2014 Tax Statistics

7th edition

Modernised systems and expanded use of PIT data offer significant insights into demographics of individuals

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- Worldwide, tax statistics are assuming more prominence in the formulation and evaluation of fiscal policy as well as policies on employment and income as informed by socio-economic research.

- This 7th edition of the annual Tax Statistics Publication provides an overview of tax revenue collections and tax return information for the 2010 to 2013 tax years as well as the 2009/10 to 2013/14 fiscal years.

- Previous year edition was released on the 21st October 2013 while the current release is on the 4th of November 2014.

Content of Tax Statistics 2014

- ***Chapter 1: Revenue Collections*** provides a summary of aggregate tax revenue collection trends from 2009/10 to 2013/14.
- ***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.
- ***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.

Content of Tax Statistics 2014 (continued)

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.

What's new in this edition

- Chapter 1:
  - Breakdown of the different components of the Fuel levy
- Chapter 2:
  - Graphical representation of assessed individuals by municipality, based on residential information
  - Impact of medical credits on taxable income
  - Analysis of taxpayers below 65 years of age (in the 2013 tax year) who had been assessed for all the tax years from 2004 to 2013, illustrating the movement of taxpayers' taxable income and their tax liability
  - High level analysis based on tax certificates (IRP5s) issued to individuals

What's new in this edition (continued)

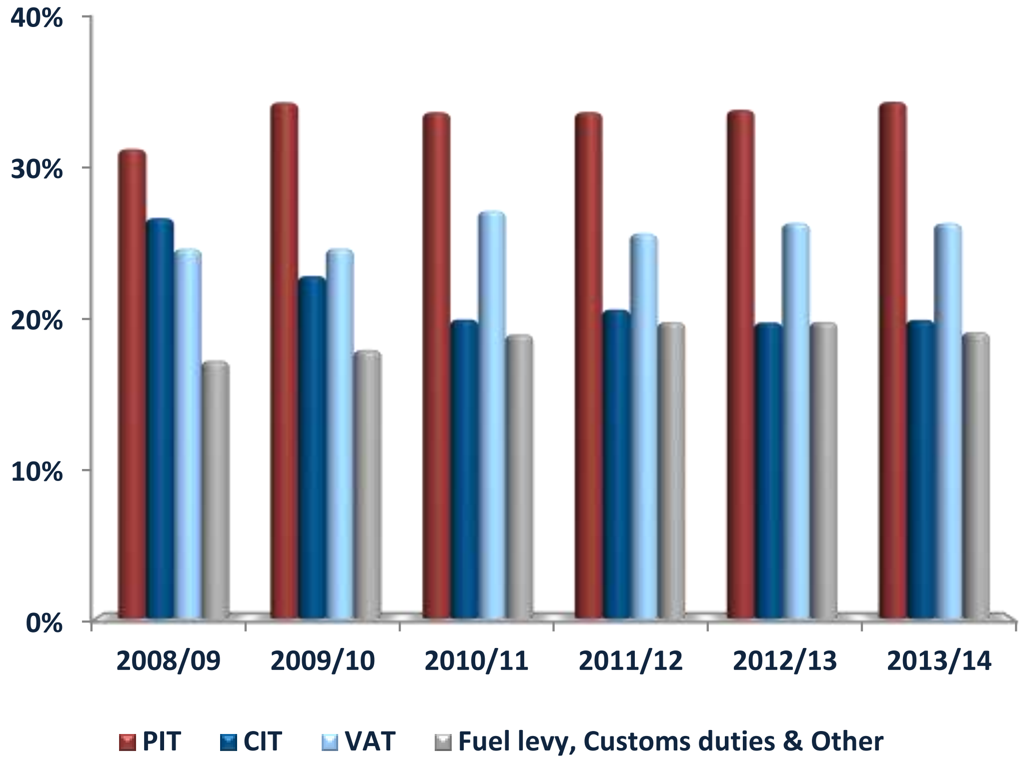
- Chapter 4:
  - Import VAT classified by sector.
- Chapter 6 - A new chapter that contains data on taxes such as CGT, Transfer duty, MPRR, SACU payments and Diesel refunds :
  - Most of these taxes were covered in less detail in Chapter 1 in previous editions
  - A table that sets out the number of transactions and property values as well as, where applicable, Transfer duty, in property value groupings ; and
  - A table displaying claims from vendors registered for Diesel rebates, set out in value groupings that distinguish between on land, offshore and rail claimants.

Analysis of PIT data

To illustrate the richness of the data we have for this presentation focused on PIT

- For the first time IRP5 information is provided in the Tax Statistics publication.
- Statistics of taxpayers that were assessed for all 10 tax years from 2004 to 2013 is provided.
- Assessed data based on the residential address of taxpayers was utilised to create taxpayer footprints for all local municipalities and metros (234).
- The impact of tax reform on effective tax rates of individuals where the effective tax rates of individuals declined from 20.0% (2012) to 19.1% (2013) as a result of the move from medical scheme contribution deductions to medical tax credits is illustrated.
- The number of assessed taxpayers that were liable for tax increased from 2.9 million in 2004 to 4.5 million in 2013, an increase of 53.9%. In addition in 2013 a further 2.2 million individuals paid PAYE but did not submit tax returns mainly due to these taxpayers falling below the compulsory tax return submission threshold of R250 000. In total for the 2013 tax year there were therefore 6.7 million individuals that contributed to PIT. (The number that paid SITE only in 2004 could not be quantified)

The relative composition of the main sources of tax revenue changed post the financial crisis with PIT largely taking up the smaller contribution of CIT



The combined three main taxes (PIT, CIT and VAT) contributes 80% of total taxes.

Individual taxpayer policy registrations introduced during 2010 required all formal employed individuals to be registered as taxpayers regardless of tax liability

Date	Registered[1]	Percentage growth in register	Tax year	Expected to submit returns[2]	Assessed	Percentage assessed
31-Mar-10	5 920 612	6.9%	2010	5 530 894	5 235 835	94.7%
31-Mar-11	10 346 175	74.7%	2011[3]	5 951 520	5 498 929	92.4%
31-Mar-12	13 703 717	32.5%	2012	6 257 075	5 567 292	89.0%
31-Mar-13	15 418 920	12.5%	2013	6 483 837	5 174 572	79.8%

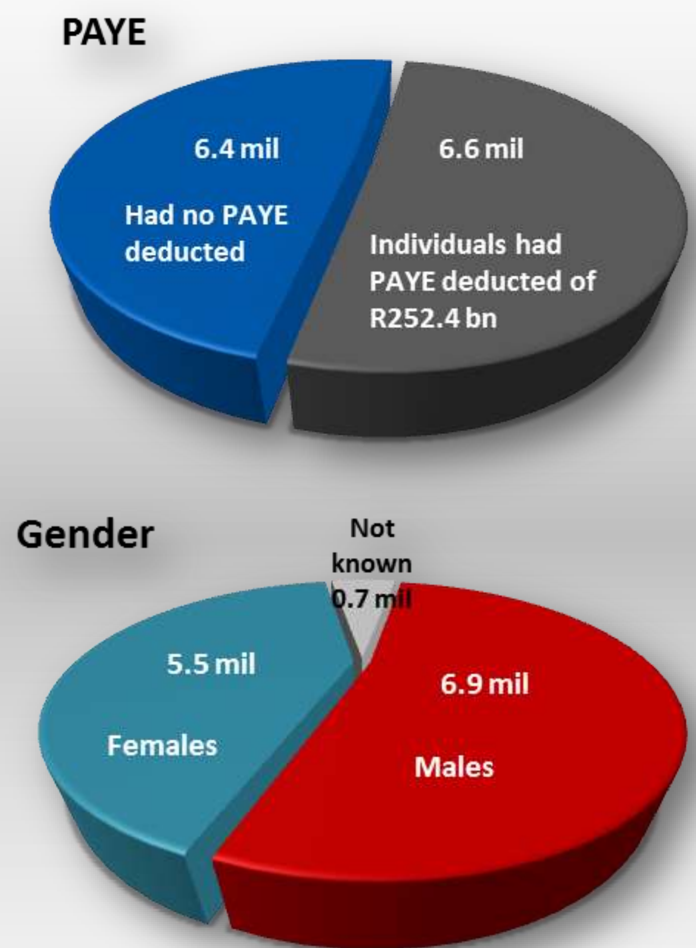
1. *Number of individuals registered as at 31 March of each year.*
2. *Expected taxpayers are those who are expected to submit a return for a specific tax year. Cases can be on the register and active for other years but not active for a specific tax year.*
3. *Compulsory for all employees of employers to be registered for income tax from 2011.*

- The change in policy nearly tripled the number of individuals on the tax register from 5.9 million as at 31 March 2010 to 15.4 million as at 31 March 2013.

Modernised IRP5 system provides improved demographic, *inter alia*, income and deduction information on individuals

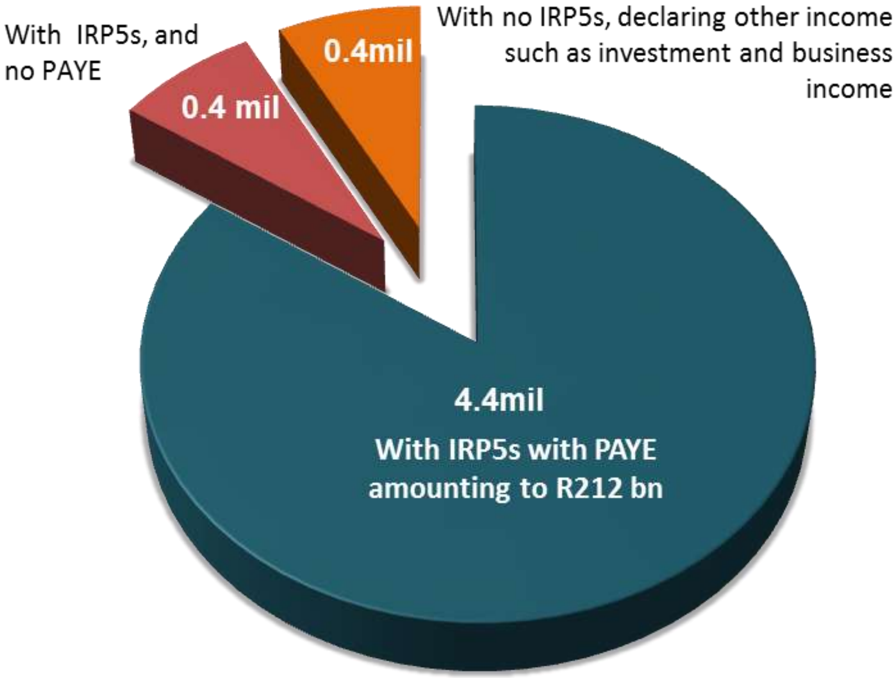
17 million IRP5 certificates

13 million individuals (employees, pensioners & others)

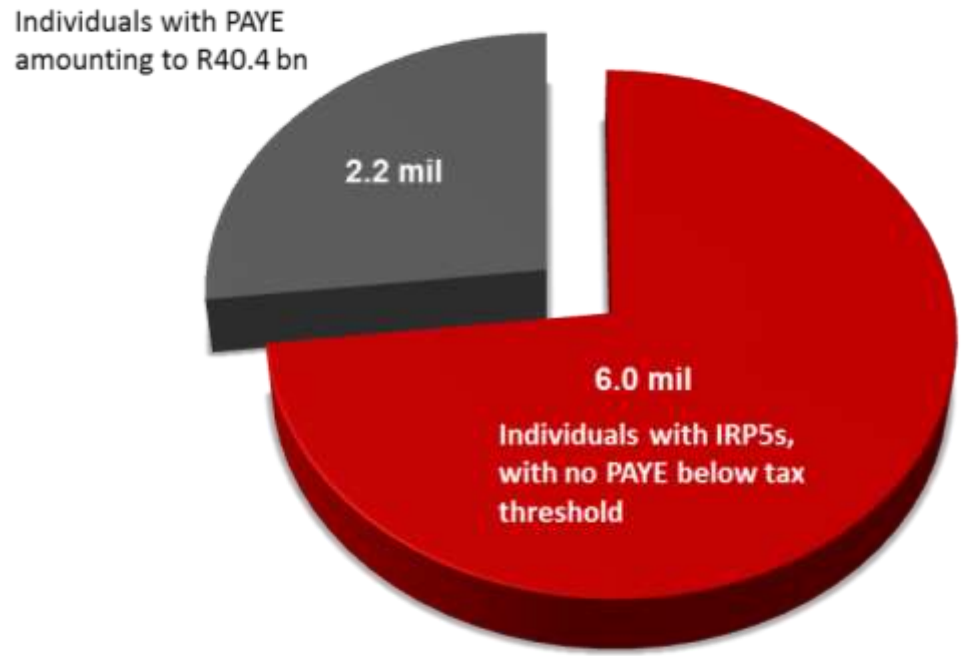


Of the 6.6 million individuals with PAYE deductions for the 2013 tax year, 4.4 million were assessed

Assessed



Not assessed with IRP5s



Taxpayers that had taxable income of R250 000 or less could elect not to submit a tax return if they met certain criteria. This is the main reason for the number of individuals not assessed with PAYE of R40.4 billion.

Assessed statistics show significant base broadening

Assessed statistics from 2004 to 2013

- The total number of assessed taxpayers has increased significantly from 3.5 million in 2004 to 5.2 million in 2013 despite the introduction of submission thresholds, an increase of 46.1%.

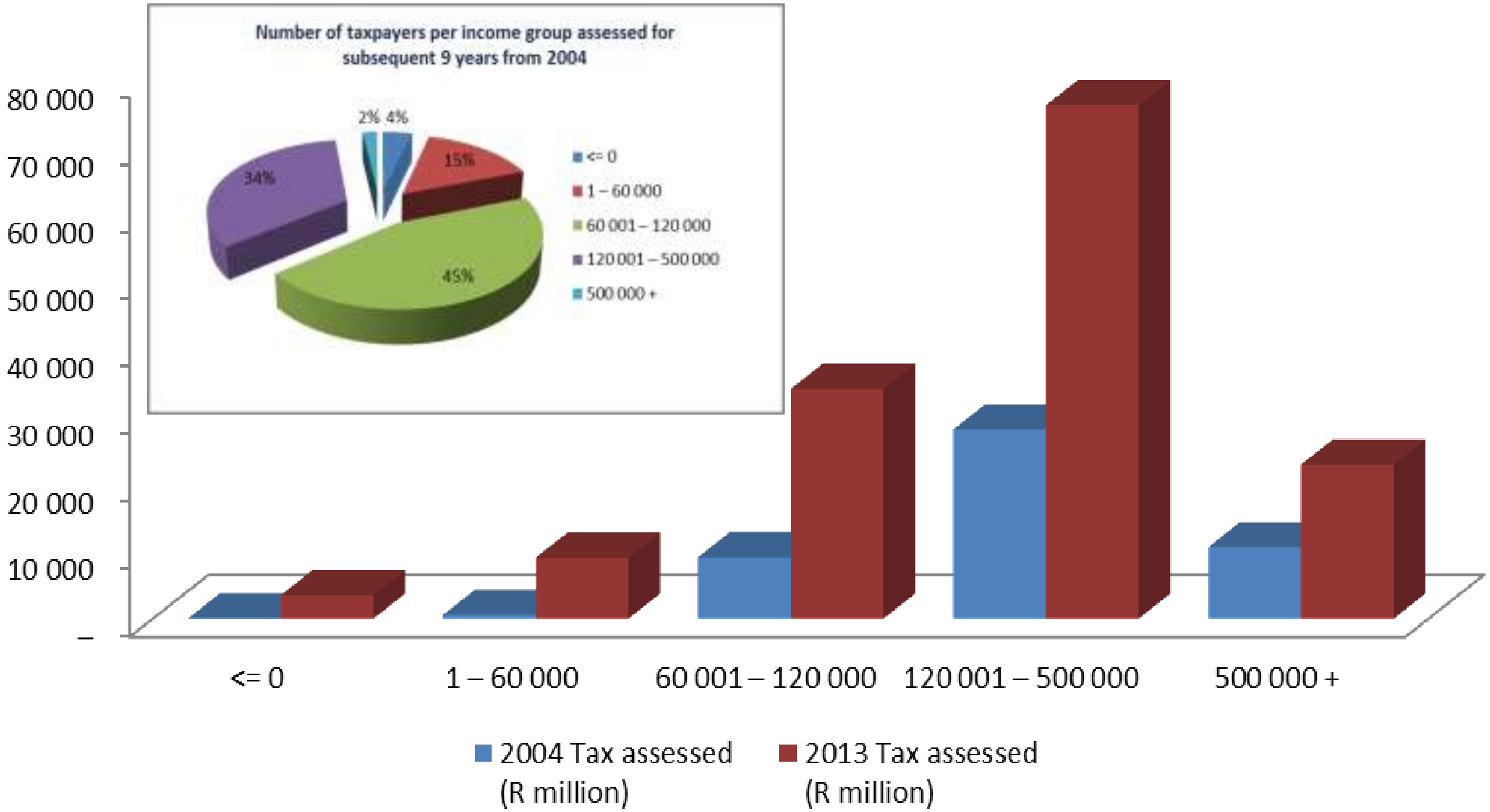
- The growth in assessed taxpayers was much higher than the 9.7% increase in the South African population (from 46.7 million in 2004 to 51.2 million in 2012) - the growth in assessed taxpayers reflective of tax base broadening.

Those assessed every year from 2004 to 2013

- There were 3.5 million taxpayers assessed in 2004 of which 2.7 million at that time were 54 or younger. Of this group, 1.7 million taxpayers (63.0%) have been assessed for all of the subsequent nine years (2005 to 2013).

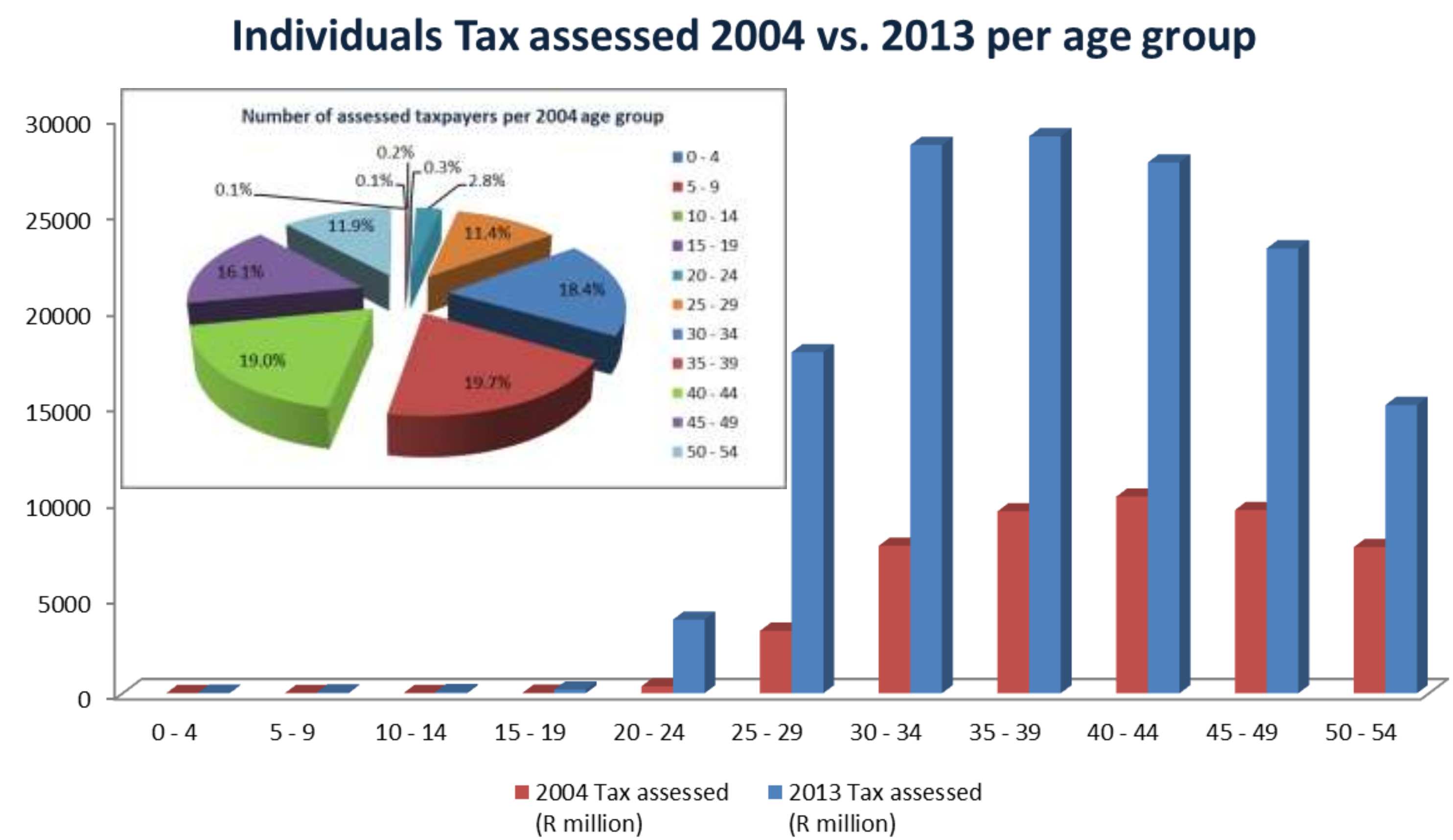
Assessed data shows significant upward mobility of taxpayers from 2004 to 2013

Tax assessed per income group for 2004 and 2013



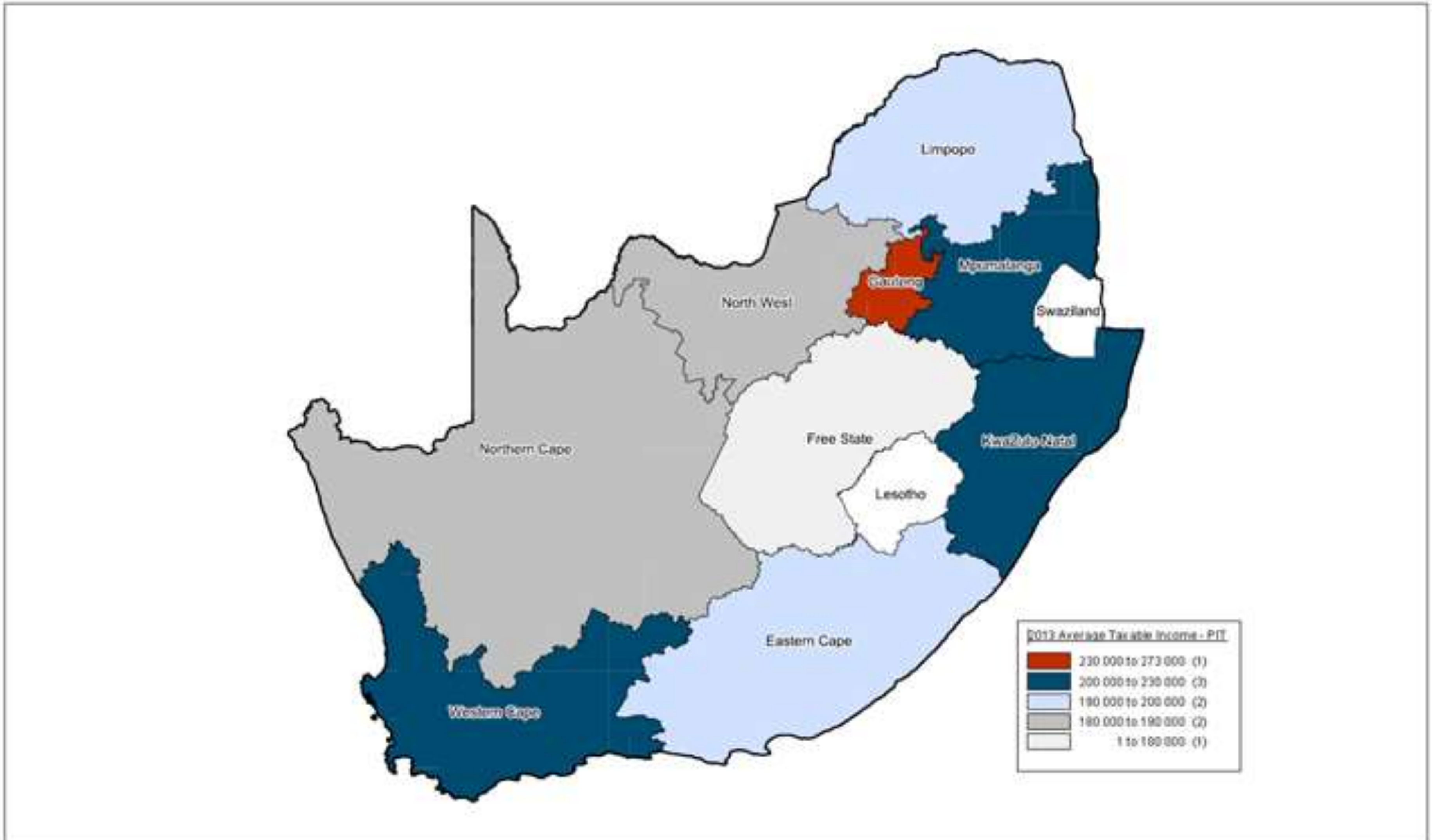
There were 758 828 taxpayers in the R60k-R120k taxable income bracket in 2004 and their average taxable income amounted to R88 710 which increased to R264 093 in 2013 (11.7% CAGR). This group's effective tax rate increased from 13.5% to 17.0% during this period.

Analysis by age bracket showed that the below 35 age group had the highest rate of taxable income progression



There were 310 696 taxpayers in the 30-34 age bracket in 2004 and their average taxable income amounted to R120 584 which increased to R386 222 in 2013 (13.8% CAGR over the period). This age bracket's effective tax rate increased from 20.5% to 23.8% during this period.

Residential data declared on PIT returns used to establish regional taxpayer footprint



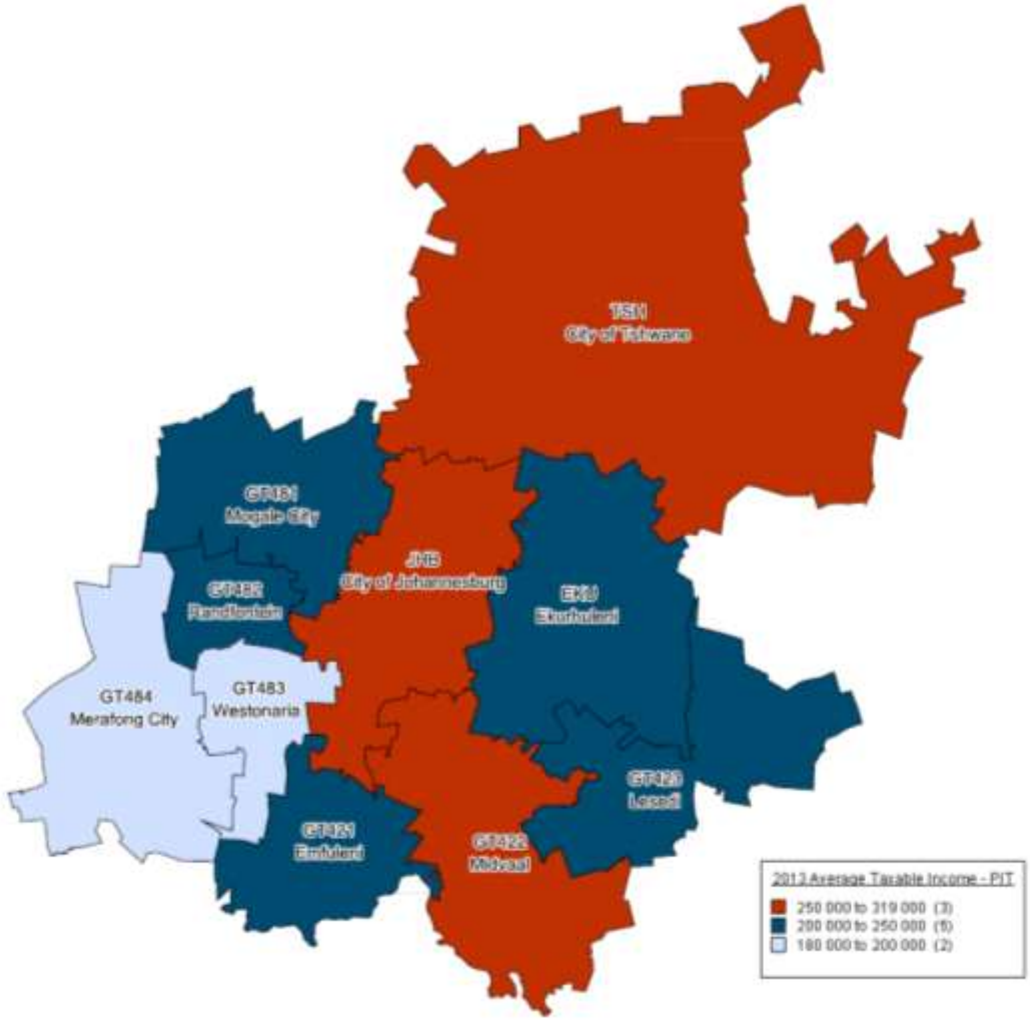
Residential data declared on PIT returns used to establish regional taxpayer footprint (continued)

Tax year	2012				2013			
Province[1]	Number of taxpayers	Taxable Income (R million)	Tax assessed (R million)	Average taxable income (R)	Number of taxpayers	Taxable Income (R million)	Tax assessed (R million)	Average taxable income (R)
Eastern Cape	477 054	78 201	13 269	163 926	440 406	85 408	13 509	193 931
Free State	273 370	40 713	7 331	148 931	258 998	46 167	7 652	178 251
Gauteng	1 974 461	461 392	101 495	233 680	1 847 903	502 977	107 573	272 188
KwaZulu-Natal	770 608	135 018	24 357	175 210	707 335	147 226	25 297	208 142
Limpopo	274 218	46 050	7 735	167 933	261 252	51 431	7 949	196 862
Mpumalanga	317 105	57 196	10 799	180 370	301 871	64 031	11 465	212 113
North West	301 107	46 225	8 150	153 516	276 937	50 967	8 379	184 038
Northern Cape	117 619	19 733	3 729	167 771	111 572	20 942	3 441	187 702
Western Cape	880 929	167 852	34 087	190 540	801 441	182 771	36 091	228 053
Unknown province	180 821	27 638	4 963	152 845	166 857	29 634	4 908	177 602
Total	**5 567 292**	**1 080 019**	**215 915**	**193 994**	**5 174 572**	**1 181 554**	**226 263**	**228 338**

1. Based on the province where the taxpayer resides.

- Gauteng is the province with the highest number of taxpayers, largest contribution to tax assessed and the earners of the biggest portion of taxable income
- The Free State showed the lowest average taxable income
- Statistics on assessed tax are available at a more granular level in the full publication and it contains a similar breakdown than the above for all 234 local and metropolitan municipalities.

City of Johannesburg has the highest average taxable income per assessed individual for 2013 at R318 533



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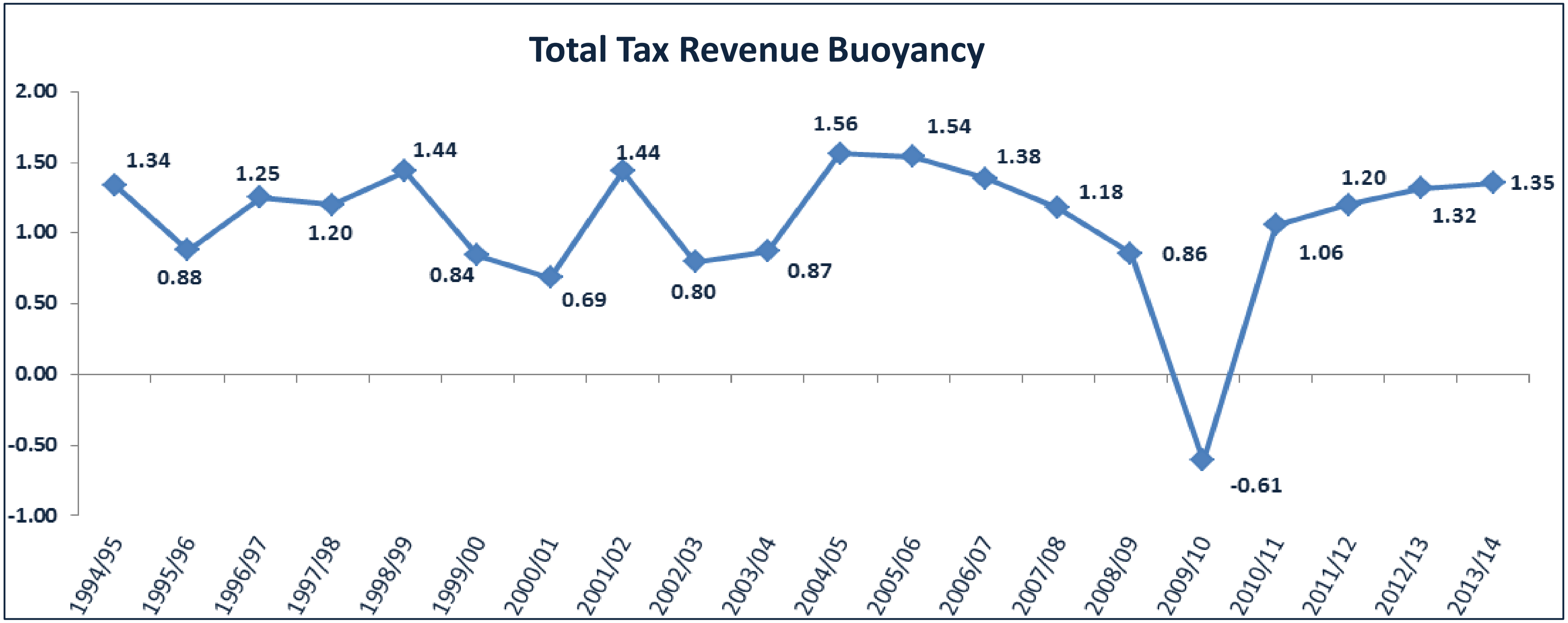
Impact of Personal Income Tax reform on individual effective tax rates, specifically the impact of the conversion to medical tax credits

Tax year	Number of taxpayers assessed	Taxable income (R million)	Average taxable income (R)	Tax assessed (R million)	Average tax assessed (R)	Tax assessed as % of taxable income
2010	5 235 835	884 432	168 919	176 066	33 627	19.9%
2011	5 498 929	990 712	180 164	197 354	35 890	19.9%
2012	5 567 292	1 080 019	193 994	215 915	38 783	20.0%
2013	5 174 572	1 181 554	228 338	226 263	43 726	19.1%

- The decline in effective tax rates from 20.0% is explained by the change from medical deductions to medical credits.
- The change in the manner that medical scheme contributions are treated had a dramatic impact on the value of medical deductions allowed by SARS during the past tax year.
- For the 2012 tax year, SARS allowed medical deductions of R63.9 billion but in the 2013 tax year this declined to only R15.2 billion.
- Medical deductions for 2013 are no longer directly comparable with deductions in previous years because of the change.
- The impact of the change to medical credits for an individual with taxable income of R150 000 that has 3 dependants (1+3) is that his effective tax rate reduces from 9.2% to 5.0% if his taxable income was R150 000.

Analysis of tax collections

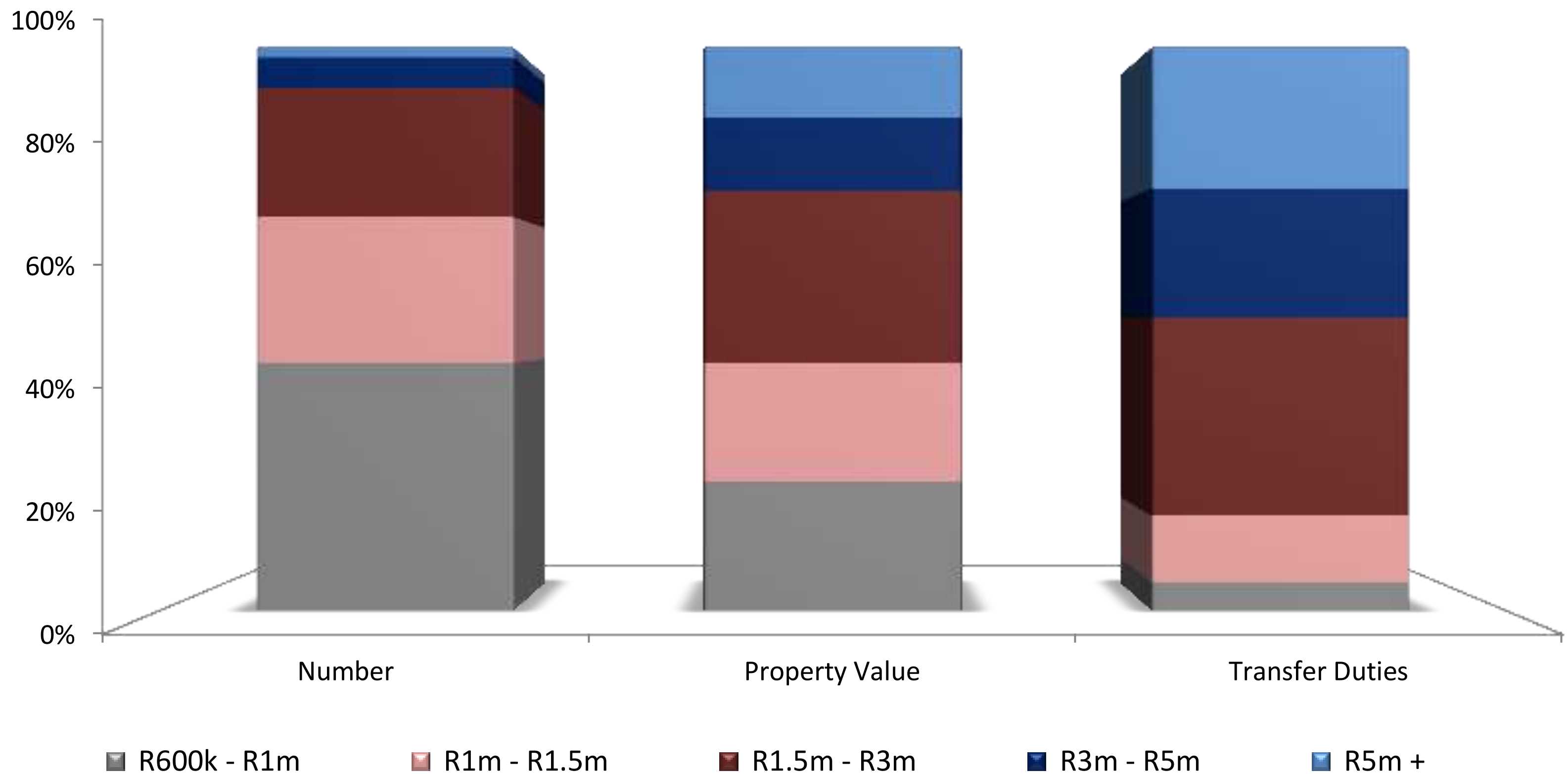
Tax revenue buoyancy positive for all years apart from the year of the financial crisis



This indicator measures the extent to which tax revenues vary with changes in economic growth.

Interesting facts about other taxes - Transfer Duty

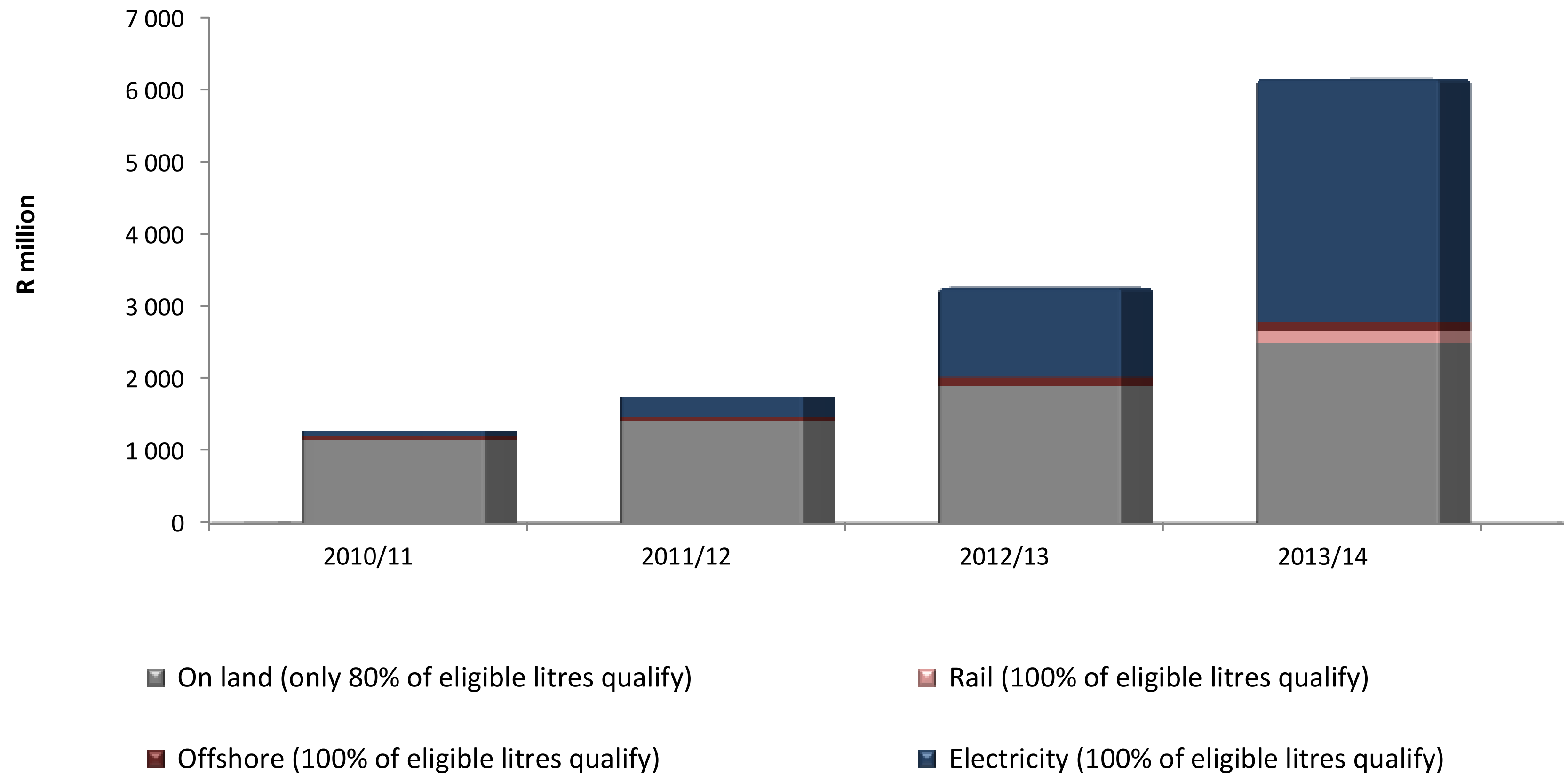
Distribution of Transfer duty collected by property value, 2013/14



The average value of dutiable property transfers during 2013/14 averaged R1.5m and the average transfer duty amounted to R49 870.

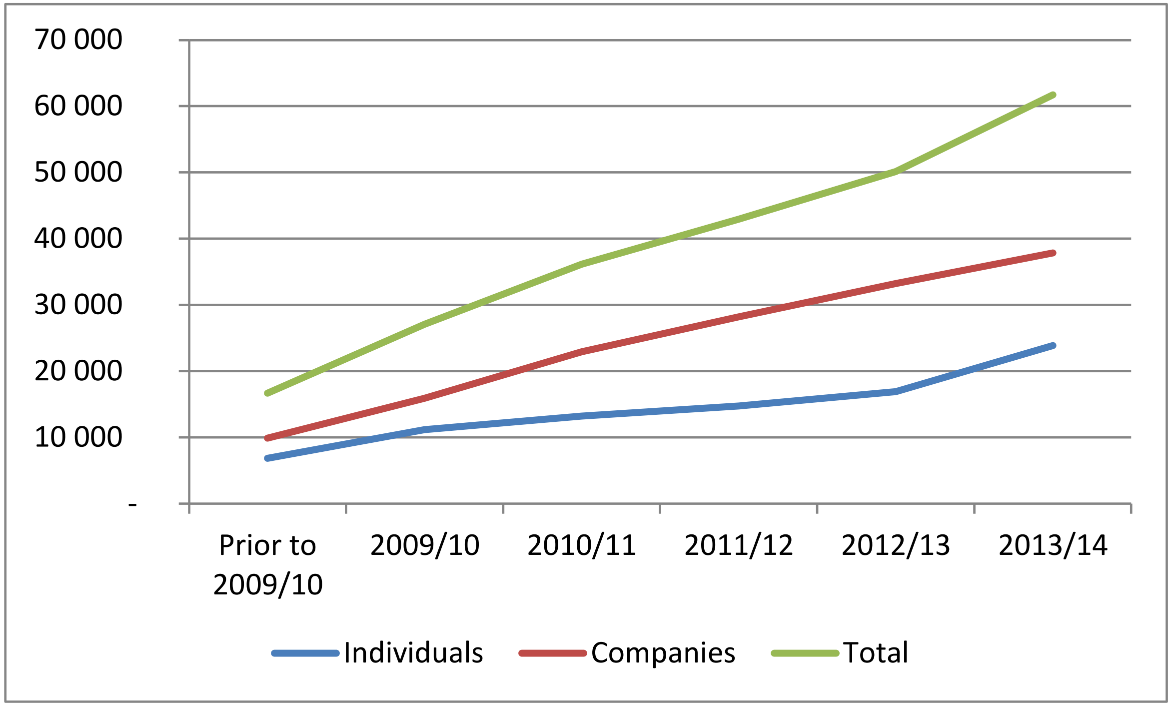
Interesting facts about other taxes - Diesel Usage Claims

Distribution of diesel claims per usage grouping, 2010/11 - 2013/14



Interesting facts about other taxes - Capital Gains Tax

Cumulative Capital Gains Tax raised since 2009/10



A sharp increase in Capital Gains Tax raised during 2013/14 was mainly as a result of the increase in the capital gain inclusion rates from 1 March 2012, where natural person inclusion rates increased from 25% to 33.3% and companies from 50% to 66.6%.

Thank you