

NATIONAL COUNCIL OF PROVINCES
QUESTION FOR ORAL REPLY
QUESTION NUMBER: 53 [NO179E]

★53. Mr S F Du Toit (North West: FF Plus) to ask the Minister of Finance:

- (1) Whether there has been any decrease in the number of taxpayers in the top three tax brackets in the 2019/20 tax year; if not, what is the position in this regard; if so, (a) how much did the taxpayers in the said tax brackets contribute to the total government revenue and (b) what are the further relevant details;
- (2) whether the National Treasury will implement any measures to make the country's economic and socio-economic arena more attractive and stable; if not, why not; if so, (a) what measures and (b) what are the further relevant details
- (3) whether any measures are in place to (a) prevent and (b) discourage taxpayers from leaving the country; if not, why not; if so, (i) what measures and (ii) what are the further relevant details?

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REPLY:

Background

All people in South Africa pay some form of tax – though many do not have tax filing obligations. For example, VAT is included in all sales prices, so anyone who spends money is paying tax. Not all people in South Africa are liable for income tax.

The questions received from Mr. Du Toit implies that the scope of the enquiry covers Personal Income Tax (PIT), where brackets apply – thus responses below are based on the assumption that this Parliamentary Question is confined to PIT.

Analysis on the evolution of the number of Personal Income Tax payers can be found in the *Tax Statistics* publication (pg. 33 onward) – but please note that the publication is based on assessed tax records. The process of finalising assessments is usually quickly, but late filing, verification

and disputes can delay finalisation. For that reason, the proportion of finalised assessments for a specific tax year grows with the passing of time (i.e. a smaller proportion is assessed for more recent years).

- The increases in the "submission threshold" by SARS, which went from R120 000 in 2012, to R350 000 in 2015, and to R500 000 in 2019 (page 44 here) have a large effect on filing behaviour.
- Taxpayers with an income below that amount would not need to submit an ITR12 return (given some other conditions are met) – and therefore one should be careful in interpreting trends in the number of assessed taxpayers.

As part of complimentary statistics, the estimates reported in Table 4.5 in the 2021 *Budget Review* give an overview of the estimated distribution of taxpayers (and distributional impacts of tax proposals). National Treasury uses anonymised micro-data provided by SARS (in accordance with the Tax Administration Act) for policy analysis. Therefore, our statistics are based on the number of compliant tax taxpayers represented in the databases at the time of data extraction.

- (1) The data presented below in Table 1 below is based on the latest data on taxpayers in the top three tax brackets.

The number of individuals that were assessed for the 2020 tax year, as at 12 March 2021, were 4 322 158 and below the previous years' tally of 4 701 391. However the number of individuals assessed in the top three (3) tax brackets increased by 15 293 (2.0%), from 758 268 in 2019 to 773 561 in 2020.

- (a) The combined value of the PAYE, provisional taxes and assessed tax payments from the top three tax brackets amounted to R 264 659 014 107 in 2019 and R 265 584 683 297 in 2020. This represented a growth of R 925 669 190 (0.3%) and a contribution of 65.3% and 66.6% respectively for these PAYE, provisional taxes and assessed tax payments.

It should be noted that the revenue amounts mentioned above do not include refunds paid out to the taxpayers, as well taxes paid by these taxpayers via other tax products

such as Dividend tax, Donations tax and Indirect taxes.

- (b) Revenue contributions for the top three tax brackets with respect to PAYE, provisional taxes and assessed tax payments, contributed 20.6% of the R 1 287 690 241 374 Total Revenue collected in fiscal year 2018/19 and 19.6% of Total collections of R 1 355 766 257 945 in fiscal year 2019/20.

Table 1: Tax data on the taxpayers in the top three brackets – 2019 to 2020

Tax Year	Nr Taxpayers	Tax Bracket	Tax Payable	Amount SITE PAYE	Amount Provisional Tax	Amount Assessed Payments	Total collections (Fiscal year)
2019	283 564	Between R 555601 and R 708310	R 44 010 881 805	R 43 521 757 664	R 1 385 651 578	R 1 056 893 808	
	385 793	Between R 708 311 and R1500000	R 112 133 530 950	R 108 242 030 010	R 4 758 862 070	R 2 663 820 362	
	88 911	Greater than R1500000	R 103 134 930 894	R 84 839 791 957	R 14 231 726 162	R 3 958 480 496	
	3 943 123	Other	R 130 552 670 964	R 131 967 259 430	R 4 170 242 692	R 4 344 961 053	
Total	4 701 391		R 389 832 014 612	R 368 570 839 062	R 24 546 482 501	R 12 024 155 720	R 1 287 690 241 374
2020	288 100	Between R 555601 and R 708310	R 44 755 303 944	R 44 382 466 264	R 1 219 484 093	R 929 048 640	
	398 818	Between R 708 311 and R1500000	R 116 187 963 932	R 113 052 715 921	R 4 124 661 154	R 2 298 179 722	
	86 643	Greater than R1500000	R 102 958 547 358	R 82 968 547 646	R 13 494 032 985	R 3 115 546 872	
	3 548 597	Other	R 124 030 797 984	R 126 393 943 078	R 3 598 993 636	R 3 433 709 294	
Total	4 322 158		R 387 932 613 218	R 366 797 672 909	R 22 437 171 867	R 9 776 484 529	R 1 355 766 257 945

Table 4.5 in the 2021 Budget Review reflects a forward-looking view on the expected number of taxpayers in each taxable income bracket. These figures form the basis for estimated changes to tax revenue from tax policy adjustments to the personal income tax tables.

Since the publication of the 2020 Budget Review, the table has been updated to use more recent taxpayer data and estimates of changes to the compensation of employees (which is a critical determinant of taxable income). The 2020 tax data indicated that there had been downward wage pressure and job losses. This automatically lowers the number of taxpayers overall, it lowers the number of registered individuals in most income bands in the distribution, and shifts taxable incomes down. These revised inputs indicated a smaller increase in taxpayer numbers and lower future growth in taxable incomes.

This does not imply that there has been a reduction in the number of taxpayers in these income groups. Rather, the expected increase in taxpayers at these income bands has been lowered compared to our estimates from the previous year.

- (2) The most important contribution that National Treasury can make at this point is to ensure that public finances stabilize, in order to lay the foundation for strong inclusive growth. Restoring growth is the most reliable determinant of increased tax bases.

Over the Medium Term National Treasury aims to:

- Restore value--for-money in public expenditure, particularly through the announced spending reviews (Chapter 1 of the Budget Review)
- Make it as simple and as easy as possible to comply with tax requirements, as SARS did with automatic assessments last year (Chapter 4 of the Budget Review)
- Increase the probability of detection of non-compliance, which is one of the main reasons behind rebuilding SARS and an increase in their budget allocation. (SARS' Annual Performance plan)
- Broaden tax bases to lower tax rates, as high tax rates offer a strong incentive not to comply. (Chapter 4 of the Budget Review)

(3) There are no new policy announcements or proposals that aim to prohibit or discourage taxpayers from leaving. Indeed, exchange controls have been relaxed over the last 2 years – to enhance South Africa's position as an investment destination and to lower the cost of business. From a policy perspective, we are trying to reconcile our provisions with the commercial reality of more globalised operations and careers that include stints in numerous tax jurisdictions – notwithstanding the challenges posed by Covid 19. From a tax perspective, the objective is to ensure that the appropriate tax is paid for any assets that are transferred abroad. Some of the measures that had been in place have become outdated as a result of exchange control reforms. As a result, the tax provisions regarding foreign remunerative work and pre-retirement pension withdrawals on cessation of tax residence have undergone significant reform in the last 3 years.