

FreeFACTS

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South Africans face high tax burden

South Africans face one of the heaviest tax burdens in the world. Many South Africans pay tax on their incomes and assets, while all South Africans pay tax in the form of VAT, for example.

However, there is often very little to show for the large amounts of tax that are paid over to a government which continues to spend the money of South Africans with what often seems to be reckless abandon.

This edition of *FreeFACTS* looks at South Africa's tax burden, how it's grown, and compares the rates of tax South Africans pay to other countries.

In general, South Africans pay higher taxes (both individual and corporate) than most other countries. What should be of concern to the government is that these numbers show a declining trend, which is likely an indication of emigration (as taxpayers exit) and a declining economy (as fewer enterprises are formed and more fold due to the difficult economic situation which the country is in).

There has been some talk of a 'tax revolt' by citizens who have had enough of the government spending their money wantonly. However, the government has brought a tax revolt of a sort about through its own actions – by demonizing private enterprise and failing to create an environment with sustainable (or any) economic growth. A consequence of the latter is that many of those who pay tax – whether through salaries or assets – have decided to seek greener pastures abroad, reducing the tax take. There has also been a significant drop in the number of wealthy people to tax as they move abroad in increasing numbers. In addition, the depressed economic conditions also simply means there is less money in the economy to tax.

The government needs to stop taking taxpayers (and this includes all South Africans who are also consumers) for granted.

Spending must be reined in, wasteful expenditure dealt with harshly, and an environment which encourages economic activity, rather than hinders it. If this doesn't happen the South African state will find it has very little to tax. — **Marius Roodt**

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Public Finance

Government finance as a proportion of GDP, 1994/95-2023/24

Year ^a	Personal income tax	Company tax	National revenue ^b	National expenditure	Deficit/surplus
1994/95	8.2%	2.2%	21.9%	26.4%	-4.5%
1995/96	9.1%	2.4%	21.9%	26.9%	-5.0%
1996/97	9.4%	3.0%	22.4%	27.2%	-4.8%
1997/98	9.8%	3.3%	22.8%	26.4%	-3.6%
1998/99	10.3%	3.2%	23.6%	26.3%	-2.7%
1999/2000	10.3%	2.9%	23.1%	25.2%	-2.1%
2000/01	9.1%	3.5%	22.1%	24.0%	-1.9%
2001/02	8.6%	4.7%	23.0%	24.4%	-1.4%
2002/03	7.9%	5.2%	22.3%	23.3%	-1.0%
2003/04	7.6%	5.2%	22.0%	24.2%	-2.2%
2004/05	7.7%	5.4%	23.0%	24.4%	-1.4%
2005/06	7.8%	6.1%	24.4%	24.8%	-0.3%
2006/07	7.7%	7.3%	25.3%	24.6%	0.7%
2007/08	8.1%	7.8%	25.9%	25.0%	0.9%
2008/09	8.5%	8.2%	25.4%	26.2%	-0.7%
2009/10	8.4%	6.2%	22.9%	28.0%	-5.1%
2010/11	8.1%	5.4%	23.8%	27.8%	-4.0%
2011/12	8.2%	5.7%	24.1%	28.9%	-4.8%
2012/13	8.3%	4.8%	23.8%	29.1%	-5.3%
2013/14	8.6%	5.0%	24.4%	29.0%	-4.6%
2014/15	9.1%	4.8%	24.8%	29.3%	-4.5%
2015/16 ^{cd}	9.4%	4.6%	25.9%	30.2%	-4.2%
2016/17 ^{cd}	9.6%	4.6%	25.7%	29.5%	-3.9%
2017/18 ^{cd}	9.8%	4.6%	28.7%	32.8%	-4.1%
2018/19 ^{cd}	10.0%	4.3%	29.4%	33.4%	-4.0%
2019/20 ^{cd}	10.2%	4.1%	29.7%	35.4%	-5.7%
2020/21 ^{cd}	9.8%	3.8%	27.7%	41.7%	-14.0%
2021/22 ^{cd}	9.6%	4.0%	28.4%	37.7%	-9.3%
2022/23 ^{cd}	9.7%	4.0%	28.9%	36.2%	-7.3%
2023/24 ^{cd}	9.8%	3.9%	28.6%	34.9%	-6.3%

Source: South African Reserve Bank (SARB), time series data, accessed 24 February 2021; National Treasury, *Budget Review 2021*, 24 February 2021, Table 3.5, p34; Table 2, pp208-209; *Socio-Economic Survey of South Africa 2020*, p180

a Fiscal years. The 12 months on which government budgets are based, beginning 1 April and ending 31 March of the subsequent calendar year. 1982/83–2016/17 SARB data, 2017/18–2023/24 *Budget 2021* data.

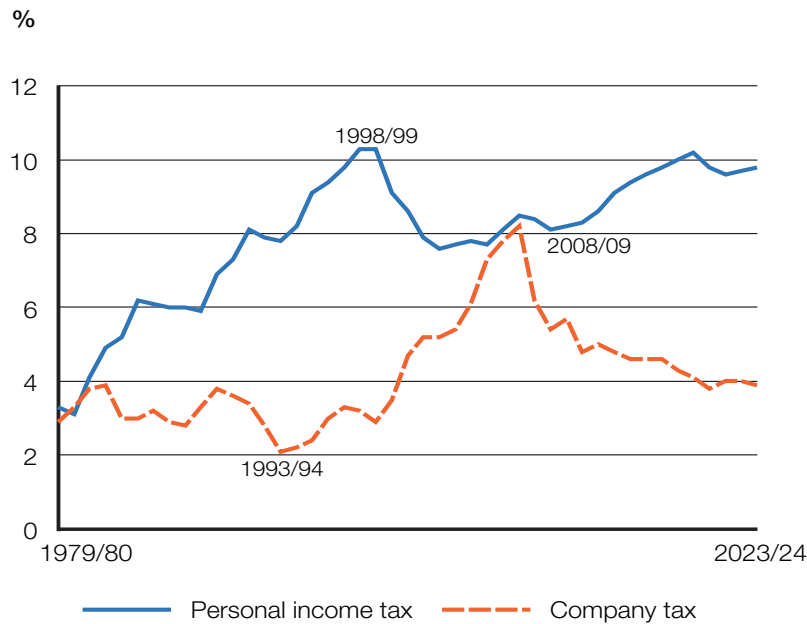
b Includes indirect and other taxes.

c Company and personal income tax proportions calculated by the CRA.

d Budget estimates.

Public Finance

Income tax as a proportion of GDP, 1979/80-2023/24



Tax revenue as a proportion of GDP and the tax buoyancy ratio, 1996/97-2019/20

Year	Tax revenue Rbn	Nominal GDP Rbn	Tax revenue as a % of GDP	Tax buoyancy ratio ^a
1996/97	147.3	652.1	22.6%	1.27%
1997/98	165.3	717.5	23.0%	1.22%
1998/99	184.8	776.8	23.8%	1.43%
1999/2000	201.3	858.9	23.4%	0.85%
2000/01	220.1	976.6	22.5%	0.69%
2001/02	252.3	1 079.6	23.4%	1.37%
2002/03	281.9	1 251.1	22.5%	0.74%
2003/04	302.4	1 358.0	22.3%	0.85%
2004/05	355.0	1 510.5	23.5%	1.55%
2005/06	417.2	1 682.3	24.8%	1.54%
2006/07	495.5	1 911.2	25.9%	1.38%
2007/08	572.8	2 171.0	26.4%	1.15%
2008/09	625.1	2 408.7	26.0%	0.83%
2009/10	598.7	2 551.3	23.5%	-0.71%
2010/11	674.2	2 825.0	23.9%	1.18%
2011/12	742.7	3 078.4	24.1%	1.13%
2012/13	813.8	3 320.8	24.5%	1.22%
2013/14	900.0	3 614.5	24.9%	1.20%
2014/15	986.3	3 865.1	25.5%	1.38%
2015/16	1 070.0	4 124.7	25.9%	1.26%
2016/17	1 144.1	4 419.4	25.9%	0.97%
2017/18	1 216.5	4 698.7	25.9%	1.00%
2018/19	1 287.7	4 921.5	26.2%	1.22%
2019/20	1 355.8	5 148.3	26.3%	1.16%

Source: SARS, *Tax Statistics 2020*, 31 December 2020, pp8-9, *Socio-Economic Survey of South Africa 2020*, p182

a The tax buoyancy ratio measures the sensitivity of tax revenue to changes in economic growth. It is calculated by dividing total revenue growth by nominal GDP growth. Where there is equivalence, tax buoyancy is at 1. When the growth in tax revenue is higher than economic growth, the tax buoyancy is higher than 1, and when it is lower, it is less than 1.

Public Finance

Domestic taxes on goods and services, 2011/12-2019/20

Year	VAT	Fuel levy	Specific excise duties	Ad valorem ^a excise duties	Environ-mental taxes	Other ^b	Total
	Rbn						
2011/12	191.0	36.6	25.4	1.8	9.0	0.1	264.0
2012/13	215.0	40.4	28.4	2.2	10.7	0.2	296.9
2013/14	237.7	43.7	29.0	2.4	11.7	0.1	324.5
2014/15	261.3	48.5	32.3	3.0	11.3	0.2	356.6
2015/16	281.1	55.6	35.1	3.0	10.9	0.2	386.0
2016/17	289.2	62.8	35.8	3.4	11.0	0.4	402.5
2017/18	298.0	70.9	37.4	3.8	10.9	1.3	422.2
2018/19	324.8	75.4	40.8	4.2	10.9	4.5	460.5
2019/20	346.8	80.2	46.8	4.1	10.7	3.7	492.3
Proportion of total tax revenue^c							
2011/12	25.7%	4.9%	3.4%	0.2%	1.2%	0.0%	35.5%
2012/13	26.4%	5.0%	3.5%	0.3%	1.3%	0.0%	36.5%
2013/14	26.4%	4.9%	3.2%	0.3%	1.3%	0.0%	36.1%
2014/15	26.5%	4.9%	3.3%	0.3%	1.1%	0.0%	36.2%
2015/16	26.3%	5.2%	3.3%	0.3%	1.0%	0.0%	36.1%
2016/17	25.3%	5.5%	3.1%	0.3%	1.0%	0.0%	35.2%
2017/18	24.5%	5.8%	3.1%	0.3%	0.9%	0.1%	34.7%
2018/19	25.2%	5.8%	3.2%	0.2%	0.8%	0.3%	35.8%
2019/20	25.6%	5.9%	3.5%	0.3%	0.8%	0.3%	36.3%
Proportion of GDP^c							
2011/12	6.2%	1.2%	0.8%	0.1%	0.3%	0.0%	8.6%
2012/13	6.5%	1.2%	0.9%	0.1%	0.3%	0.0%	8.9%
2013/14	6.6%	1.2%	0.8%	0.1%	0.3%	0.0%	9.0%
2014/15	6.8%	1.3%	0.8%	0.1%	0.3%	0.0%	9.2%
2015/16	6.8%	1.3%	0.9%	0.1%	0.3%	0.0%	9.4%
2016/17	6.6%	1.4%	0.8%	0.1%	0.2%	0.0%	9.1%
2017/18	6.3%	1.5%	0.8%	0.1%	0.2%	0.0%	8.9%
2018/19	6.6%	1.5%	0.8%	0.1%	0.2%	0.1%	9.4%
2019/20	6.7%	1.6%	0.9%	0.1%	0.2%	0.1%	9.6%

Source: SARS, *Tax Statistics 2020*, 31 December 2020, p27, *Socio-Economic Survey of South Africa 2020*, p183

a Ad valorem products include, among others, motor vehicles, electronic equipment, cosmetics, perfumeries and other products generally regarded as "luxury items".

b Includes universal service fund, turnover tax for micro businesses, tyre levy and international pollution compensation fund.

c IRR calculations.

Public Finance

Tax revenue by main revenue source, 1994/95-2019/20

Revenue source	1994/95	2004/05	2014/15	2018/19	2019/20	Change 2018/19- 2019/20
	Rbn					
Personal income tax (PIT)	45.0	111.0	353.9	493.8	529.2	7.2%
Corporate income tax (CIT)	12.0	70.8	186.6	214.4	215.0	0.3%
Secondary tax on companies (STC)/ dividend tax (DT) ^a	1.3	7.5	21.2	29.9	27.9	-6.7%
Value added tax (VAT)	29.3	98.2	261.3	324.8	346.8	6.8%
Fuel levy	8.4	19.2	48.5	75.4	80.2	6.4%
Customs and excise duties	11.0	26.0	73.0	78.7	110.9	40.9%
Other ^b	6.9	22.4	41.7	70.7	45.9	-35.1%
Total	113.8	355.0	986.3	1 287.7	1 355.8	5.3%
	Proportional breakdown					
Personal income tax (PIT)	39.5%	31.3%	35.9%	38.3%	39.0%	—
Corporate income tax (CIT)	10.5%	19.9%	18.9%	16.6%	15.9%	—
Secondary tax on companies (STC)/ dividend tax (DT) ^a	1.1%	2.1%	2.2%	2.3%	2.1%	—
Value added tax (VAT)	25.7%	27.7%	26.5%	25.2%	25.6%	—
Fuel levy	7.3%	5.4%	4.9%	5.9%	5.9%	—
Customs and excise duties	9.7%	7.3%	7.4%	6.1%	8.2%	—
Other ^b	6.0%	6.3%	4.2%	5.5%	3.4%	—
Total	100.0%	100.0%	100.0%	100.0%	100.0%	—

Source: SARS, *Tax Statistics 2020*, 31 December 2020, p20, *Socio-Economic Survey of South Africa 2020*, p185

a The dividend tax replaced the secondary tax on companies from 1 April 2012.

b Includes transfer duties and securities transfer tax. The electricity levy is included from July 2009.

Tax revenue by main source as a proportion of GDP, 1994/95-2019/20

Revenue source	1994/95	2004/05	2014/15	2017/18	2018/19	2019/20
Personal income tax (PIT)	9.0%	7.7%	9.2%	9.9%	10.0%	10.3%
Corporate income tax (CIT)	2.4%	4.9%	4.8%	4.7%	4.4%	4.2%
Secondary tax on companies (STC)/dividend tax (DT) ^a	0.3%	0.5%	0.5%	0.6%	0.6%	0.5%
Value added tax (VAT)	5.9%	6.8%	6.8%	6.3%	6.6%	6.7%
Fuel levy	1.7%	1.3%	1.3%	1.5%	1.5%	1.6%
Customs ^b	1.1%	0.9%	1.9%	1.8%	1.6%	2.2%
Other ^c	2.5%	2.4%	1.1%	1.0%	1.4%	0.9%
Total	22.9%	24.5%	25.5%	25.9%	26.2%	26.3%

Source: SARS, *Tax Statistics 2020*, 31 December 2020, p20, *Socio-Economic Survey of South Africa 2020*, p185

a The dividend tax replaced the secondary tax on companies from 1 April 2012.

b Includes customs duties and specific excise duties.

c Includes transfer duties and securities transfer tax. The electricity levy is included, since July 2009.

Public Finance

Tax revenue collected by central government as a proportion of GDP, selected countries, 2005-18

Country	— Tax revenue as proportion of GDP ^a —		
	2005	2010	2018
Australia	24.9%	20.5%	23.1%
Botswana	26.9%	23.6%	19.5%
Brazil	16.5%	14.3%	14.2%
Chile	17.8%	17.4%	18.2%
China	8.6%	10.2%	9.4%
Denmark	33.1%	32.7%	32.4%
Egypt	14.1%	14.1%	—
France	22.2%	22.1%	24.2%
Germany	10.6%	11.2%	11.5%
Ghana	21.3%	13.4%	12.6%
Greece	0.3%	20.2%	26.2%
Hong Kong	12.4%	—	—
India	9.9%	10.4%	12.0%
Indonesia	12.3%	10.5%	10.2%
Ireland	25.2%	21.8%	18.3%
Israel	25.3%	22.5%	23.1%
Italy	20.8%	23.7%	24.3%
Japan	10.5%	8.8%	11.9%
Kazakhstan	13.9%	15.7%	11.7%
Lithuania	5.7%	16.0%	16.9%
Mexico	—	10.1%	13.1%
Mozambique	—	14.8%	21.6%
Netherlands	21.2%	21.0%	23.0%
Nigeria	2.9%	—	—
Pakistan	9.6%	—	—
Philippines	12.4%	11.6%	14.0%
Poland	16.7%	16.5%	17.4%
Russia	16.6%	13.0%	11.4%
Saudi Arabia	—	2.5%	8.9%
South Africa	25.7%	25.0%	27.5%
Spain	15.7%	12.4%	14.2%
Switzerland	9.4%	9.7%	10.1%
Thailand	16.1%	14.9%	14.9%
Turkey	—	19.0%	17.9%
Uganda	—	—	11.7%
United Kingdom	26.2%	25.3%	25.5%
United States	10.6%	8.6%	9.6%

Source: The World Bank, *World Development Indicators*, Table 5.6, accessed 7 January 2021

a Tax revenue as a share of GDP provides a quick overview of the fiscal obligations and incentives facing the private sector across countries. The table shows only central government data, which may significantly understate the total tax burden, particularly in countries where provincial and municipal governments are large or have considerable tax authority. Low ratios of tax revenue to GDP may reflect weak administration and large-scale tax avoidance or evasion. Low ratios may also reflect a sizeable parallel economy with unrecorded and undisclosed incomes. Tax revenue ratios tend to rise with income, with higher income countries relying on taxes to finance a much broader range of social services and social security than lower income countries are able to. [Source: World Bank, *World Development Indicators 2017*, April 2017, p88]

Public Finance

Individual taxpayers, 2016-19						
Date	Registered ^a	Growth in register	Tax year	Expected to submit returns ^b	Assessed	Proportion assessed
31 March 2016	19 075 270	4.9%	2016	6 832 906	5 857 738	85.7%
31 March 2017	19 980 110	4.7%	2017	6 758 185	5 746 248	85.0%
31 March 2018	21 104 375	5.6%	2018	6 594 651	5 372 211	81.5%
31 March 2019	22 170 546	5.1%	2 019	6 308 515	4 337 923	68.8%

Source: SARS, *Tax Statistics 2020*, 31 December 2020, p39

- a Number of individuals registered as at 31 March of each year (active cases excluding cases where status is in suspense, estate or address unknown). Compulsory for all employees of employers to be registered for income tax from 2011.
- b Expected taxpayers are those who are expected to submit a return for a specific tax year. Cases can be on register and active for other years, but may not be active for a specific tax year.

Number of companies, 2017-20						
Fiscal year	Registered companies ^a	Growth in register	Tax year	Expected to submit returns ^b	Assessed	Proportion assessed
31 March 2017	3 732 416	13.8%	2016	1 033 787	902 854	87.3%
31 March 2018 ^c	3 202 007	-14.2%	2017	991 207	814 151	82.1%
31 March 2019 ^c	2 020 759	-36.9%	2018	903 320	572 335	63.4%
31 March 2020	2 548 975	26.1%	2019	832 996	525 487	63.1%

Source: SARS, *Tax Statistics 2020*, 31 December 2020, p161

- a All companies and close corporations are automatically provisional taxpayers. The tax year for companies is normally the financial year of the company. Excludes cases where status is in suspense, in estate, or address is unknown.
- b These are companies that are active and not dormant.
- c A comparative data analysis of the CIT register against internal and third party data sets was conducted, a significant number of companies with no taxpayer activity since 2008 status was thus changed to dormant.

Public Finance

Top personal income tax rates ^a , selected countries, 1980-2018				
Country	2005	2010	2015	2018
Australia	47	45	47	45
Botswana	25	25	25	25
Brazil	28	28	28	28
Chile	40	40	40	35
China	45	45	45	45
Denmark	59	52	52	52
Egypt	20	20	23	23
France	52	43	50	51
Germany	44	47	47	47
Ghana	25	25	25	35
Greece	40	40	50	55
Hong Kong	20	17	17	17
India	34	31	35	35
Indonesia	35	30	30	30
Ireland	42	41	40	40
Israel	49	46	50	50
Italy	43-45	43-45	47-49	47-49
Japan	50	50	56	56
Kazakhstan	20	10	10	10
Lithuania	33	15	15	15
Mexico	30	30	35	35
Mozambique	32	32	32	32
Netherlands	52	52	52	52
Nigeria	25	25	24	24
Pakistan	35	20	30	15
Philippines	32	32	32	35
Poland	40	32	32	32
Russia	13	13	13	13
Saudi Arabia	N/A	0	0	0
South Africa ^b	40	40	41	45
Spain	35	35	46	45
Thailand	37	37	35	35
Turkey	40	35	35	35
Uganda	30	30	40	40
United Kingdom	41	50	45	45
United States	35-42	35-41	43-50	43-50

Source: Fraser Institute, *Economic Freedom of the World, 2020 Annual Report*, Country Data Tables, accessed 8 January 2020

a Marginal rate, percentages.

b In South Africa in 2020/21 the top marginal rate of 41% applies to income above R744800 and rate of 45% applies to income above R1 577 300. Other countries have different thresholds.

N/A — Not available.

Public Finance

Corporate tax rates^a, selected countries, 2010, 2016 and 2020

Country	2010	2016	2020
Australia	30	30	30
Botswana	25	22	22
Brazil	34	34	34
Chile	17	24	27
China	25	25	25
Denmark	25	22	22
Egypt	20	23	23
France	33	33	28
Germany	29	29	30
Ghana	—	25	25
Greece	24	29	24
Hong Kong	17	17	17
India	34	35	30
Indonesia	25	25	25
Ireland	13	13	13
Israel	25	25	23
Italy	31	31	24
Japan	41	31	31
Kazakhstan	20	20	20
Lithuania	15	15	15
Mexico	30	30	30
Mozambique	32	32	32
Netherlands	26	25	25
Nigeria	30	30	30
Pakistan	35	32	35
Philippines	30	30	30
Poland	19	19	19
Russia	20	20	20
Saudi Arabia	20	20	20
South Africa	35	28	28
Spain	30	25	25
Switzerland	19	18	15
Thailand	30	20	20
Turkey	20	20	22
Uganda	30	30	30
United Kingdom	28	20	19
United States	40	40	27

Source: KPMG, www.kpmg.com, accessed 6 January 2021

a Corporate tax rates, percentages. All percentages are rounded.