracket	4 369
Dividend withholding tax	6 822
Increase in dividend withholding tax rate	6 822
Taxes on property	-448
Transfer duty decrease	-448
Indirect taxes	5 133
Increase in general fuel levy	3 197
Increase in excise duties on tobacco products	656
Increase in excise duties on alcoholic beverages	1 280
Gross tax revenue (after tax proposals)	1 265 488

1. In previous budget documentation, estimated revenue changes resulting from personal income tax, fuel levy and excise duty proposals were compared with no adjustment for inflation. These changes are now compared with full adjustment

Source: National Treasury

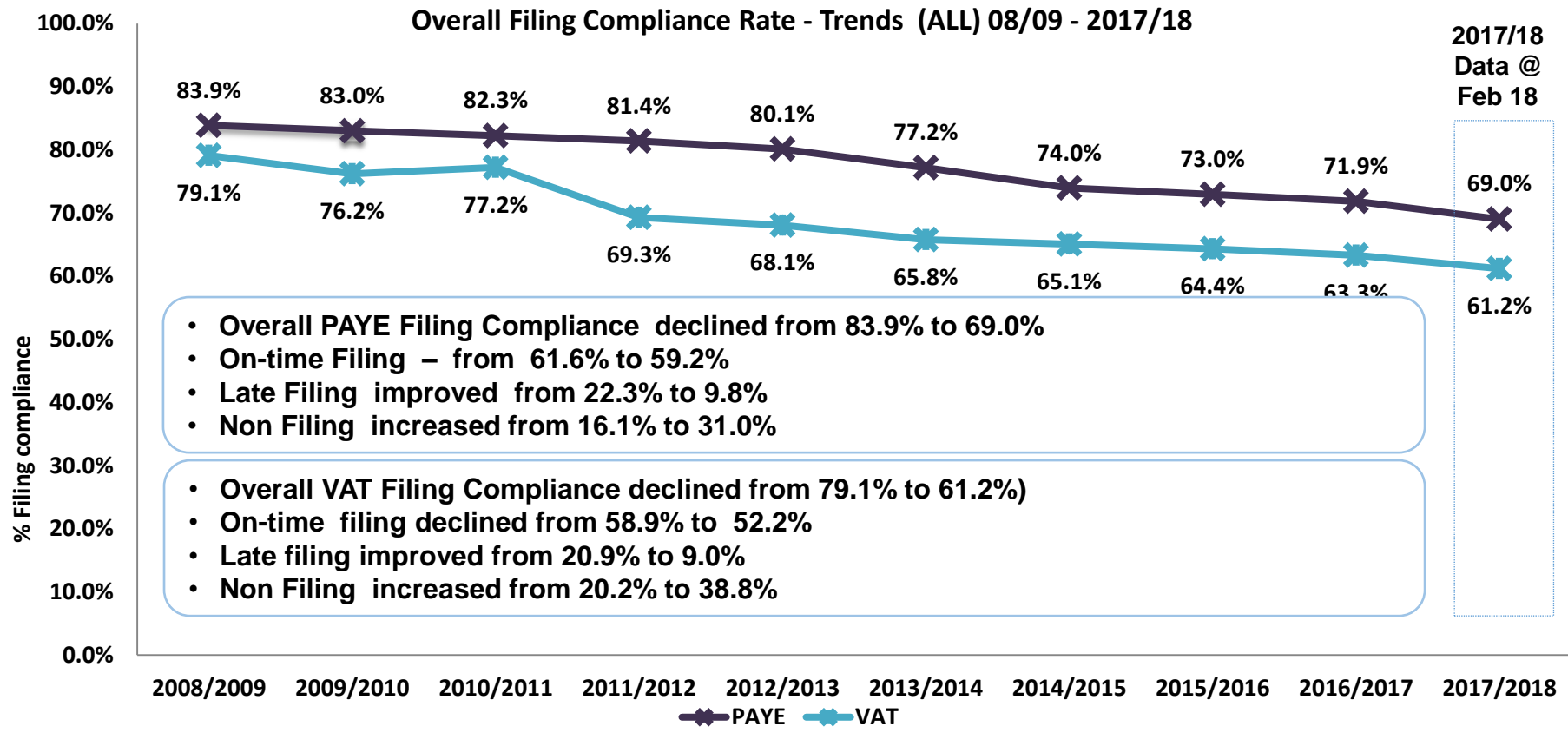
Tax proposals for 2017 Budget estimated at R28.0bn

- Top marginal income tax bracket increased from 41% to 45% for taxable income of individuals exceeding R1.5bn, which was expected to realise R4.4bn from about 100 000 individuals.
- Partial relief for bracket creep was limited, resulting in expected additional revenue of R12.1bn.
- An increase in the dividend withholding tax rate from 15% to 20%
- Hike in indirect taxes expected to provide R5.1bn from general fuel levy (+R3.2bn), excise duties in tobacco (+R0.6bn) and excise on alcohol (+R1.28bn).
- Increase in the Road Accident Fund (RAF) fuel levy
- Employees previously earning less than R400 000 qualify for tax relief on bursaries offered to their relatives by their employer. It is proposed that this threshold be increased to R600 000, and the effective date of implementation was set for 1 March 2017.
- Introduction of Tyre levy, which is intended to reduce waste, while encouraging re-use, recycling and recovery, applied at a rate of R2.30 per kg of tyre.
- To support middle-income households, the duty-free threshold for residential property transfers was raised to R900 000.

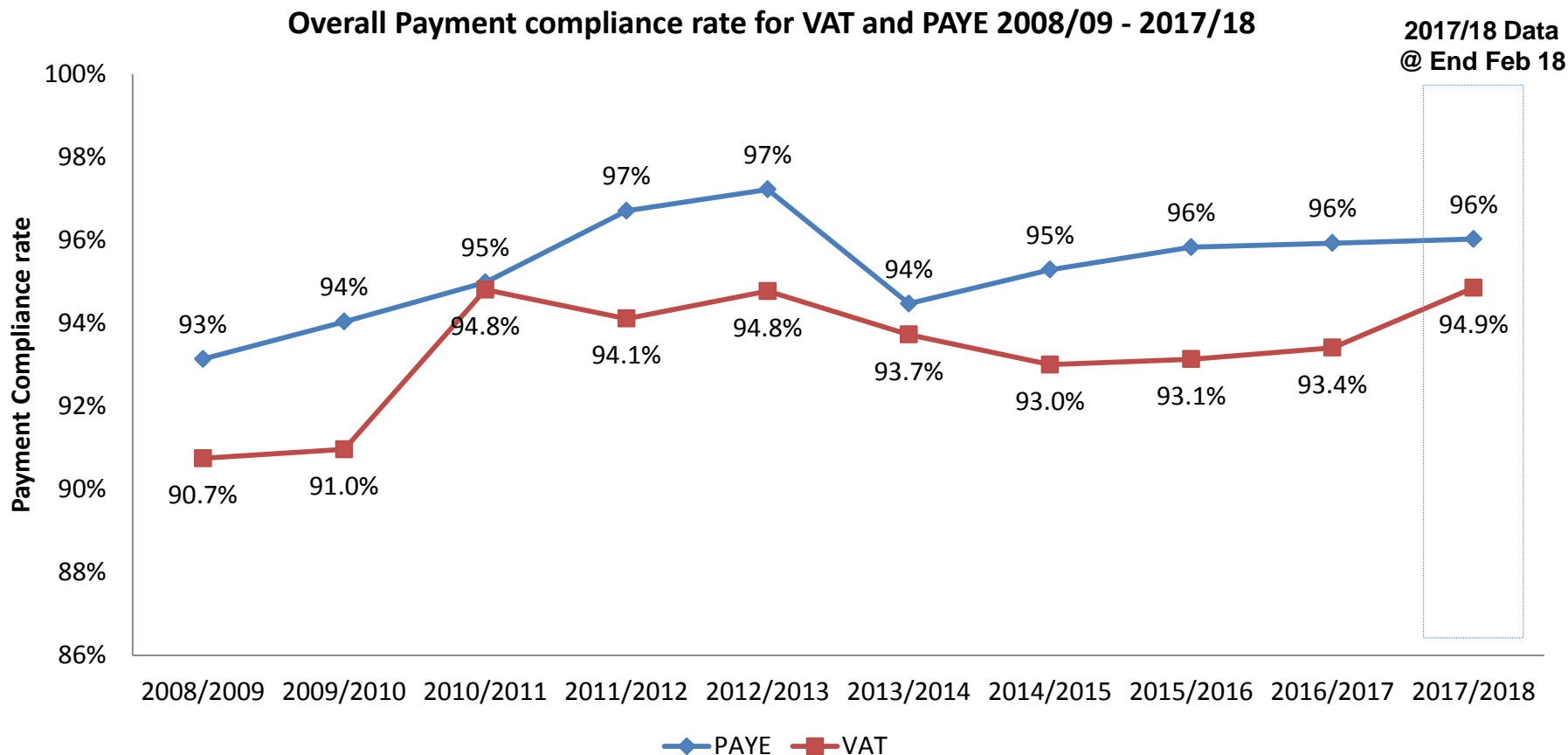
Source: 2017 Budget

2.3. Tax Compliance

Tax Compliance: Although there is a general decline in compliance across taxes since the global financial crisis, our increasing concern is the continuous decline in filing compliance by those tasked with the agency function.

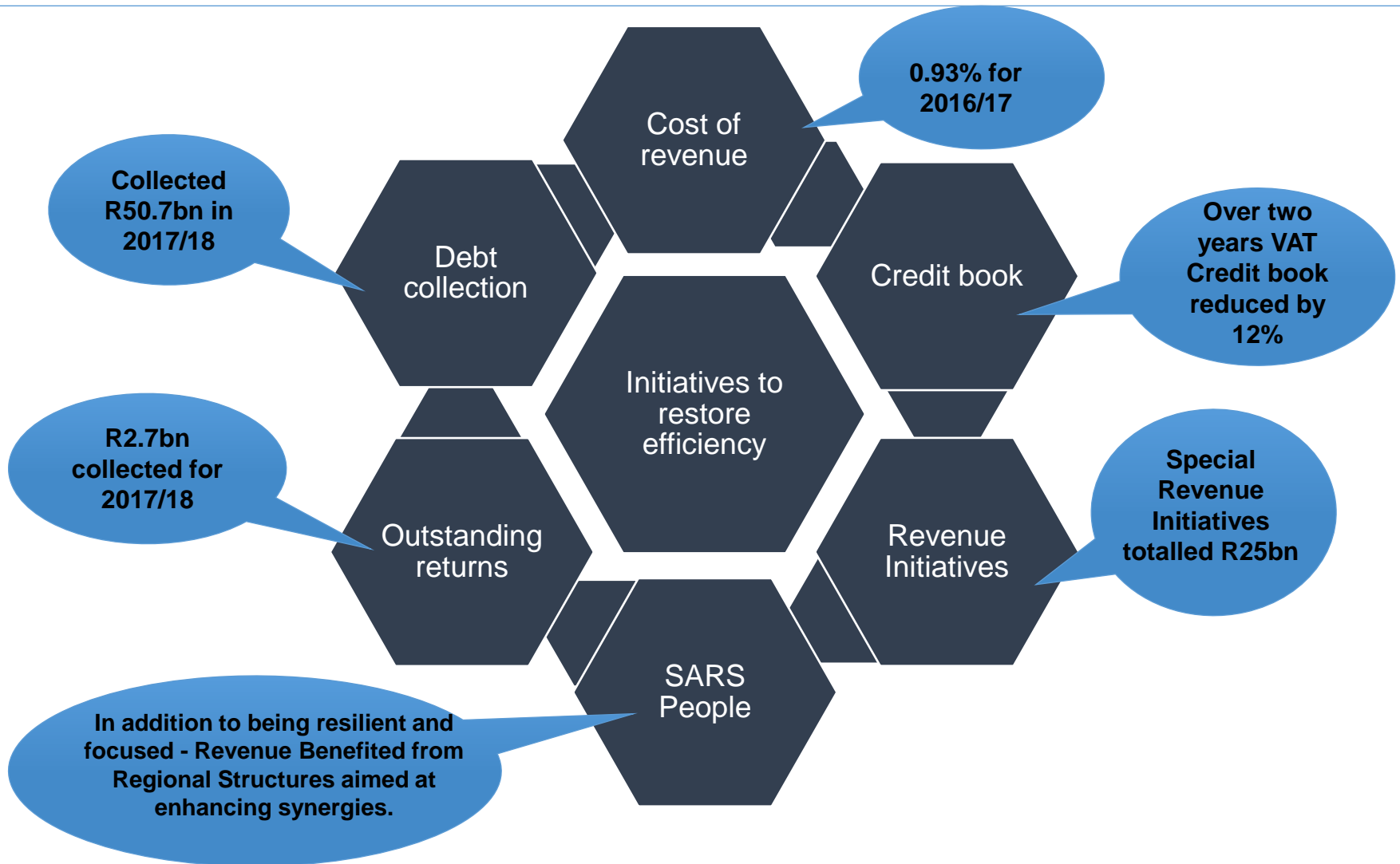


Tax Compliance: Overall payment compliance from VAT vendors and PAYE employers that submit returns is high.



2.4. Administration Efficiency

Administration Efficiencies



Revenue estimate for 2018/19 R1345bn, growth of 10.5%

Table 4.3 Impact of tax proposals on 2018/19 revenue¹

R million	
Gross tax revenue (before tax proposals)	1 308 965
Budget 2018/19 proposals	36 000
Direct taxes	7 310
Taxes on individuals and companies	
Personal income tax	7 510
Revenue from not fully adjusting for inflation	6 810
<i>Revenue if no adjustment is made</i>	14 155
<i>Partial bracket creep for personal income tax</i>	-7 345
Medical tax credit adjustment	700
Corporate income tax	-350
Special economic zones	-350
Taxes on property	150
Estate duty increase	150
Indirect taxes	28 690
Increase in value-added tax	22 900
Increase in general fuel levy	1 220
Increase in excise duties on tobacco products	420
Increase in excise duties on alcoholic beverages	910
Increase in ad valorem excise duties	1 030
Increase in environmental taxes	280
Introduction of health promotion levy	1 930
Gross tax revenue (after tax proposals)	1 344 965

1. Revenue changes are in relation to thresholds that have been fully adjusted for inflation

3. Conclusion

- The headline upturn in **GDP growth** bodes well for revenue collections.
- There are emerging **green shoots** in the domestic economy:
 - household consumption,
 - investment,
 - manufacturing production,
 - exchange rate,
 - Inflation.
- Most **headwinds are turning into tail winds** (commodity prices, adverse weather conditions, labour unrests, and business and consumer confidence). Despite recent traction, **risks remain tilted to the downside** (ratings, government expenditure, debt levels, unemployment, and low actual and potential growth rates).
- The expected growth outlook for 2018/19 will be assisted by tax policy interventions.
- SARS, once again needs **to address non-compliance of taxpayers and drive extra revenue initiatives** to secure the required funding for the fiscus.

Thank You
Re a leboha
Re a leboga
Ha khensa
Dankie
Ri a livhuwa
Siyabonga
Siyabulela
Siyathokoza