



Tax in South Africa – A 10 year Trajectory Budget 2020/21

Making an impact that matters

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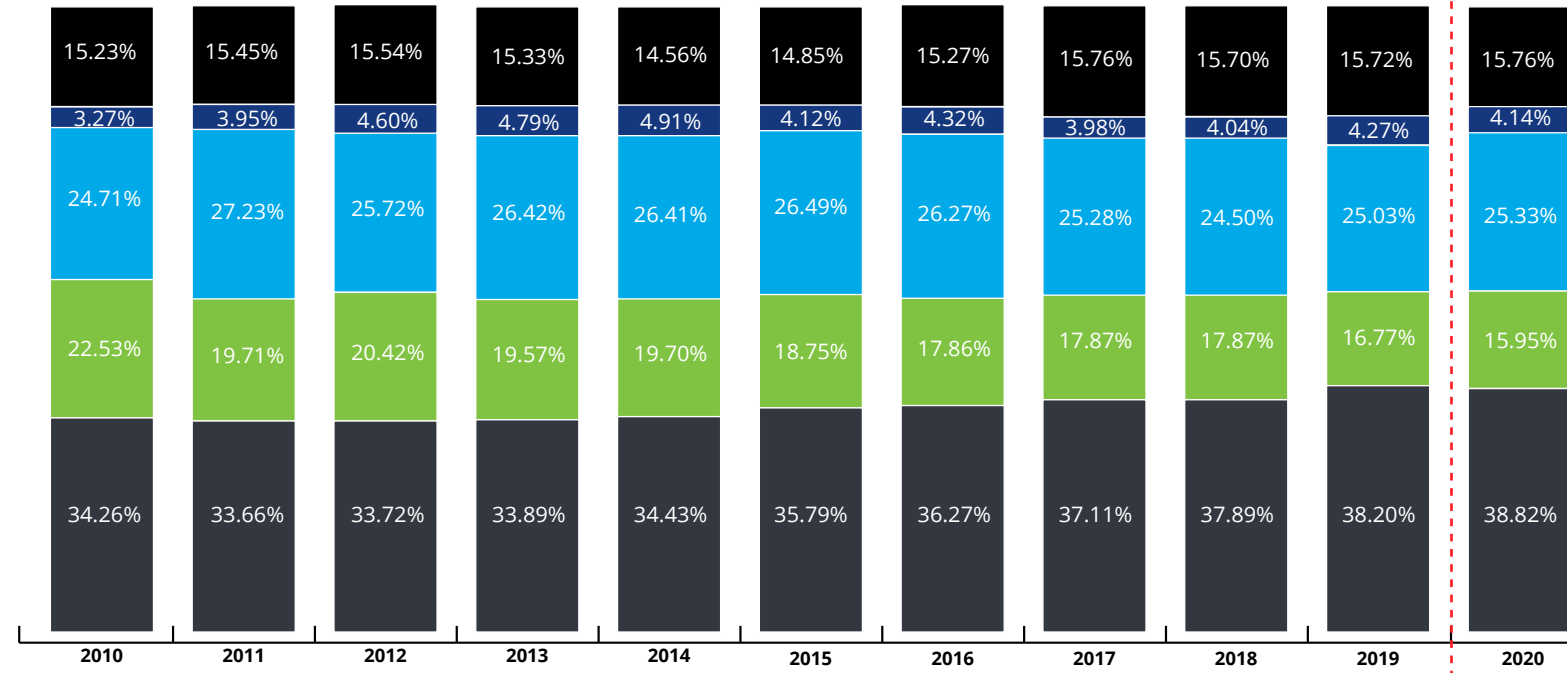
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Sources of tax revenue

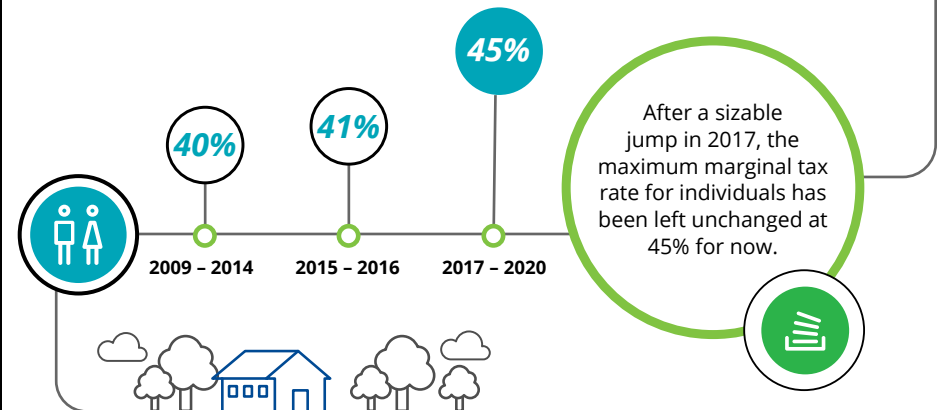


- Other
- Customs duties
- Value-Added Tax (VAT)
- Corporate income tax (CIT)
- Personal income tax (PIT)
- Estimate

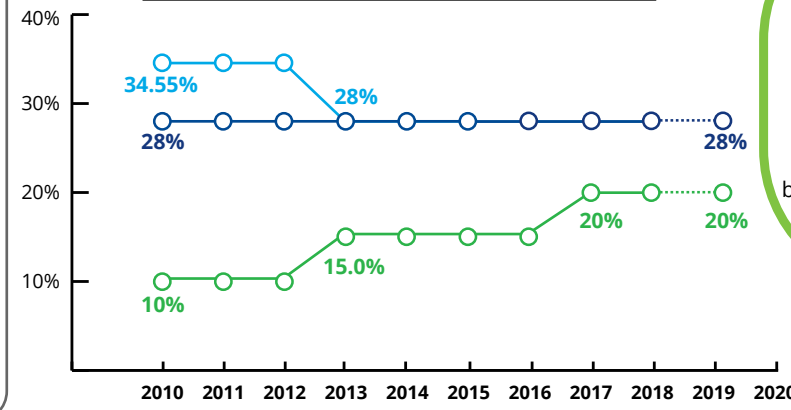
The overall mix between direct and indirect taxes has fluctuated over time but on average comprises approximately 57% in direct taxes and 43% in indirect taxes. CIT is a significant but declining revenue source, while PIT is increasing.



Income tax rates for individuals

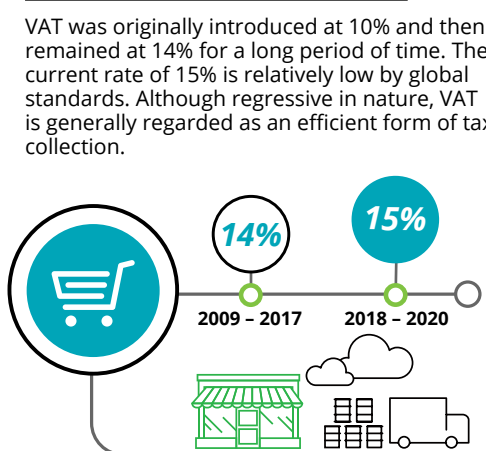


Corporate income tax rates

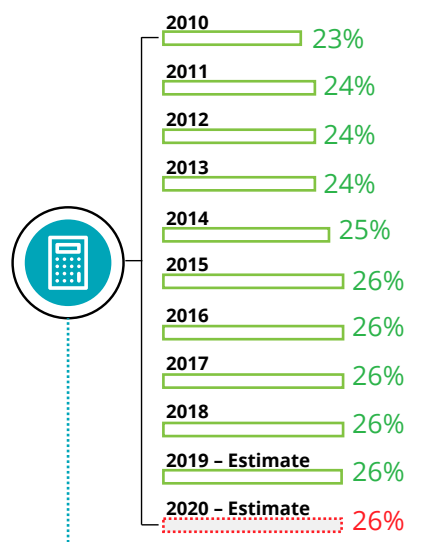


The corporate tax rate has historically been fairly competitive relative to South Africa's peers. Globally, there is a trend of reducing corporate tax rates and therefore, to promote economic growth, government aims to broaden the tax base and reduce the corporate tax rate in the future.

Value-added tax rates



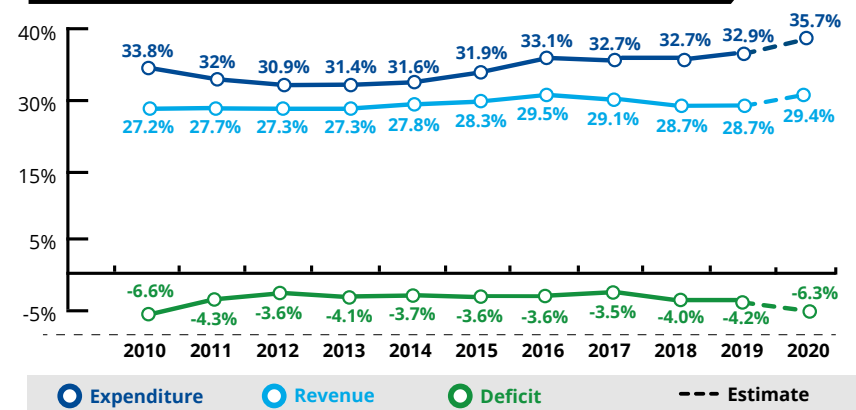
Tax as a percentage of GDP



Government is under increasing pressure to manage the budget deficit but this will prove challenging with only modest economic growth.

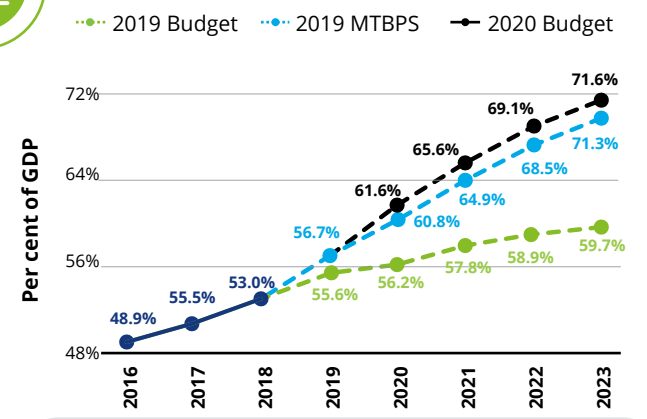
The South African tax-to-GDP ratio showed a general upward trend during the past 20 years from a low of 21.9% in 1995/96 to an estimated 26.4% in 2019/20. South Africa already has a relatively high tax-to-GDP ratio compared with other developing countries and no significant tax increases are proposed at this stage.

Budget deficit – percentage of GDP



After creeping up to a projected 6.8% of GDP in 2020/21, the budget deficit is currently expected to improve to a deficit of 5.7% in 2022/23. Tax buoyancy (the ratio of tax revenue growth to nominal GDP growth) is expected to fall from 1.15 in 2019/20 to 0.93 in 2020/21.

Gross debt-to-GDP outlook



The gross debt-to-GDP outlook has deteriorated further since the 2019 MTBPS and is now forecast to reach 71.6% of GDP in 2022/23.