

1 REVENUE COLLECTIONS

10-YEAR REVIEW

- Tax revenue increased from R572.8 billion in 2007/08 to R1 144.1 billion in 2016/17, growing by R571.3 billion and a 8% Compounded Annual Growth Rate (CAGR) for the same period.
- Tax revenue as a percentage of GDP recorded extraction ratios well above the long term average ratio of 25% for most of the years under review. As a result of the financial crisis, the period from 2009/10 to 2013/14 saw extraction rates fall to 23.5% before rebounding in 2014/15. The tax system automatically stabilised the economy by extracting less from the economy in response to the weaker economic growth rates. The recovery of the tax-to-GDP ratio since 2014/15 is mainly due to tax policy changes and an increase in tax compliance due to improved tax administration.
- The buoyancy ratio for total tax revenue turned negative in 2009/10 with the nominal decline in tax revenues post financial crisis. Since 2009/10 then the buoyancy ratio has improved well above 1, with strong growth in tax revenues relative to the growth of the economy. In 2016/17 the buoyancy ratio has reverted back to the long term average buoyancy ratio of 1.07.
- The 2009 global financial crisis, had a significant negative impact on all tax types with CIT being the slowest to recover. Post the financial crisis, the relative contribution of CIT to total tax revenue declined from a peak of 26.7% in 2008/09 to 18.1% in both 2015/16 and 2016/17.
- Robust tax collections supported by strong economic growth, improved compliance and cyclical factors provided space for direct tax relief granted for the period 2007/08 to 2014/15. Since 2015/16, the impact of the weaker economic conditions constrained the granting of only partial PIT relief for fiscal drag and necessitated the increase of PIT marginal tax rate brackets.
- Revenue growth was mainly supported by Personal Income Tax (PIT). The increase in the PIT contribution (from 29.6% in 2007/08 to 37.2% in 2016/17) can be ascribed to a combination of the increase in the tax register, tax rate increases, above inflation adjustments to salaries, upward social mobility of taxpayers as well as greater compliance.
- Import VAT collections grew from R77.9bn in 2007/08 to R149.3bn in 2016/17, while collections of Customs Duties rose from R26.5bn to R45.6bn over the same 10-year period. Both taxes slumped significantly in 2009/10 when effects of the global financial crisis weighed down on worldwide trade, consequently diminishing South Africa's import tax collections. Recovery was swift in the following years, with growth levels eventually tapering off, due to subdued demand and currency effect.