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Media Statement: Preliminary Revenue Results for the 2009/10 Fiscal Year

The past financial year has been one of the most challenging periods for South Africa's economy as the full effects of the global economic downturn constrained growth and led to steep reductions in tax revenue.

From the fourth Quarter of 2008, the domestic economy contracted over three successive quarters while revenue expectations were reduced by R69bn.

By midnight last night SARS had collected R598.5bn in revenue for the financial year 2009/10. This figure is R8.1bn more than the revised estimate announced in the February 2010 Budget and about R60.8bn less than the initial printed estimate of February 2009.

The revenue performance confirms that the South African economy is on its way to recovery.

In addition to the recovery during the last quarter of 2009, SARS had put in place special measures from August last year which have now paid dividends in compliance. Special revenue raising initiatives by SARS have contributed R23.9bn in additional revenue for the fiscal year.

The tax-to-GDP ratio with the preliminary outcome of revenue collected has improved from 24.1% as at February 2010 to 24.4%. Total consolidated Government expenditure is provisionally estimated to be R830.5bn which is R4.8bn lower than the February 2010 revised estimate. Included in this are debt interest costs which came in R499 million lower than budgeted.

The projected budget deficit therefore narrowed to R166.1bn or 6.8% of GDP from 7.3% published in February 2010 which is a further indication that the economy has started to recover. As the recovery continues to take hold, improving revenues will be supportive of our fiscal exist strategy.

Despite the decline in revenue from 2008/09 (R26.8bn or 4.3% less year-on-year) South Africa's overall revenue performance since the start of the economic crisis favourably compares with both developed and developing economies.

Over this two year period South Africa has seen overall revenue growth of 4.5%. For the same period the United States experienced an overall decline in revenue of 14%, New

Zealand recorded a 7.8% decline, Australia recorded an overall 4.5% increase whilst India recorded an 8.1% increase.

International experience has shown that times of economic hardship do not only result in lower tax revenues but also adversely affects the levels of compliance amongst taxpayers.

1. Revenue Trends

For 2009/10 a gradual improvement in revenue collection began to manifest itself in the final quarter of the fiscal year through improvements in domestic VAT and PAYE collections. Domestic VAT recovery was mainly in the Machinery, Construction and Government sectors. Consumer spending which accounts for about two thirds of VAT remained subdued. PAYE gains were primarily in the Finance, Public Administration, Education and Agencies sectors offsetting decreases in the Metal sector in which PAYE collections were significantly lower.

Company Income Tax, STC and Import VAT tax types were severely affected by the economic decline. Coupled with the lag effect, due to the reporting cycle of companies, collections from CIT and STC tax types remain depressed. Import VAT, remained subdued and together with the CIT and STC account for an aggregate decrease of R58bn if compared with the previous year for these tax types.

2. Revenue trends for the various Tax types

(R million)	2008/09	February 2009 Estimate	October 2009 MTBPS Estimate	February 2010 Estimate	2009/10 Preliminary Collections	Variance to 2008/09	Variance %
Personal Income Tax	195,146	207,450	203,000	203,500	204,581	9,435	4.8%
Company Income Tax	165,539	160,000	139,000	130,500	135,253	-30,286	-18.3%
Secondary Tax on Companie	20,018	19,000	16,900	16,000	15,308	-4,710	-23.5%
Value added tax	154,343	168,807	138,000	146,500	147,977	-6,367	-4.1%
Fuel levy	24,884	30,090	28,600	29,000	29,138	4,254	17.1%
Excise Duty	20,185	22,600	22,000	21,000	21,067	883	4.4%
Customs duty	22,751	24,635	17,000	18,500	19,224	-3,527	-15.5%
Other	22,235	26,722	24,525	25,425	25,938	3,703	16.7%
Total	**625,100**	**659,304**	**589,025**	**590,425**	**598,486**	**-26,614**	-4.3%

PIT and CIT excludes interest on overdue income tax

2.1 Personal Income Tax (including interest)

Despite one million job losses in 2009, year on year growth in PIT of **R9.4bn (4.8%)** was achieved. The main contributing sectors were Finance, Public Administration, Education and Agencies. PAYE which contributes to about 94% of total PIT collections in the last quarter of the current fiscal year grew by more than R5bn against the same quarter in the previous year.

Provisional Tax for Individuals

By end February 2010 provisional tax from individuals increased by R1.9bn year on year. Of this amount R1.1bn collected in February 2010 alone.

2.2 Company Income Tax (including interest)

Provisional Tax for Companies

Provisional tax from companies is the primary contributor to CIT collections. On a year on year basis Provisional tax from companies declined by more than **R25bn** of which about

R12bn is attributable to the mining sector alone. The other sectors that were most affected were the financial sector which declined by R14.5bn and manufacturing which declined by R6.5bn.

An important trend in company taxes can be distinguished between corporate taxpayers at the SARS Large Business Centre (LBC) and non-LBC companies on a year-to-year basis.

For non-LBC companies, collections in Provisional Tax improved by more than R2.0bn against declines amongst LBC corporate taxpayers. In the non-LBC category improved year-on-year collections were achieved in the medical services, machinery and transport, storage and communication sectors. The increased compliance is a direct result of the introduction of the 80%-payment rule pertaining to the scheduling of provisional payments.

2.3 Secondary Tax Companies (STC)

STC was R4.7bn (23.5%) below last year mainly due to lower dividend declarations as a result of lower company profits as well as reduced merger and acquisition activity during the year.

Lower collections experienced in the Finance, Mining and Coal and Petroleum partially offset by growth in the Transport, Storage and Communication sector.

2.4 Value-Added Tax (VAT)

VAT declined on a year on year basis by R6.4bn mainly as a result of reduced domestic consumption and imports partially offset by lower VAT refunds.

Domestic VAT

In nominal terms Domestic VAT was higher than the previous year but in real terms declined. The sectors that experienced positive growth were the Finance, Transport, Storage and Communication, Machinery and Food Drink and Tobacco sectors.

VAT refunds

VAT refunds were lower than the previous year as refunds declined in the Vehicle, Finance, Coal and Petroleum, Agencies and Metal sectors on the back of lower exports and production levels.

VAT on imports

VAT on imports were significantly lower than the previous year mainly due to weak consumer spending and declining capital investment. The decline was mainly in the Machinery, Electrical equipment, Vehicles, Instruments and Mineral Fuels chapters.

2.5 Customs duty

Customs Duty declined by R3.5bn (15.5%) due to lower imports of vehicles. The percentage contribution of duties declined from 41% in 2007/08 to 24.5% for the year to date. Other chapters that have declined include electrical equipment, Footwear and Clothing

2.6 Fuel levy

Fuel levy collections are higher than the previous year by R4.3bn (17.1%) mainly due to an increase in the levy on fuel: 18% on petrol and 21% on diesel.

2.7 Specific Excise

Specific Excise collections were higher than the previous year by R0.9bn (4.4%) mainly due to an increase in rates of 12.9%, 14.7% and 9.5% for cigarettes, spirits and beer respectively.

R'million	07/08	08/09	Growth	%	09/10 *	Growth	%
Agriculture	1,414	2,106	692	48.9	2,406	300	14.3
Mining	13,220	22,370	9,150	69.2	10,033	-12,337	-55.2
Telecom	9,284	8,332	-952	-10.3	10,142	1,810	21.7
Financial Services	41,315	48,129	6,814	16.5	33,661	-14,468	-30.1
Manufacturing	38,591	44,569	5,978	15.5	38,076	-6,493	-14.6
Wholesale & Retail	12,620	14,717	2,097	16.6	14,085	-632	-4.3
Business Services	12,857	12,042	-815	-6.3	11,987	-55	-0.5
Medical & Health	1,835	1,914	79	4.3	2,597	683	35.7
Transport	3,760	3,140	-620	-16.5	2,197	-943	-30.0
Construction	3,039	4,587	1,548	50.9	5,847	1,260	27.5
Catering & Accommodation	1,311	1,435	124	9.5	1,400	-35	-2.4
Recreation & Cultural	1,805	1,812	7	0.4	1,599	-213	-11.7
Other	585	2,050	1,465	250.4	2,723	673	32.8
Total	**141,636**	**167,203**	**25,567**	**18.1**	**135,253**	**-31,950**	**-19.1**

Note: * 09/10 preliminary CIT allocations exclude interest on overdue taxes

For further media enquiries, please contact Adrian Lackay – 083 388 2580 SARS Spokesperson.

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