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Tax in South Africa -A 10 year Trajectory

Budget 2020/21

Making an impact that matters

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2016

2017

126%

2019 - Estimate 26%

2020 – Estimate

Gauteng: Delia Ndlovu, Managing Director: Africa Tax & Legal

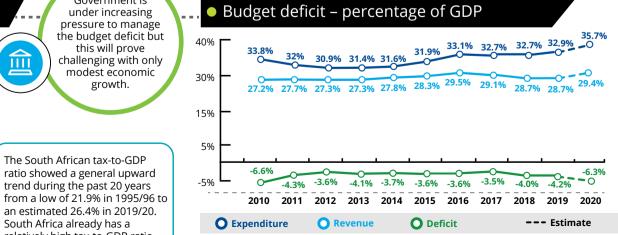
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Sources of tax revenue The overall mix between direct and indirect 15.45% 15.54% 15.33% 14.56% 14.85% 15.27% 15.76% 15.70% 15.72% 15.76% taxes has fluctuated over time but on average comprises approximately 57% in 4.14% 3.27% 3.95% 4.12% 4.32% 4.60% 4.91% 4.79% direct taxes and 43% in indirect taxes. CIT is 3.98% 4.04% 4.27% a significant but declining revenue source, while PIT is increasing. 24.71% 26.49% 25.729 27.23% 26.42% 26.41% 26.27% 25.28% 24.50% 25.33% Other Customs duties 17.879 Value-Added Tax (VAT) Corporate income tax (CIT) Personal income tax (PIT) 34.26% 33.66% 33.72% 33.89% 34.43% 35.79% 36.27% 37.11% 37.89% 38.20% 38.82% Estimate 2010 2012 2013 2014 2015 2016 2017 2018 2019 2020 corporate tax Income tax rates for individuals Corporate income tax rates Value-added tax rates rate has historically been fairly competitive 40% **r** relative to South Africa's VAT was originally introduced at 10% and then peers. Globally, there is remained at 14% for a long period of time. The a trend of reducing current rate of 15% is relatively low by global corporate tax rates and 30% standards. Although regressive in nature, VAT therefore, to promote After a sizable is generally regarded as an efficient form of tax 41% economic growth, jump in 2017, the collection. government aims to maximum marginal tax 20% proaden the tax base and rate for individuals has reduce the corporate been left unchanged at tax rate in the 45% for now. future 2015 - 2016 2017 - 2020 10% **Effective** 2009 - 2017 2018 - 2020 Corporate O Income Tax (CIT) 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 Secondary Tax on Companies/ **Dividends Tax** Government is Gross debt-to-GDP outlook Tax as a percentage of GDP Budget deficit – percentage of GDP under increasing pressure to manage the budget deficit but ··•·· 2019 Budget ··•· 2019 MTBPS → 2020 Budget this will prove **23**% challenging with only 2011 modest economic



growth.

The South African tax-to-GDP

ratio showed a general upward

trend during the past 20 years

an estimated 26.4% in 2019/20.

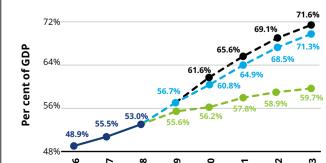
compared with other developing

countries and no significant tax

increases are proposed at this

South Africa already has a relatively high tax-to-GDP ratio

> After creeping up to a projected 6.8% of GDP in 2020/21, the budget deficit is currently expected to improve to a deficit of 5.7% in 2022/23. Tax buoyancy (the ratio of tax revenue growth to nominal GDP growth) is expected to fall from 1.15 in 2019/20 to 0.93 in 2020/21.



The gross debt-to-GDP outlook has deteriorated further since the 2019 MTBPS and is now forecast to reach 71.6% of GDP in 2022/23.