The impact on the fiscus of the country's sluggish economic growth

While the majority of South Africans were battling load-shedding woes and heading off for their long anticipated and well-earned summer vacations in December, the South African Revenue Service (SARS) published its 12th annual Tax Statistics for 2019. The report is compiled together with National Treasury and covers all taxes, from corporate income tax, all the way to the Health Promotion Levy or what most of us know as "sugar tax".

In short, the report makes for grim reading, collection targets have been missed, taxpayer compliance has declined and the SARS is constrained in its capacity to collect taxes, however, these are hardly newsworthy and the majority of South Africans are aware of the current state of affairs that we find ourselves in.

The devil, as they say is in the detail, as one starts delving into the report (of more than 300 pages) the impact of the country's sluggish economic growth over the past five years on the fiscus becomes glaringly evident. Further, given the economic forecast for 2020, a turnaround may not be around the corner as many had hoped.

Below is an outline of some of the key figures of the SARS report:

- SARS collected R1 287.7 billion against a revenue collection target of R1 302.2 billion resulting in a deficit of R14.5 billion.

- Corporate Income Tax (CIT), VAT and personal income tax accounted for 80% of total revenue collected with the fuel levy and other specific customs and excise duties contributing approximately 19% of revenue, with the remaining 1% made up by other taxes.

- The number of companies registered for corporate income tax has declined from 3.2 million in 2017/18 to 2 million 2018/19.

- CIT collections as a percentage of GDP declined slightly from 4.7% for the three fiscal years 2015/16 - 2017/18 to 4.4% mainly as a result to contractions in some sub-sectors of the manufacturing industries such as petroleum, basic iron and steel, as well as metal which were affected by power outages in quarter 1 of 2019.

- Personal income tax was the single largest contributor accounting for more than 38% of revenue. It is interesting to note that personal income tax contributed R279.4 billion more than corporate income tax in 2018/2019.

Article written by Botlhale Joel, Director: Global Business Tax Services and Financial Services Industry Leader, Deloitte Africa Tax & Legal

Kabelo Malapela, Director: Global Business Tax Services and Financial Services Industry Tax Specialist, Deloitte Africa Tax & Legal

- The number of VAT vendors registered for VAT increased by 3.8% while registered importers and exporters was up 2.5% and 2.3%, respectively year-on-year.

Looking at the facts and figures above, one begins to understand the logic for the deep structural reforms delineated by the Minister of Finance in his 2019 Medium-Term Budget Speech. Given the slow pace at which these reforms are being implemented, the bleak economic growth outlook projected for South Africa and the pressure from rating agencies for meaningful reform, all eyes will be on the Minister’s 2020 Budget Speech on the way forward.

Thinking back to Minister Mboweni’s list of the 10 “important growth ingredients”, what appears to still lack the necessary focus is the much needed support to small business, as a means to supporting our young, growing population to become entrepreneurial and help South Africa get to similar growth levels as the likes of Kenya, Ghana and Ethiopia. It would again appear that we are still missing a beat in terms of addressing the growing threat of youth unemployment in our country by seemingly driving the focus on getting youth employed as opposed to helping them become the entrepreneurs and employers of the future.