

DRAFT RATES AND MONETARY AMOUNTS BILL

Standing Committee on Finance

Presenters: National Treasury and SARS | 30 July 2014



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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Additional slides

1. Fuel taxes - done by amending the Schedules to the Customs & Excise Act.
2. Climate change and the proposed carbon tax – announced in the 2014 Budget, a separate Bill to be tabled later this year.

Key tax instruments in South Africa

- **Direct Taxes (income)**
 - Personal Income Tax / Individuals
 - Corporate Income Tax
 - Dividend withholding tax (Previously Secondary Tax on Companies)
 - Estate Duty
 - Donations Tax
 - Payroll Taxes
 - Skills Development Levy
 - Unemployment Insurance Fund
- **Indirect Taxes (consumption)**
 - Value Added Tax (VAT)
 - Excise Duties (Specific and Ad Valorem)
 - Custom Duties
 - Transfer Duties (Properties)
 - Security Transfer Tax (Financial transactions - shares)
 - Environmentally-related taxes
 - Fuel Levy
 - Electricity levy – non-renewable generation
 - Air Passenger Departure Tax
 - Plastic Bag Levy
 - Tax on incandescent light bulbs
 - CO₂ Motor vehicle CO₂ emissions tax

Tax revenue as a % of National Budget Revenue

Tax revenue by instrument as a % of National Budget Revenue							
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Individuals	30.1%	32.0%	35.4%	33.9%	33.8%	34.5%	34.9%
VAT	26.9%	25.3%	25.5%	27.4%	25.8%	27.0%	26.8%
Companies	25.0%	27.2%	23.3%	19.8%	20.5%	20.0%	20.0%
Fuel levy	4.2%	4.1%	5.0%	5.1%	4.9%	5.0%	4.9%
Specific excise	3.3%	3.3%	3.7%	3.4%	3.4%	3.6%	3.3%
Customs duties	4.7%	3.7%	3.4%	4.0%	4.6%	4.8%	5.0%
STC / Dividends	3.7%	3.3%	2.7%	2.6%	3.0%	2.5%	2.0%
Sub Total	97.9%	98.9%	98.9%	96.3%	96.1%	97.4%	96.9%
Three (PIT, VAT, CIT)	82.0%	84.6%	84.2%	81.1%	80.1%	81.5%	81.7%

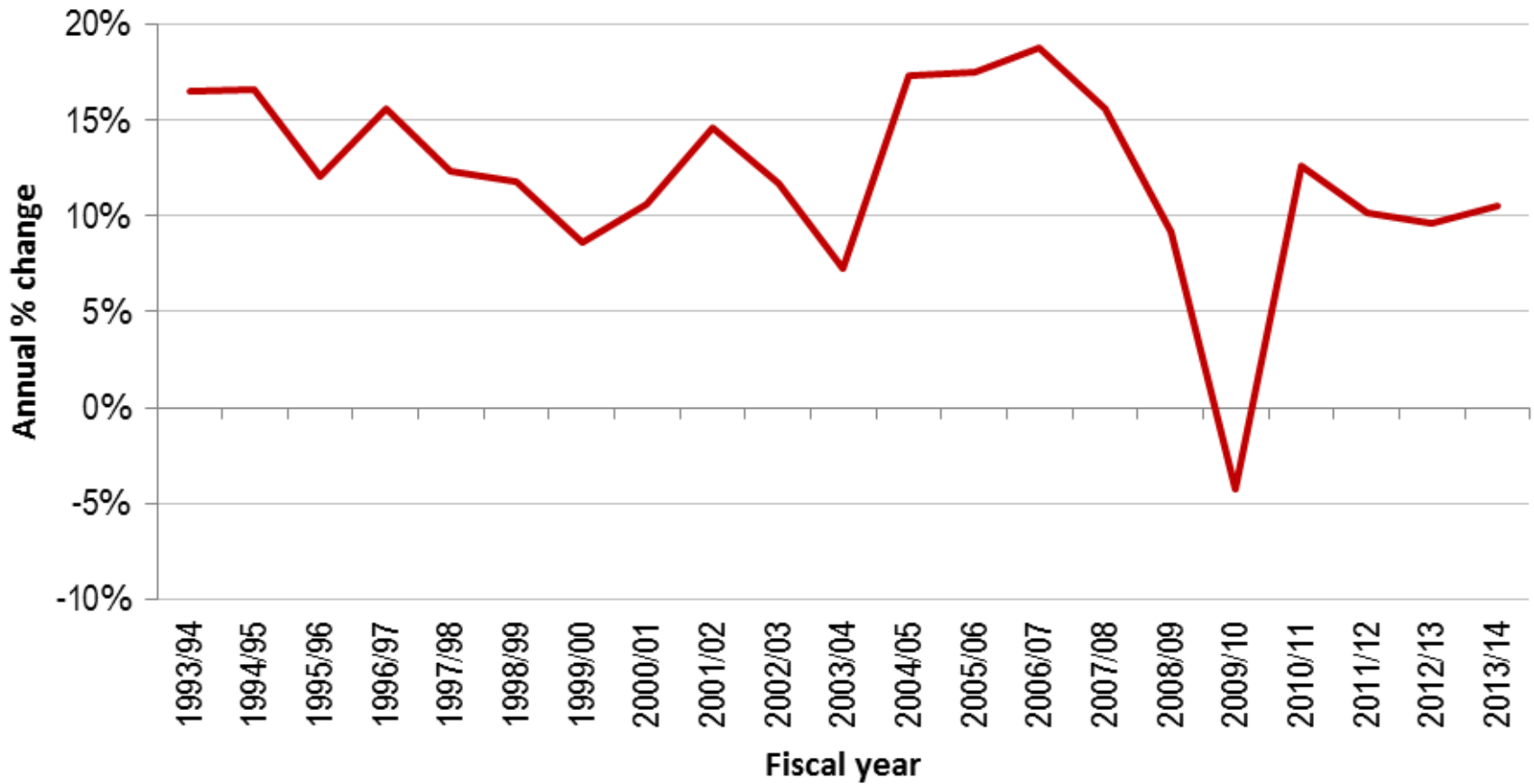
Tax revenue as a % of GDP

Tax revenue by instrument as a % of GDP

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Individuals	8.1%	8.5%	8.4%	8.3%	8.4%	8.6%	9.0%
VAT	7.2%	6.7%	6.0%	6.7%	6.4%	6.7%	6.9%
Companies	6.8%	7.2%	5.5%	4.8%	5.1%	5.0%	5.1%
Fuel levy	1.1%	1.1%	1.2%	1.3%	1.2%	1.3%	1.3%
Specific excise	0.9%	0.9%	0.9%	0.8%	0.9%	0.9%	0.8%
Customs duties	1.3%	1.0%	0.8%	1.0%	1.1%	1.2%	1.3%
STC / Dividends	1.0%	0.9%	0.6%	0.6%	0.7%	0.6%	0.5%
Sub Total	26.4%	26.2%	23.3%	23.5%	23.8%	24.3%	24.9%
Three (PIT, VAT & CIT)	22.1%	22.4%	19.9%	19.8%	19.9%	20.4%	21.0%
Tax / GDP	27.6%	27.2%	24.4%	24.5%	24.9%	25.4%	26.1%
Budget Rev / GDP	27.0%	26.5%	23.6%	24.4%	24.8%	25.0%	25.7%

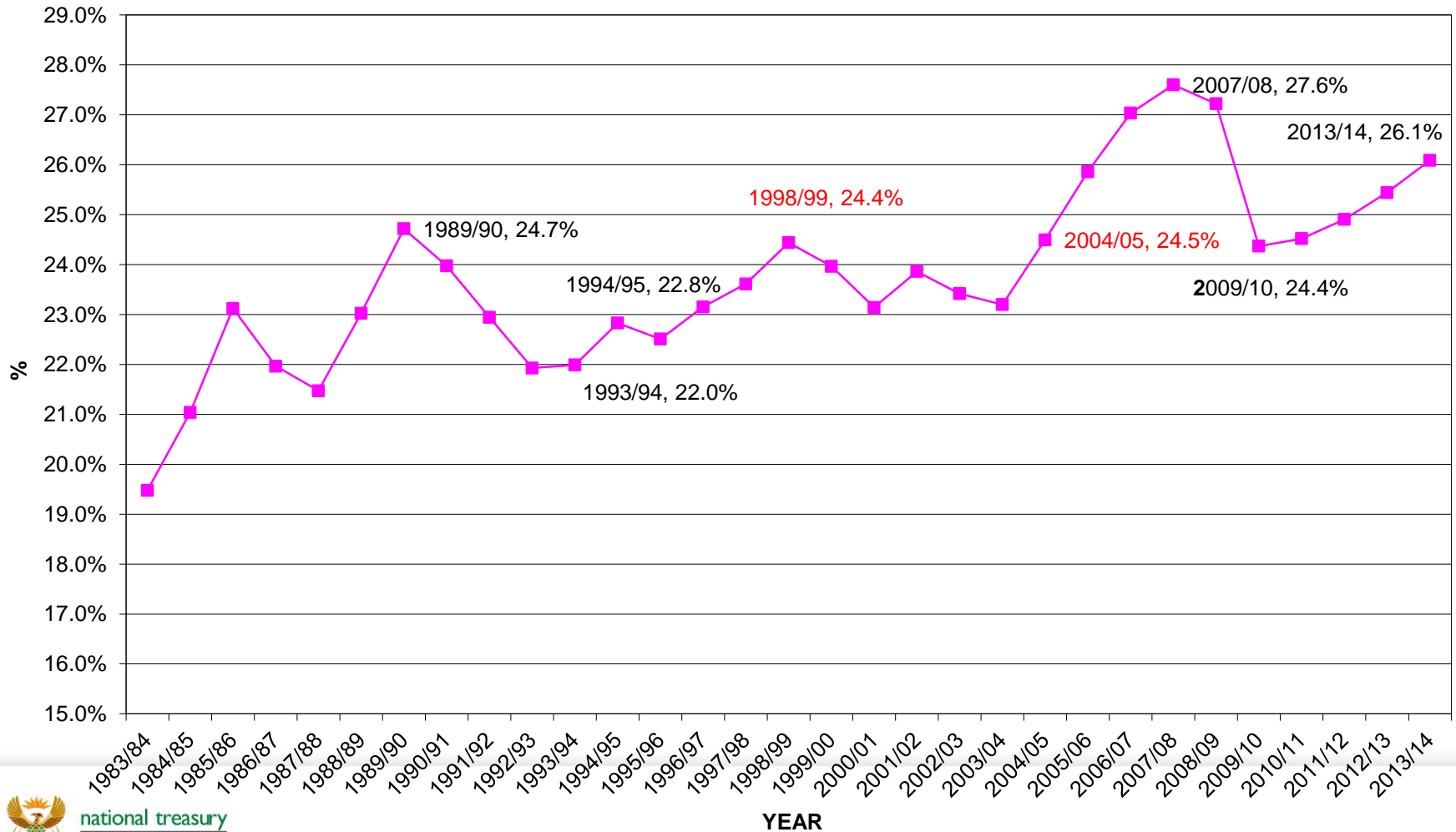
Tax revenues recovered after 2009/10...

Percentage change in gross tax revenues



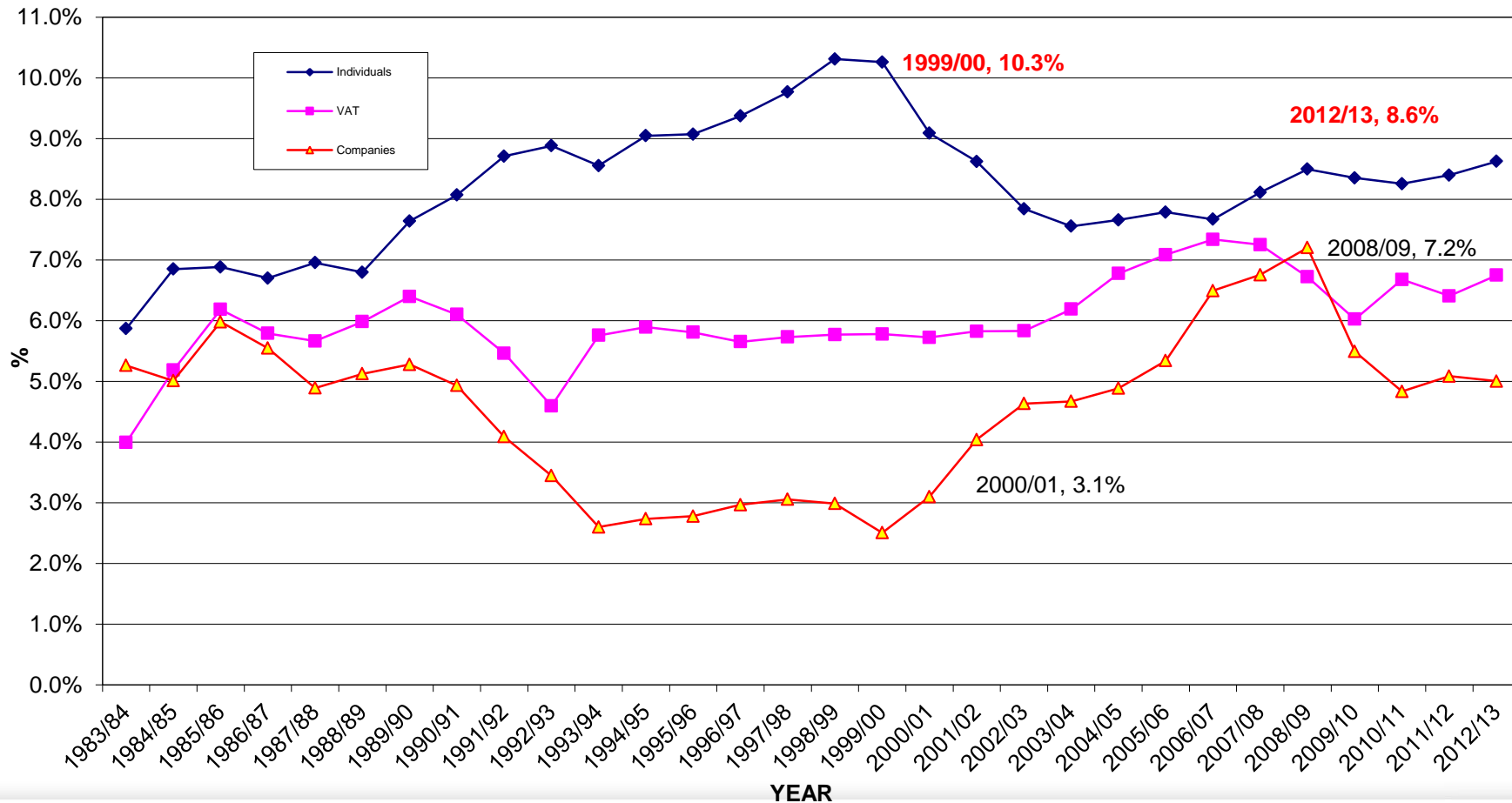
And have increased as a percentage of GDP...

Gross Tax revenue / GDP Ratio (National Government, excl. RAF & UIF)



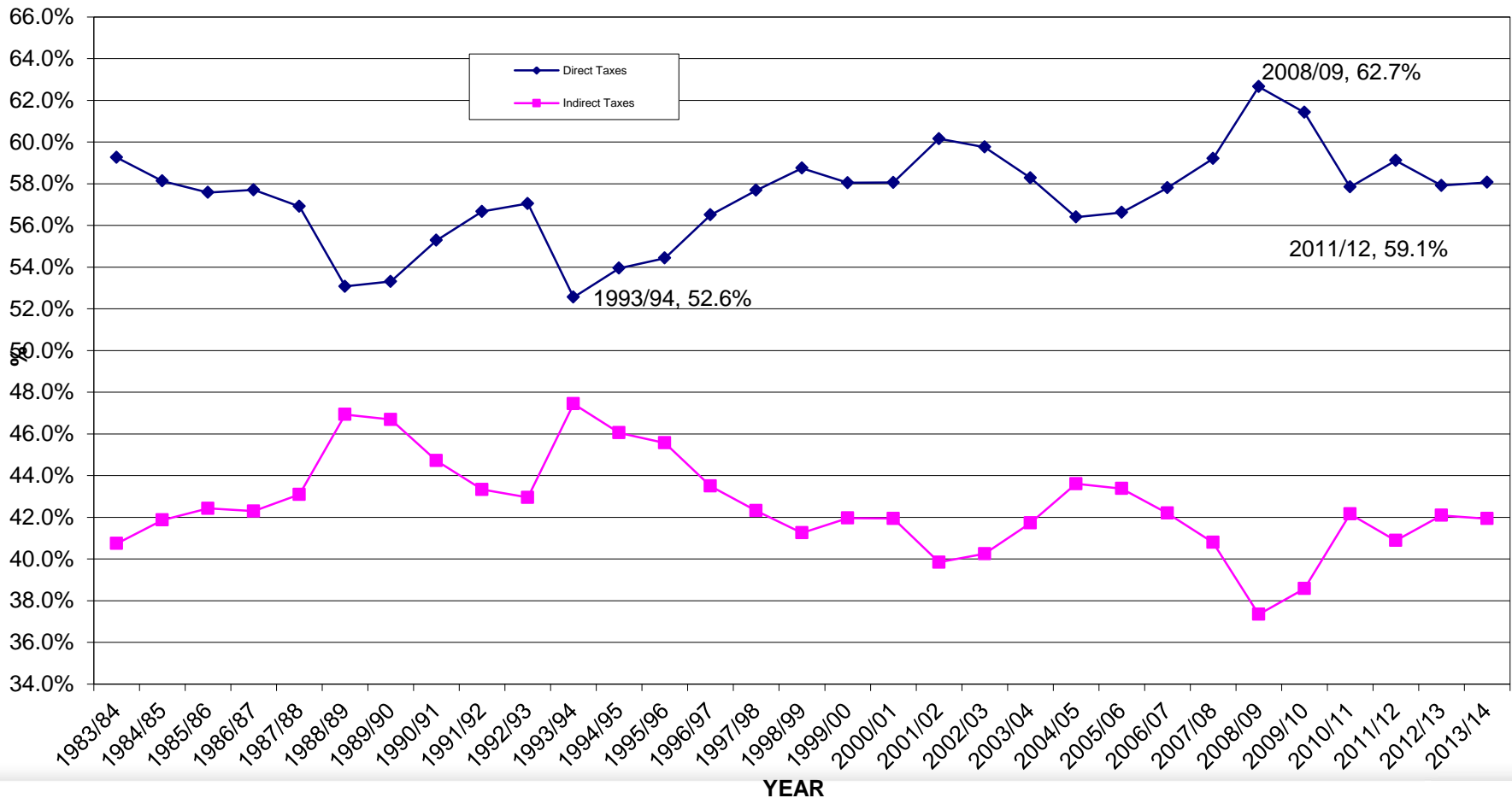
PIT, VAT (prior to 1991 /92 GST) & CIT as a % of GDP

TAX / GDP ratio: Three main taxes



Direct and Indirect tax revenues

Total Tax Revenue: Direct vs Indirect Taxes



Tax revenue – 2013/14

Tax Revenue Estimates for 2013/14 (R million)	2013 Budget Review	2013 MTBPS	2013 MTBPS vs. 2013 Budget	2014 Budget Review	2014 Budget vs. 2013 Budget	Actual 2013/14	Actual vs. 2014 Budget
1. Persons / individuals	306 188	307 700	1 512	308 930	2 742	309 801	872
2. Companies	169 830	170 200	370	176 965	7 135	177 282	317
3. Value-added tax	242 990	242 500	-490	239 286	-3 704	237 781	-1 506
4. Secondary Tax on Companies / Dividend Withholding Tax	22 930	17 000	-5 930	17 000	-5 930	17 309	309
5. Specific excise duties	31 265	29 200	-2 065	28 943	-2 322	29 138	195
5. Fuel Levy	44 970	43 500	-1 470	43 300	-1 670	43 685	385
6. Custom / import duties	41 340	45 100	3 760	44 500	3 160	44 103	-397
7. Other ¹	38 491	39 804	1 313	40 076	1 586	40 751	674
Total tax revenue	898 004	895 004	-3 000	899 000	996	899 849	849
Non-tax revenue	23 328	17 950	-5 379	30 541	7 213	29 776	-765
of which: Mineral and petroleum royalties	5 900	6 189	289	6 500	600	6 439	-61
Less SACU	-43 374	-43 270	104	-43 374		-43 374	0
Total budget revenue	877 958	869 683	-8 274	886 167	8 209	886 250	84

1: Includes - transfer duty, STT, estate duty, and other indirect taxes

The Rates and Monetary Amounts Bill

Taxable income brackets were increased by around 5.4%

Table 4.1 Personal income tax rate and bracket adjustments, 2013/14 – 2014/15

2013/14		2014/15	
Taxable income (R)	Rates of tax	Taxable income (R)	Rates of tax
R0 - R165 600	18% of each R1	R0 - R174 550	18% of each R1
R165 601 - R258 750	R29 808 + 25% of the amount above R165 600	R174 551 - R272 700	R31 419 + 25% of the amount above R174 550
R258 751 - R358 110	R53 096 + 30% of the amount above R258 750	R272 701 - R377 450	R55 957 + 30% of the amount above R272 700
R358 111 - R500 940	R82 904 + 35% of the amount above R358 110	R377 451 - R528 000	R87 382 + 35% of the amount above R377 450
R500 941 - R638 600	R132 894 + 38% of the amount above R500 940	R528 001 - R673 100	R140 074 + 38% of the amount above R528 000
R638 601	R185 205 + 40% of the amount above R638 600	R673 101	R195 212 + 40% of the amount above R673 100
Rebates		Rebates	
Primary	R12 080	Primary	R12 726
Secondary	R6 750	Secondary	R7 110
Tertiary	R2 250	Tertiary	R2 367
Tax threshold		Tax threshold	
Below age 65	R67 111	Below age 65	R70 700
Age 65 and over	R104 611	Age 65 and over	R110 200
Age 75 and over	R117 111	Age 75 and over	R123 350



The adjustment provided tax relief of R9.25 billion

- The adjustment increases the tax free threshold from R67 111 to R70 700
- Around 40% of the total relief will go to those with taxable incomes that are less than R250 000

Table 4.2 Estimates of individual taxpayers and taxable income, 2014/15

Taxable bracket	Registered individuals		Taxable income		Income tax payable before relief		Personal income tax relief		Income tax payable after relief	
	Number	%	R million	%	R million	%	R million	%	R million	%
0 - R70 000 ¹	8 835 791		194 445	11.5	25	–	25		–	–
R70 001 - R150 000	2 758 078	43.0	288 161	17.0	18 092	5.2	1 740	18.9	16 351	4.9
R150 001 - R250 000	1 644 142	25.6	321 624	19.0	41 491	12.0	1 843	20.0	39 648	11.8
R250 001 - R350 000	852 656	13.3	250 125	14.8	43 789	12.7	1 557	16.9	42 232	12.6
R350 001 - R500 000	531 173	8.3	220 166	13.0	48 072	13.9	1 475	16.0	46 597	13.9
R500 001 - R750 000	346 123	5.4	208 636	12.3	55 303	16.0	1 335	14.5	53 969	16.1
R750 001 - R1 000 000	132 917	2.1	114 037	6.7	34 663	10.0	591	6.4	34 072	10.1
R1 000 001 +	154 111	2.4	291 160	17.2	103 760	30.1	685	7.4	103 075	30.7
Total	6 419 200	100.0	1 693 908	100.0	345 169	100.0	9 225	100.0	335 944	100.0
Grand total	15 254 991		1 888 353		345 194		9 250		335 944	

1. Registered individuals with taxable income below the income tax threshold

PIT reforms since between 1998

- Between 1998/99 and 2002/03 the marginal rates decreased by between 1 and 9 percentage points :
 - 1 (bottom) by 1 percentage points from 19% to 18%
 - 2 by 5 percentage points from 30% to 25%
 - 3 by 9 percentage points from 39% to 30%
 - 4 by 8 percentage points from 43% to 35%
 - 5 by 6 percentage points from 44% to 38%, and
 - 6 (top) by 5 percentage points from 45% to 40%
- Between 2002/03 and 2014/15 the bottom threshold was increased by 13.1 per cent per annum and that of the top income bracket by 9.0 per cent per annum.
- The marginal tax rates have remained unchanged during this period.
- The tax free threshold for taxpayers below 65 years was increase by 8.4 per cent per annum since 2002/03 and for those 65 years and above by 8.2 per cent per annum.

Personal income tax rates

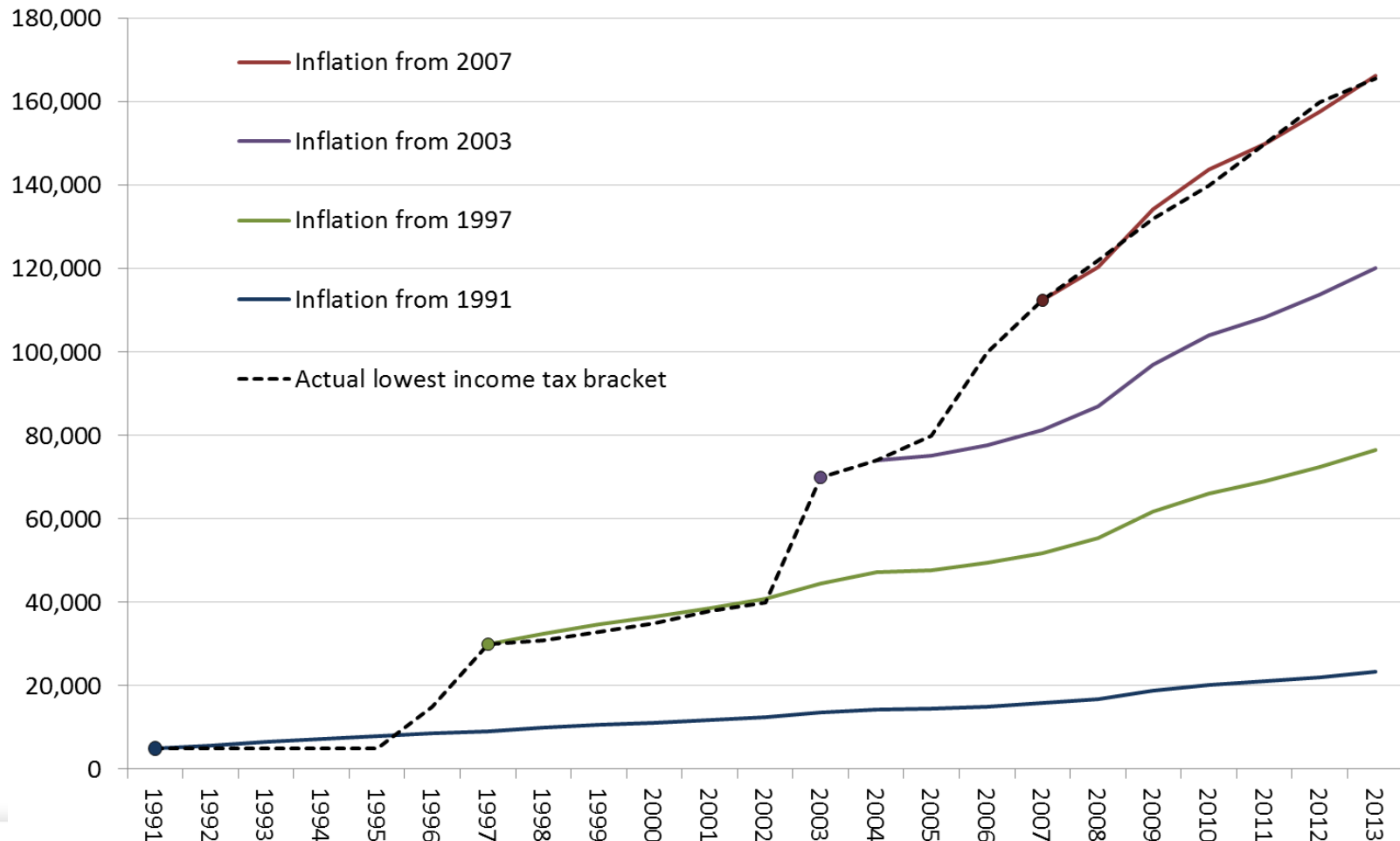
		Taxable Income								
		PIT bracket		Marginal personal income tax rate for the six brackets						
	Budget	Tax year	Bottom	Top	1	2	3	4	5	6
1	2013	2013/14	174 550	673 101	18%	25%	30%	35%	38%	40%
2	2013	2013/14	165 600	638 600	18%	25%	30%	35%	38%	40%
3	2012	2012/13	160 000	617 000	18%	25%	30%	35%	38%	40%
4	2011	2011/12	150 000	580 000	18%	25%	30%	35%	38%	40%
5	2010	2010/11	140 000	552 000	18%	25%	30%	35%	38%	40%
6	2009	2009/10	132 000	525 000	18%	25%	30%	35%	38%	40%
7	2008	2008/09	122 000	490 000	18%	25%	30%	35%	38%	40%
8	2007	2007/08	112 500	450 000	18%	25%	30%	35%	38%	40%
9	2006	2006/07	100 000	400 000	18%	25%	30%	35%	38%	40%
10	2005	2005/06	80 000	300 000	18%	25%	30%	35%	38%	40%
11	2004	2004/05	74 000	270 000	18%	25%	30%	35%	38%	40%
12	2003	2003/04	70 000	255 000	18%	25%	30%	35%	38%	40%
13	2002	2002/03	40 000	240 000	18%	25%	30%	35%	38%	40%
14	2001	2001/02	38 000	215 000	18%	26%	32%	37%	40%	42%
15	2000	2000/01	35 000	200 000	18%	26%	32%	37%	40%	42%
16	1999	1999/00	33 000	120 000	19%	30%	35%	40%	44%	45%
17	1998	1998/99	31 000	120 000	19%	30%	39%	43%	44%	45%

Personal income tax brackets & rebates

Personal Income Tax										Taxable Income		Taxable Income	
Budget	Tax year	Income tax threshold			Rebate			PIT relief R billion	PIT bracket		PIT bracket		
		< 65	65 and >	75 and >	Primary	Secondary	Tertiary		Bottom	Top	Bottom	Top	
									Rand	Rand	% Change	% Change	
1	2014	2014/15	70 700	110 200	123 350	12 726	7 110	2 367	9.3	174 550	673 101	5.4%	5.4%
2	2013	2013/14	67 111	104 611	117 111	12 080	6 750	2 250	7.0	165 600	638 600	3.5%	3.5%
3	2012	2012/13	63 556	99 056	110 889	11 440	6 390	2 130	9.5	160 000	617 000	6.7%	6.4%
4	2011	2011/12	59 750	93 150	104 261	10 755	6 012	2 000	8.1	150 000	580 000	7.1%	5.1%
5	2010	2010/11	57 000	88 528		10 260	5 675		6.5	140 000	552 000	6.1%	5.1%
6	2009	2009/10	54 200	84 200		9 756	5 400		13.5	132 000	525 000	8.2%	7.1%
7	2008	2008/09	46 000	74 000		8 280	5 040		7.2	122 000	490 000	8.4%	8.9%
8	2007	2007/08	43 000	69 000		7 740	4 680		8.4	112 500	450 000	12.5%	12.5%
9	2006	2006/07	40 000	65 000		7 200	4 500		13.5	100 000	400 000	25.0%	33.3%
10	2005	2005/06	35 000	60 000		6 300	4 500		6.8	80 000	300 000	8.1%	11.1%
11	2004	2004/05	32 222	50 000		5 800	3 200		4.0	74 000	270 000	5.7%	5.9%
12	2003	2003/04	30 000	47 222		5 400	3 100		13.3	70 000	255 000	75.0%	6.3%
13	2002	2002/03	27 000	42 640		4 860	3 000		15.0	40 000	240 000	5.3%	11.6%
14	2001	2001/02	23 000	39 154		4 140	3 000		8.3	38 000	215 000	8.6%	7.5%
15	2000	2000/01	21 111	36 538		3 800	2 900		9.9	35 000	200 000	6.1%	66.7%
16	1999	1999/00	19 526	33 717		3 710	2 775		4.9	33 000	120 000	6.5%	0.0%
17	1998	1998/99	18 500	31 950		3 515	2 660		3.7	31 000	120 000		

Adjustments are discretionary to suit economic circumstances

Lowest personal income tax bracket and path if it had followed inflation



The retirement lump sum tables were also adjusted upwards

- There are two different retirement benefit lump sum tax tables:
 - One taxes the amounts you receive as a lump sum at retirement or as part of their severance package
 - The other taxes amounts you withdraw from your pension before retirement (usually when an individual resigns from employment) - This is more punitive to discourage withdrawals before retirement
- The pre-retirement lump sum table has not been adjusted since 2007 and the retirement lump sum table was adjusted only once, in 2011
- The brackets in the tables have thus been increased by around 10%, but there has been a larger increase in the first bracket of retirement lump sum table from R315 000 to R500 000
- The larger increase was to avoid situations where individuals (especially in provident funds) who did not receive a deduction on their contributions over their working lives would be forced to now pay tax on their retirement benefits

The amended values of the retirement lump sum tables

Table 4.3 Pre-retirement lump-sum taxation, 2013/14 – 2014/15

2013/14		2014/15	
Taxable income (R)	Rates of tax	Taxable income (R)	Rates of tax
R0 - R22 500	0% of taxable income	R0 - R25 000	0% of taxable income
R22 501 - R600 000	18% of taxable income above R22 500	R25 001 - R660 000	18% of taxable income above R25 000
R600 001 - R900 000	R103 950 + 27% of taxable income above R600 000	R660 001 - R990 000	R114 300 + 27% of taxable income above R660 000
R900 001 +	R184 950 + 36% of taxable income above R900 000	R990 001 +	R203 400 + 36% of taxable income above R990 000

Table 4.4 Retirement lump-sum taxation, 2013/14 – 2014/15

2013/14		2014/15	
Taxable income (R)	Rates of tax	Taxable income (R)	Rates of tax
R0 - R315 000	0% of taxable income	R0 - R500 000	0% of taxable income
R315 001 - R630 000	18% of taxable income above R315 000	R500 001 - R700 000	18% of taxable income above R500 000
R630 001 - R945 000	R56 700 + 27% of taxable income above R630 000	R700 001 - R1 050 000	R36 000 + 27% of taxable income above R700 000
R945 001 +	R141 750 + 36% of taxable income above R945 000	R1 050 001 +	R130 500 + 36% of taxable income above R1 050 000

Inflationary adjustments were made to medical tax credits, car allowances and the taxable income threshold for small businesses

- Medical tax credits were increased by 6.2%
 - From R242 per month for the first two beneficiaries to R257 per month
 - And from R162 to R172 per month for each additional beneficiary
- The maximum value of the cost of a vehicle that an employer can use and claim a travel allowance increases from R480 000 to R560 000
 - The value was last adjusted in 2011 and has been increased for inflation
- The taxable income threshold for small business increases from R67 111 to R70 700
 - The new rate will be in line with the new income tax table for individuals to avoid any potential tax arbitrage

Excise duties on alcohol had higher than inflation increases

- The value of excise duties on alcohol is based on a targeted tax burden, which is expressed as a percentage of the weighted average retail selling price
- The 2012 Budget Review increased the targeted tax burden for beers and spirits to 35 and 48 per cent respectively (from 33 and 45)
- Excise tax rates have been increasing at above inflation levels since 2012 to achieve this target
- The largest increase in excise duties for regular alcoholic beverages was for sparkling wine and spirits, which each experienced a 10 per cent and 12 per cent increase in their excise duties, respectively
- There were no increases in excise duties for Traditional African beer and close to inflationary increases for unfortified and fortified wine, malt beer and ciders and alcoholic fruit beverages

Tobacco excise duties increased in line with inflation

- The targeted total consumption tax burden is 52 per cent of the retail selling price of the most popular brand within each tobacco product category
- Adjustments to the tobacco excise duties are around the levels of inflation since the tax burden is relatively close to its target
- The largest increase is 9 per cent for cigars, while cigarettes and cigarette tobacco increased by 6.2% per cent and 7.2 per cent respectively
- There was a smaller than inflation increase of 2.5 per cent for pipe tobacco since the amendment from the previous year pushed the tax burden above the targeted level

The amended excise duties for alcohol and tobacco

Table 4.5 Changes in specific excise duties, 2014/15

Product	Current excise duty rate	Proposed excise duty rate	Percentage change	
			Nominal	Real
Malt beer	R63.81 / litre of absolute alcohol (108.48c / average 340ml can)	R68.92 / litre of absolute alcohol (117c / average 340ml can)	8.0%	1.8%
Traditional African beer	7.82c / litre	7.82c / litre	0.0%	-6.2%
Traditional African beer powder	34.70c / kg	34.70c / kg	0.0%	-6.2%
Unfortified wine	R2.70 / litre	R2.87 / litre	6.2%	-0.0%
Fortified wine	R4.85 / litre	R5.21 / litre	7.5%	1.2%
Sparkling wine	R8.28 / litre	R9.11 / litre	10.0%	3.8%
Ciders and alcoholic fruit beverages	R3.19 / litre (108.48c / average 340ml can)	R3.45 / litre (117c / average 340ml can)	8.1%	1.9%
Spirits	R122.80 / litre of absolute alcohol (R39.60 / 750ml bottle)	R137.54 / litre of absolute alcohol (R44.36 / 750ml bottle)	12.0%	5.8%
Cigarettes	R10.92 / 20 cigarettes	R11.60 / 20 cigarettes	6.2%	-0.0%
Cigarette tobacco	R12.16 / 50g	R13.03 / 50g	7.2%	0.9%
Pipe tobacco	R3.54 / 25g	R3.63 / 25g	2.5%	-3.7%
Cigars	R56.76 / 23g	R61.87 / 23g	9.0%	2.8%

Additional slides

Fuel taxes

- The increase in the general fuel levy was in line with inflation. The proposed increase of 12c/litre is less than the increase applied in 2013/14.
- The increase for the Road Accident Fund levy of 8c/litre was equal to the adjustment in 2013/14.
- The effective date for both levies was 2 April 2014.

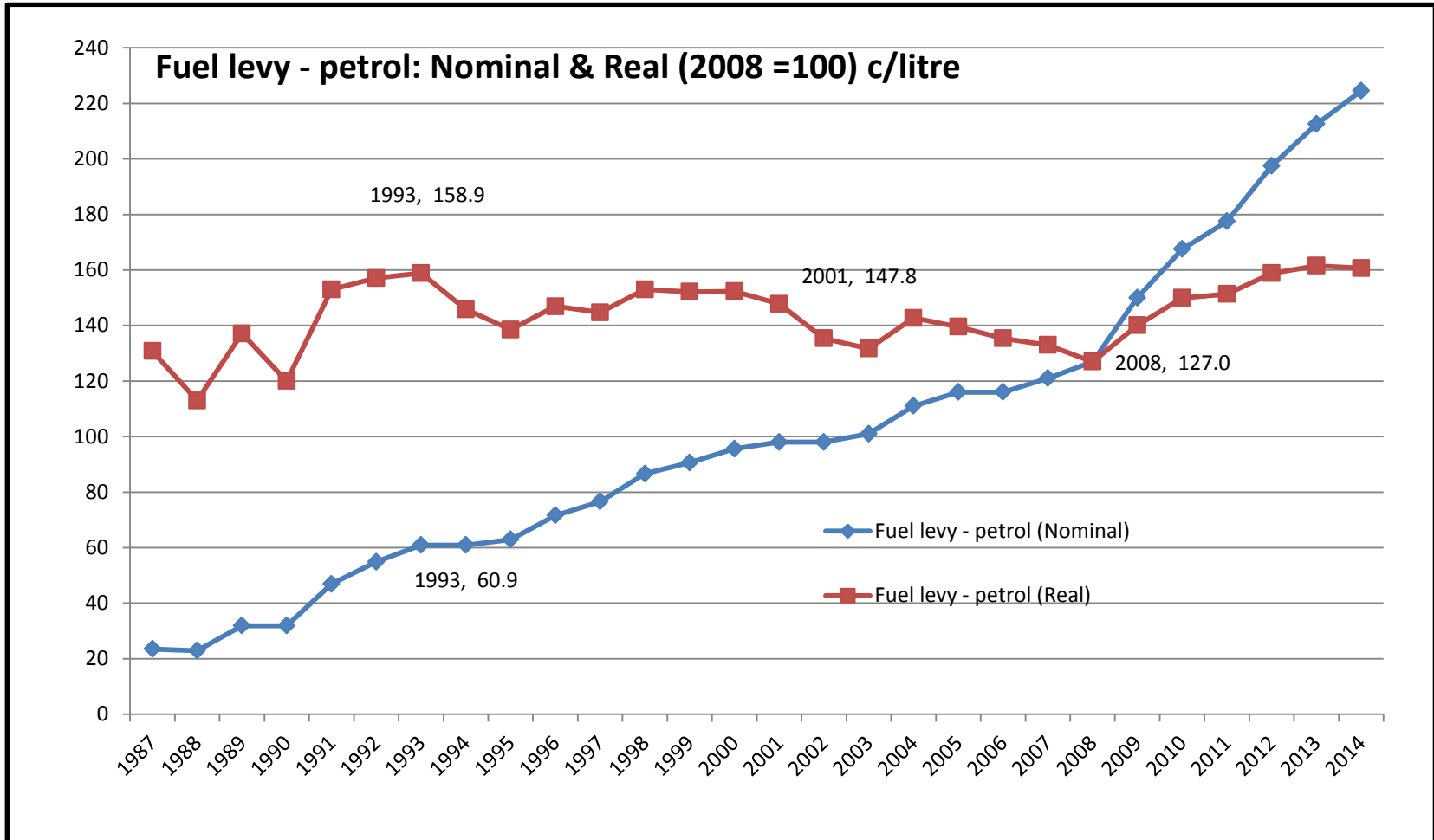
Fuel taxes - regulations

Table 4.6 Total combined fuel taxes on petrol and diesel, 2012/13 – 2014/15

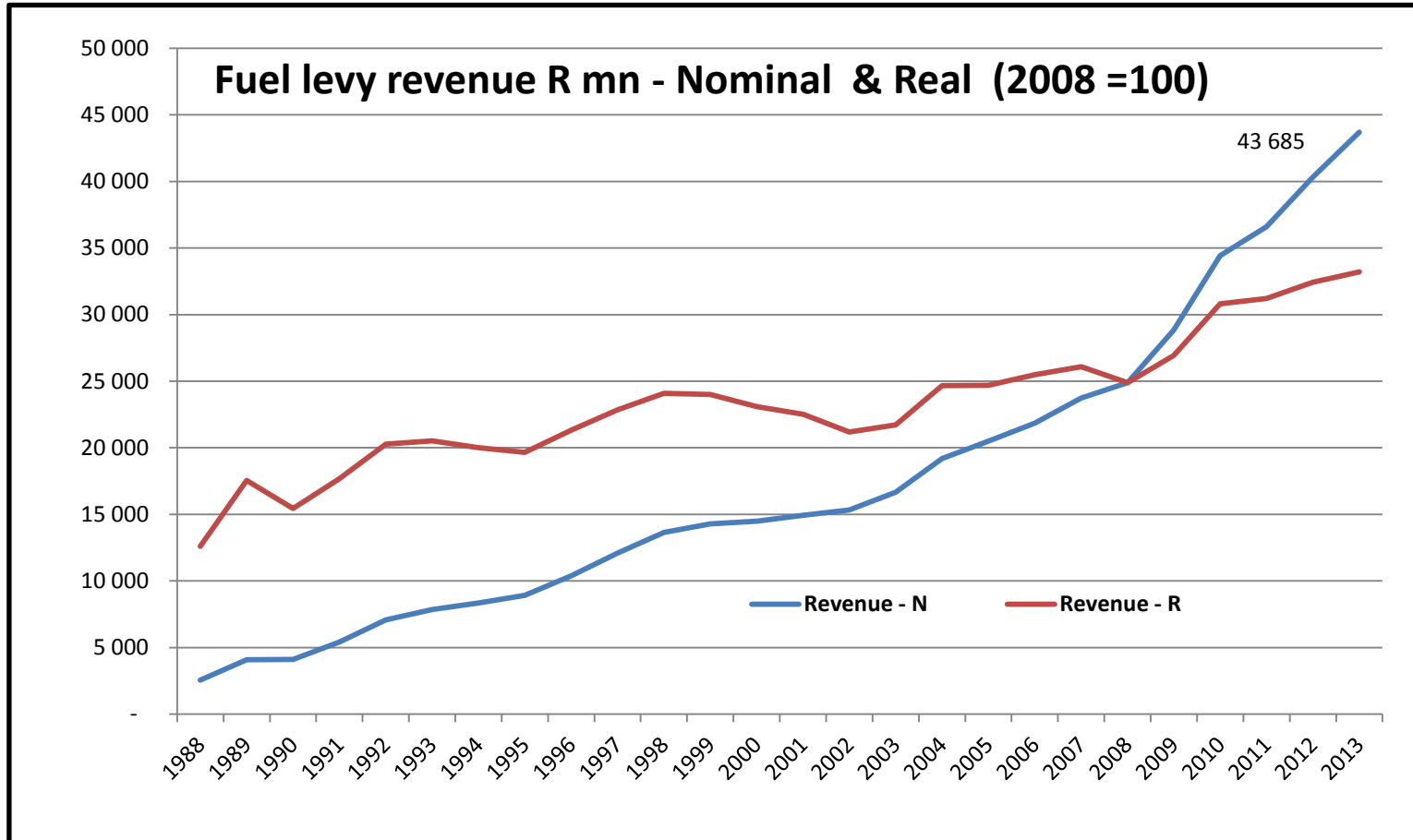
c / litre	2012/13		2013/14		2014/15	
	93 Octane petrol	Diesel	93 Octane petrol	Diesel	93 Octane petrol	Diesel
General fuel levy	197.50	182.50	212.50	197.50	224.50	209.50
Road Accident Fund levy	88.00	88.00	96.00	96.00	104.00	104.00
Customs and excise levy	4.00	4.00	4.00	4.00	4.00	4.00
Illuminating paraffin marker	0.00	0.01	0.00	0.01	0.00	0.01
Total	289.50	274.51	312.50	297.51	332.50	317.51
Pump price: Gauteng (as in February) ¹	1 077.00	1 026.69	1 206.00	1 129.17	1 375.00	1 311.35
<i>Taxes as percentage of pump price</i>	26.9%	26.7%	25.9%	26.3%	24.2%	24.2%

1. Diesel (0.05% sulphur) wholesale price (retail price not regulated)

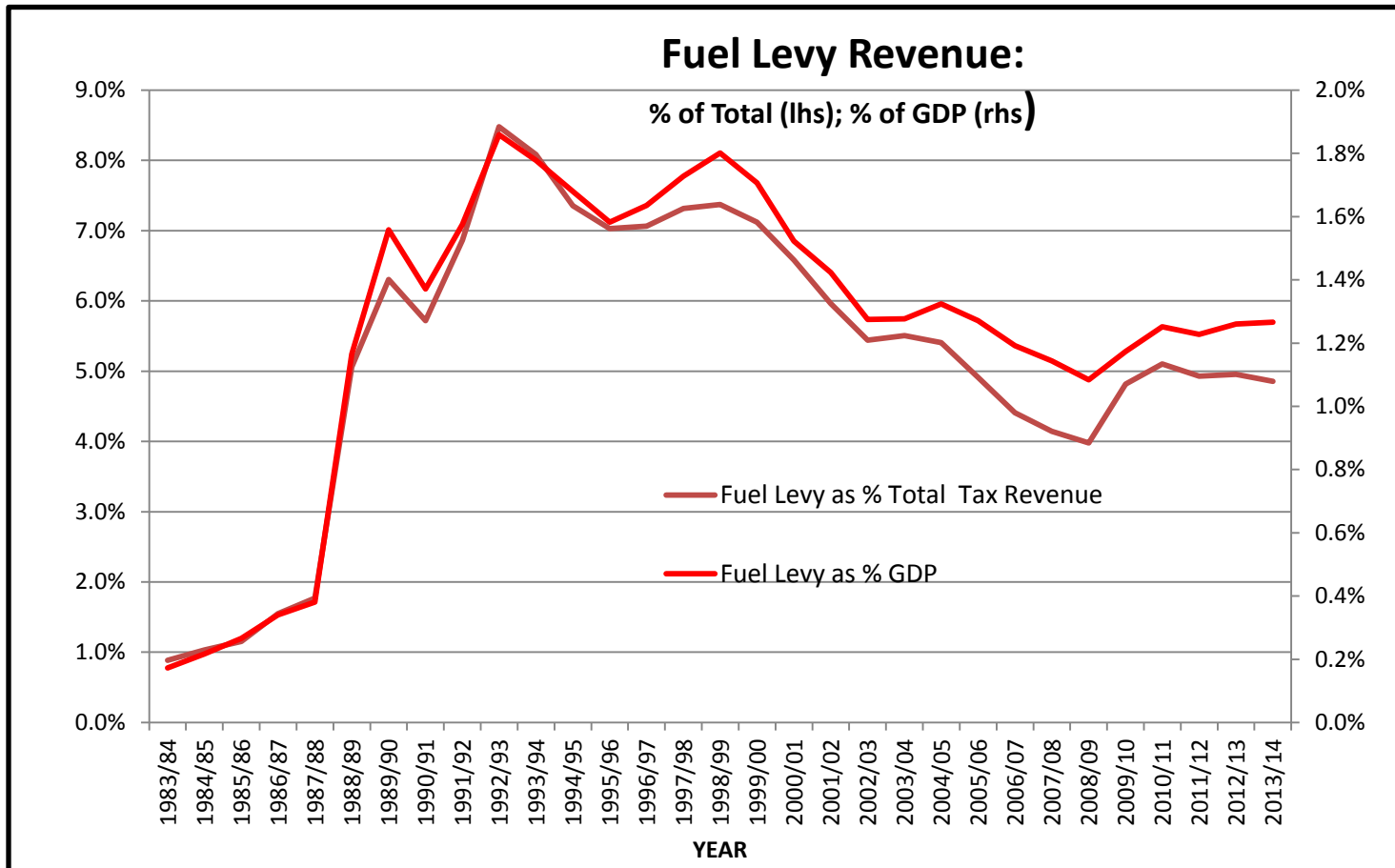
General Fuel Levy – Petrol 93 Octane



Net Fuel Levy Revenue



Fuel Levy Revenue : NRF (excluding RAF)



Climate change

- The 2011 national climate-change response policy outlines a comprehensive package of measures to deal with both mitigation (reducing greenhouse gas emissions) and adaptation (ensuring climate-change resilience of public investments).
- The NDP notes the importance of creating a framework for the transition to an environmentally sustainable, low-carbon economy.
- South Africa has made a voluntary commitment to reduce greenhouse gas emissions from projected “business-as-usual levels” by 34 per cent in 2020 and 42 per cent in 2025, subject to certain conditions.
- A package of climate-change mitigation measures will include limiting future growth of greenhouse gas emissions and pricing carbon.
- The proposed carbon tax and incentives, such as the energy-efficiency tax incentive, will provide price signals to encourage the economy onto a path of low-carbon growth over the long term. Improved energy efficiency and lower energy intensity will help to reduce the carbon and capital intensity of the economy.

Carbon tax

- Following public consultation, the National Treasury and the Department of Environmental Affairs agree on the need to align the design of the carbon tax and the proposed desired emission-reduction outcomes.
- To allow for this process and ensure adequate time for consultation on draft legislation, implementation of the carbon tax is postponed to 2016.
- A draft carbon tax Bill will be tables during the last quarter of 2014