NATIONAL ASSEMBLY

QUESTION FOR ORAL REPLY

QUESTION NUMBER 88

14 MARCH 2007

MR B A MNGUNI (ANC) TO ASK THE MINISTER OF FINANCE:

(1) With reference to the final withholding tax regime on gross payments to visiting entertainers and sportspersons which was introduced in 2005,
   (a) what is the SA Revenue Service's (SARS) receipt from this source and
   (b) what mechanisms are in place to ensure that potential revenue from this source is declared and collected;

(2) whether international entertainers and sports persons or their local representatives have instituted objections against their assessments; if so, what are the relevant details;

(3) what tax concessions can be expected in respect of the 2010 Soccer World Cup tournament? ***N435E***

REPLY:

(1) (a) The final withholding tax regime for visiting entertainers and sportspersons was introduced by the Revenue Laws Amendment Act, 2005, and brought into effect from 1 August 2006 by a Presidential Proclamation published on 28 July 2006.

SARS has collected approximately R10 million in withholding taxes in the first seven months of the legislation's operation.

(b) The legislation for the collection of the tax has compliance mechanisms, with associated sanctions, built into it. For example, a South African resident who is primarily responsible for organising an international event in South Africa must notify SARS of the event within 14 days of concluding an agreement to organise the event.

SARS has a small dedicated unit at its Large Business Centre to deal with the collection of this tax. The unit makes use of the media (newspapers, internet, etc) to identify international events that will take place in South Africa. It then follows up on relevant information to ensure that the tax will be collected.

A further compliance measure is in place in that commercial banks generally require a promoter to provide a tax clearance certificate when making payments to foreign entertainers and sportspersons abroad. This compels the affected promoter to initiate the taxation process with SARS.

(2) SARS has not received any objections as yet.

(3) No concessions with respect to the tax have been provided for the FIFA 2010 World Cup nor are any required by FIFA.

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 222

DATE OF PUBLICATION: 23 FEBRUARY 2007

DUE TO PARLIAMENT: 8 MARCH 2007

DR S M VAN DYK (DA) TO ASK THE MINISTER OF FINANCE:

(1) How many applications for tax amnesty for small business enterprises were received between 1 August 2006 and 31 January 2007;

(2) whether the amnesty period, which ends in May 2007, will be extended; if so, until when;

(3) what, in terms of a cost advantage analysis, will be the financial advantage to the State as a result of the amnesty programme as against the official cost of launching the programme? ***N292E***

REPLY:

(1) Up until 31 January 2007, a total of 9490 applications had been received. However, at the time of the budget speech on 21 February 2007 the number had increased to over 12 000, which indicates that the programme is gaining more recognition. Also, the uptake compares favourably with the exchange control amnesty of 2003/04 in which application volumes peaked in the final weeks of the application period.

(2) It would be inappropriate to discuss a possible extension to the amnesty period at this time. The ten-month window period still has three months to run and there is no reason at this time to consider an extension.

(3) One should not attempt to look at a cost/benefit analysis based purely on the cost of administering the small business tax amnesty as against the amnesty levies to be received as a result of the programme, as the objectives of the programme are to:
- broaden the tax base,
- facilitate the normalisation of the tax affairs of small businesses,
- increase and improve the tax compliance culture; and
- facilitate participation in the taxi recapitalisation programme.

It is impossible to quantify with any accuracy the benefits that will accrue from the small business tax amnesty, as the amnesty still has another three months to run and the benefits will only accrual over future tax periods and years.

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 223

DATE OF PUBLICATION: 23 FEBRUARY 2007

DUE TO PARLIAMENT: 8 MARCH 2007

DR S M VAN DYK (DA) TO ASK THE MINISTER OF FINANCE:

(1) Whether, given the anticipated R30 billion over collection of tax in the current financial year, incorrect tax revenue estimates by the SA Revenue Service were instrumental in this over collection of tax; if not, what role did the percentage increases in commodity prices play in the increased tax collection;

(2) (a) how many new individuals and corporate entities entered the tax net and (b) for what percentage of the increase in tax collection for the financial year concerned were they responsible;

(3) what did increased consumer spending by households and the State together contribute to the over collection of tax;

(4) whether any measures have been taken to limit over collection; if not, why not; if so, what measures? ***N293E***

REPLY:

(1) Revenue forecasting is not the sole domain of SARS as revenue estimation is performed by a committee comprising representatives from the following institutions:

- National Treasury (NT)
- SA Reserve Bank (SARB)
- SA Revenue Service (SARS)
- Statistics SA (SSA)

Factors taken into account during the estimation process are:

- Macroeconomic indicators
- Impact of legislative changes
- Impact of enforcement
- Actual collection trends

By its very nature all these factors are subject to uncertainty and deviations from assumptions occur and have an impact on the final revenue outcome.

Continuous refinements to our revenue estimation models seek to improve our understanding of the relationships between changes in tax revenue collections and changes in the underlying macro-economic variables of the economy.

The projected R33 billion overrun for 2006/07 comprise mainly the following:

- Corporate Income Tax R20 billion
- Persons and Individuals R6.5 billion
- Value-Added Tax R3.4 billion
- Secondary Tax on Companies R1.9 billion
- Taxes on Property R1.4 billion

The reasons for the anticipated overruns in 2006/07 in the different tax types can be ascribed to the following:

Key macro-economic indicators

- Increased Final Household Consumption (Revised estimate of 7.0% versus original estimate of 4.9%)
- Increased Final Government Consumption (Revised estimate of 5.6% versus original estimate of 4.8%)
- Increased Gross Fixed Capital Formation (Revised estimate of 12.0% versus original estimate of 9.4%); and
- Higher commodity prices, leading to an increase in the National Gross Operating Surplus and overall profitability of companies.

Company Income Tax (CIT)

The growth in CIT has been primarily driven by overall growth in Gross Operating Surplus, which is an economic measure of increased profitability by companies. This growth was partially supported by higher than expected prices for commodities; the higher profits posted by the commodities sector boosted revenue receipts.

Although higher commodity prices did contribute to higher CIT, the growth in CIT is broad based as indicated below by the sector contribution to total CIT:

- Finance, Insurance, Real Estate and Business Services: 26%
- Mining and Quarrying : 8%
- Coal and Petroleum: 9%
- Transport, Storage and Communication: 9%
- Wholesale and Retail Trade: 6%
- Other sectors: 42%

Personal Income Tax (PIT)
Increased collections are a result of higher levels of remuneration, partly due to large bonus payments in the financial sector, increased employment as well as higher property income (includes dividend income, rental income, and income from sale of assets).

Value-Added Tax (VAT)
Increased VAT collections are driven by the higher Household and Government Final Consumption. VAT collections are a reflection of higher levels of Gross Domestic expenditure (Revised estimate of 7.9% versus original estimate of 5.6%).

Secondary Tax on Companies (STC)
The growth in STC is as a result of higher levels of dividend distributions by companies on the back of better than expected profitability.

Taxes on Property
Marketable Securities Tax collections are higher mainly on the back of higher values and levels of trade on the Johannesburg Stock Exchange (JSE). At the end of December 2006, the number of trades had increased by 56% year-on-year to 7.9 million and the value of transactions had increased by 66% to R2.2 trillion year-on-year.

(2) (a)

The table below sets out the movements that occurred in taxpayer registrations during the period 1April 2006 – 31 January 2007

Taxpayer classification	**31 Mar 06**	**31 Jan 07**	**Increase**	**% Increase**
Personal Income Tax	5 038 022	5 361 084	323 062	6.4%
Corporate Income Tax	1 629 288	1 785 327	156 039	9.6%
Pay-As-You-Earn	330 194	346 836	16 642	5.0%
Value-Added Tax	633 703	673 550	39 847	6.3%

(b)

The new taxpayers made payments and SARS made refunds to them as set out in the table below:

Tax type (R million)	Payments	Refunds	Nett collection
Pay-As-You-Earn	1,173.0	-0.3	1,172.7
Value-Added Tax	1,302.8	-1,852.4	-549.6
Company Income Tax	51.6	-11.8	39.7
Personal Income Tax	97.2	-24.4	72.9
TOTAL	2,624.6	-1,888.9	735.7

Information in the above table is qualified as follows:

- New registrants for Value-Added Tax are usually in a refund position at first due to inputs claimed at business start-up, hence the negative collection amount
- New registrants for Income Tax might have registered for liability from 2006/07 onwards, or they may have registered for 2005/06 but they have not been assessed as yet or they might not have submitted their returns as yet

(3) The level of economic growth during 2006 was mainly demand driven. The higher levels of expenditure by households (7.0% versus original estimate of 4.9%) and government (5.6% versus original estimate of 4.8%) contributed substantially to the over collection of R20 billion in CIT and R3.4 billion in VAT.

(4) No measures have been instituted to limit the over collection of taxes as that would be contrary to the various Acts that SARS have been mandated to administer on behalf of the State. Such steps would also be contrary to the SARS service charter which states that "

SARS should be "**fair** "
• expecting our clients to pay only what is due under law
• treating everyone equally
• ensuring everyone pays their fair share"

If certain taxpayers are given preferential treatment to limit over collection this would be a flagrant disregard of the service charter.