

Total Tax Contribution

A closer look into the value created by large companies for the fiscus in the form of taxes.

*4th Total Tax Contribution
survey of large companies
in South Africa.*

June 2011



Foreword

This is the fourth of PwC South Africa's annual Total Tax Contribution survey. The findings of this survey reinforce the message of how the South African tax system operates and impacts on businesses.

We believe that companies create a significant amount of value for the economy in the form of taxes. The results of this survey illustrate the importance of large companies to the economic health of the country. The opportunity for a meaningful debate on South Africa's tax system, whether that debate is to encourage efficiency or to influence the direction of its policy, depends on studies such as the Total Tax Contribution survey, which considers the overall impact of the system in its current form.

In the wake of the recent global financial crisis, the business community across the world has embarked on a corporate governance reform, where transparency is a constant theme. The Total Tax Contribution framework provides a robust approach to facilitating such transparency in the area of tax.

I trust this report will provide you with a valuable source of information.

We would like to thank all the companies that have provided us with the data which we have used for this report.

Paul de Chalain
Managing Director
Tax Services



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1. Executive summary

R87,21
billion

in taxes
collected on
behalf of SARS

This year's survey marks the fourth annual Total Tax Contribution (TTC) survey of large companies in South Africa. This survey is conducted to consider the total contribution made to the fiscus by large companies for the year ended 31 March 2010. The changes in the country's economic cycle, such as, the recovery from the financial crisis and changes in regulation are reflected in this report.

The survey participants in 2010 contributed a total of R140,76 billion in taxes to the economy and employed an annual equivalent of 638,300 staff. Total Tax Contribution of the survey participants made up 23.51% of total government tax receipts for 2010.

Total taxes borne by participants were R 53,55 billion.

Corporate income tax continues to be the highest tax borne by companies operating in South Africa, and equates to 72.29% of total taxes borne.

Participants collected a further R87,21 billion in taxes on behalf of the South African Revenue Service (SARS).

Taxes collected by participants represent 14.57% of total government taxation receipts.

The Manufacturing sector, including the Oil and Gas sector were the highest total tax contributors to the economy at 44.81%, followed by Financial Services at 25.35% and Mining at 5.96%.

The average Total Tax Rate (TTR) for all participants in the current survey was 33.24% which means that, Tax Freedom Day¹ was celebrated on 30 April. The TTR is a measure of all the business taxes borne against profit before all such taxes.

Companies operating in South Africa during the fiscal year ended 31 March 2010, were subject to 22 different taxes, compared to 20 in the previous year. The average number of taxes borne and collected by the survey participants was 6.93 and 3.31 respectively.

The TTC framework is applied by PwC globally and we are able to draw comparisons of South Africa as it compares to other tax jurisdictions. Refer to Chapter 8 for the international comparison of Total Tax Contribution key results from other countries' surveys.

¹ Tax Freedom Day* illustrates on average how many days of the calendar year large companies spend in working to pay their taxes (registered trademark of the Tax Foundation in the United States).



2. Purpose and outline of the study

PwC has conducted three successful surveys in the past and this report is to communicate the results of the fourth survey. These surveys have been conducted because, it is important that, the impact of South Africa's tax system is understood and interpreted fairly in order to aid an informed debate about the different business related taxes.

The TTC Framework provides a methodology for measuring all the different taxes that companies pay and collect, including corporate income tax, VAT, employment taxes as well as other business related taxes.

This study was supported by 50 companies and was conducted for the fiscal year ended 31 March 2010.

We are in possession of a large bank of data to facilitate key analysis of tax payments in South Africa for the years that we have conducted the study.

The primary objective of the TTC survey is to demonstrate the contribution that large companies in South Africa make to the national tax revenue. This information can be used to facilitate an informed debate on the development of the country's tax system.

The TTC framework provides a methodology for measuring all the different taxes that companies pay and collect, including corporate income tax, VAT, employment taxes as well as other business-related taxes. The framework makes a distinction between taxes borne, those taxes that are a cost to companies and taxes collected; where companies only administer the collection of these taxes and pay them over to the South African Revenue Service (SARS).

The activities of a company give rise to its obligation to collect taxes, for example the employment of persons gives rise to the collection of Pay-as-you-earn (PAYE) and the sale of goods and services gives rise to the collection of Value-Added Tax (VAT).

The study has been carried out using data provided by large companies on all their South African tax payments. The survey report also provides a source of information on how the tax administration and legislation has changed over time and how such changes have impacted on businesses.

This study was supported by 50 companies and was conducted for the fiscal year ended 31 March 2010. The data provided by the companies was for financial year ends between 1 April 2009 and 31 March 2010. These cut-off dates are used to facilitate a reasonable comparison of the data collected from the survey participants and the data issued by the National Treasury. The majority of the participants had 31 December 2009 (36%) or 31 March 2010 (31%) year ends. Refer to Appendix 1 for a list of the current survey participants.

Through the four surveys that we have conducted, South African companies have begun to develop a firm understanding of the Total Tax Contribution framework, as a robust approach for measuring the impact of the overall tax system on their businesses.

Companies continuously strive to achieve operational efficiency and cost-saving by simplifying their businesses and eliminating non-essential operations.

In the same manner the government needs to look for ways to eliminate non-core tax areas and focus on significant tax risk areas. Recent developments at the SARS include changes in monitoring tax compliance, through the introduction of risk oversight mechanisms. These changes are characterised by profiling and rating of large taxpayers in order to determine their audit risk.

These changes in the South African tax administration environment elevate the need for better understanding of the impact of all business taxes. The TTC framework provides a method by which companies can monitor their taxes in order to facilitate engagements with SARS.

PwC has not verified, validated or audited the data provided by the survey participants and cannot, therefore, give any undertaking as to the accuracy of the survey results.



3. TTC of large companies in South Africa

The lack of transparency in respect of the other business taxes, other than corporate income tax, has resulted in little understanding of the nature and extent of the total amount of taxes that companies pay. This lack of understanding has led to a general perception that large companies do not pay enough taxes.

SARS maintains a close eye on large businesses to ensure that they pay what is due to the fiscus. The increased monitoring by SARS increases the tax compliance burden on companies.

It is not well appreciated that companies pay many other business taxes, apart from corporate income tax. These other taxes usually have little visibility in financial statements as they are included in the costs above profits before income tax and are not separately identified.

It is impossible to overstate the importance of large businesses to the fiscal health of the country. Survey responses were received from 50 companies, which provided us with their tax payments for their financial years to 31 March 2010. These companies bore R53,55 billion and collected R87,21 billion, a Total Tax Contribution of R140,76 billion, which was 23.51% of total government tax receipts for the year. Refer to Figure 1 for Total Tax Contribution versus government receipts.

Figure 1 – Total Tax Contribution of survey participants for the fiscal year ended 31 March 2010

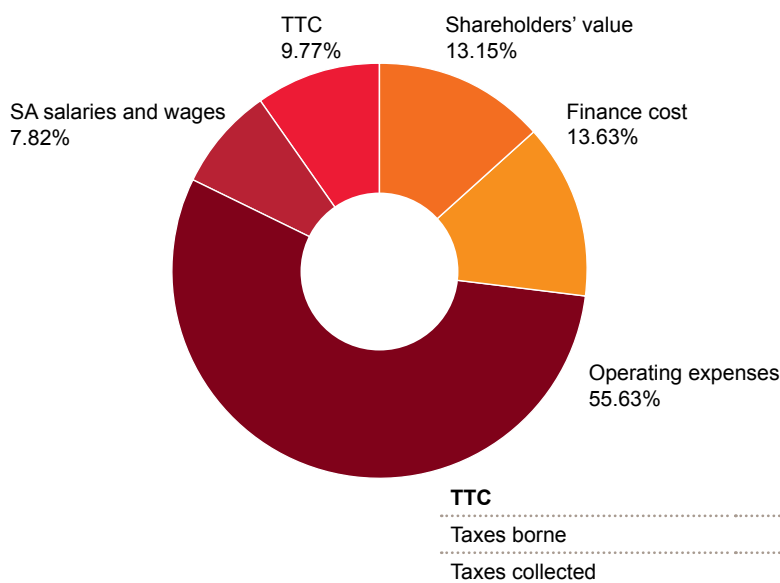
	Participants	Percentage of government tax receipts
Taxes borne	53,545,234,970	8.94%
Corporate income tax	38,707,569,491	28.70%*
Other business taxes	14,837,665,479	2.48%
Taxes collected	87,212,196,482	14.57%
TTC	140,757,425,452	23.51%

*Percentage of government corporate income tax receipts

Corporate income tax is still the largest tax borne by the survey participants; for every R1 of corporate income tax borne, participants paid R0.38 in other business taxes. The obligation imposed by government on business to collect taxes is significant to the total tax revenue in the country; participants collected on average R2.25 for every R1 of corporate income tax borne.

The survey also gathered information on the economic footprint of the participants. From this information it is apparent that companies distributed 9.77% of the value created in the form of taxes (borne and collected), 7.82% to employees as wages and salaries and 13.63% for finance costs which excludes interest income. Only 13.15% of the value created was left to reinvest in the businesses or distribute to shareholders. Refer to figure 2 for value distribution of all participants.

Figure 2 – Aggregate value distribution of all survey participants for years to 31 March 2010



The latest Total Tax contribution survey determined that during the period to 31 March 2010 there were 22 business taxes in South Africa. For the purpose of the study, the 22 taxes (borne and/or collected) were grouped into the following five categories, also known as the 5 P's:

These categories closely align with the classification of taxes under government receipts. Figure 3 lists the 22 taxes per category. The average number of taxes borne and collected by the survey participants were 6.93 and 3.31 respectively, with the highest being 14 taxes borne and 6 taxes collected.

Figure 3– List of taxes per category

Profit taxes (4)

Corporate income tax; betting and gaming duties; mining taxes; secondary tax on companies. Retirement Fund tax was abolished effective 1 March 2007.

Property taxes (3)

Property rates; stamp duty; securities transfer tax (replaced stamp duties and uncertificated securities tax on marketable securities effective 1 July 2008).

Product taxes (7)

Customs duties; excise duties; fuel levies; Road Accident Fund; Universal Service Fund; value-added tax; withholding tax.

Planet taxes (4)

Air passenger tax; plastic bag levy; electricity levy (effective 1 September 2009); incandescent light bulbs levy (effective 1 October 2009).

People taxes (4)

Occupational injuries and disease levy; pay-as-you-earn; skills development levy; Unemployment Insurance Fund.



4. Taxes borne and taxes collected

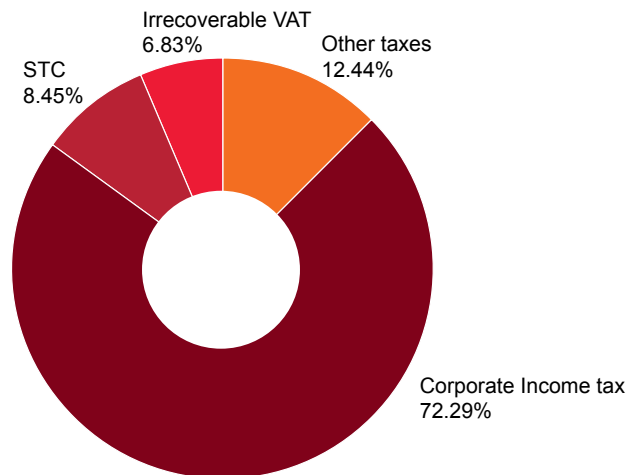
There is a significant number of taxes which impact businesses in South Africa. As a result, most of survey respondents find it difficult to identify the exact number and amount of taxes that they have borne and collected. Refer to Appendix 2 for all taxes which affected the current year survey respondents.

Most of these are indirect taxes embedded in the cost of products and services and are not separately accounted; for example excise duties, fuel-related taxes and air passenger tax; while some are transaction-based (e.g. stamp duty and STT). For the purposes of the survey where no amount was provided by survey participants in relation to a tax, the tax was treated as if it had not been borne nor collected by that company. It is likely that the data presented in this survey report understates the actual amounts of taxes borne and taxes collected by the participants.

Taxes borne

Total taxes borne by participants were R 53,55 billion, 8.44% of the relevant total government taxation receipts. Refer to Appendix IV. Corporate income tax was the largest tax borne, 72.29% of total taxes borne. Secondary tax on companies (STC) was the second largest tax borne (8.45%), followed by irrecoverable VAT at 6.83%. VAT is irrecoverable if incurred on expenses which constitute 'exempt supplies' and if incurred on expenses where the input VAT is specifically denied. In such instances although the VAT is normally expected to be a collected tax, it becomes a cost to the business (considered a tax borne). Figure 4 shows the profile of taxes borne by all participant companies per tax type and Figure 4.1 shows taxes borne per tax category.

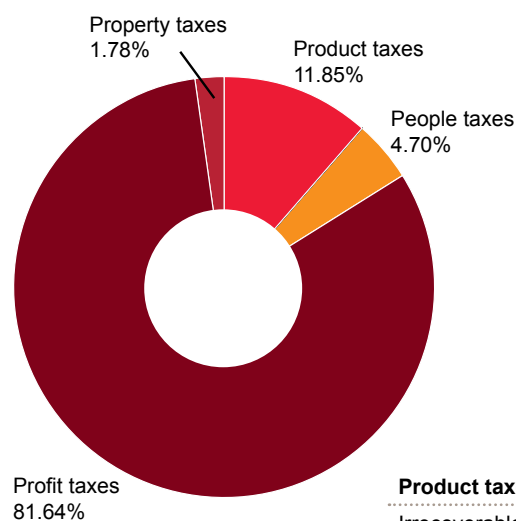
Figure 4 – Total taxes borne per type



Other taxes

Mining taxes	0.40%
Property rates	1.71%
Stamps duty and STT	0.07%
Customs duty	2.95%
Fuel related taxes	2.00%
Excise duties	0.03%
Employment taxes	4.70%
Planet taxes	0.03%

Figure 4.1 – Total taxes borne per category



Product taxes

Irrecoverable VAT	6.87%
Fuel Levies	1.36%
Customs duties	2.95%
Road Accident Fund levy	0.64%
Excise duties	0.03%

Taxes collected

The current survey participants collected a total of R 87,21 billion taxes. Where taxes collected are concerned, only expenses incurred in administrating the collection are a cost to the company, not the tax itself. These are the taxes where the company acts as a collecting agent on behalf of government. The current survey participants collected 20.80% of the relevant total government tax receipts. Refer to Appendix V.

Of the significant taxes collected Pay-as-you-earn (PAYE) was the largest at 32.53% of total taxes collected, followed by fuel-related taxes 31.15%, excise duties 19.32%, then value-added tax 15.86%. Other taxes collected and not mentioned above accounted for the remaining 1.13%.

It is important to highlight that although the taxes collected are not a cost to companies, they retain an equal risk and compliance cost for these taxes as with the taxes borne. Refer to chapter 9 for the survey analysis of tax compliance cost. Figure 4.2 shows the profile of taxes collected by participating companies per tax type and Figure 4.3 Tax collected per category.

Figure 4.2 – Total taxes collected per tax type

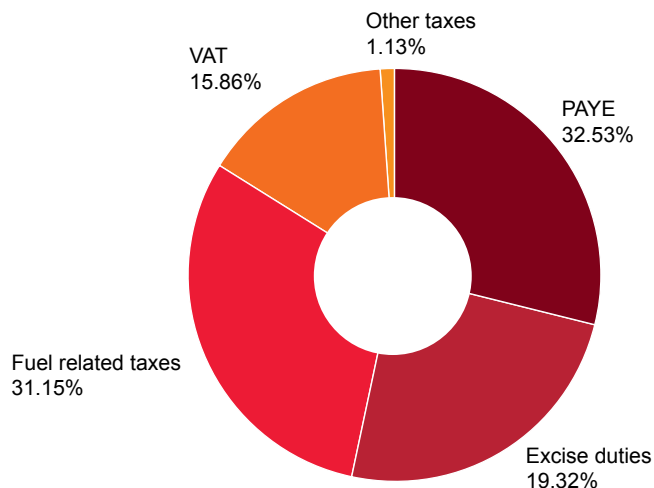
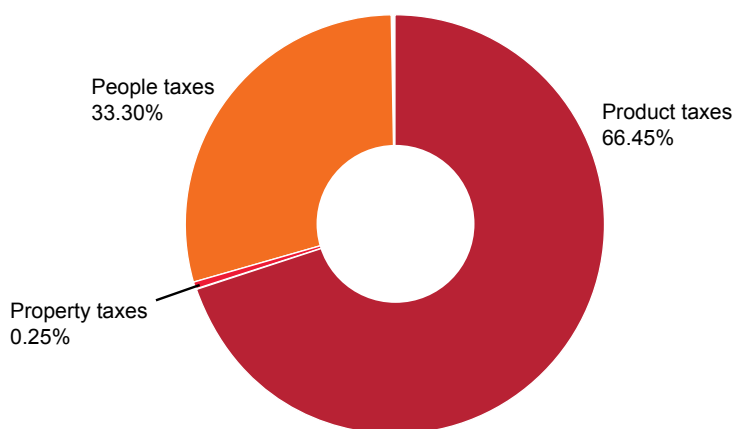


Figure 4.3 – Total taxes collected per tax category



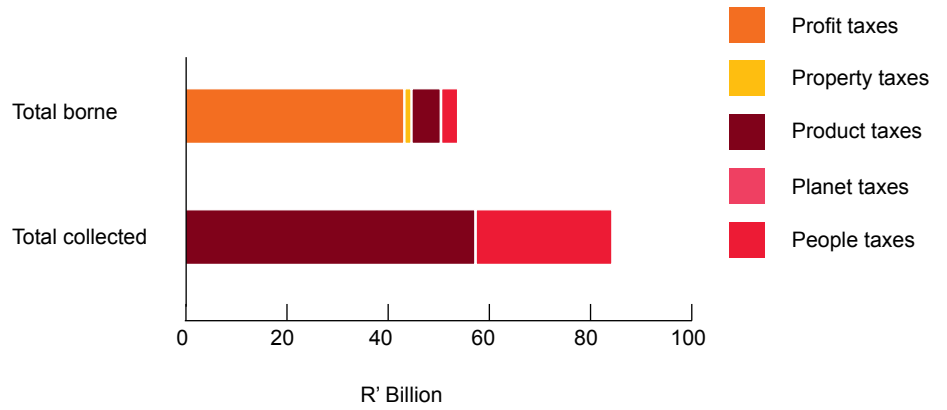
Product taxes

Excise duties	19.32%
Fuel levies	27.82%
VAT	15.86%
Road Accident Fund levy	3.53%
Withholding taxes	0.12%

Taxes collected to taxes borne

The results of the survey show that South African companies collect more taxes compared to those they incur. For every R1 of taxes borne survey participants collected taxes of R 1.63 (2009:R1.19) and for every R1 of corporate income tax paid by survey participants, R 2.25 was collected (2009: R 1.60). Figure 4.4 illustrates the ratio of total tax collected to total taxes borne.

Figure 4.4 – Total taxes collected to total taxes borne



5. Key measures



The data analysis within the TTC framework aggregates the data collected from survey participants and examines it in relation to two key measures.

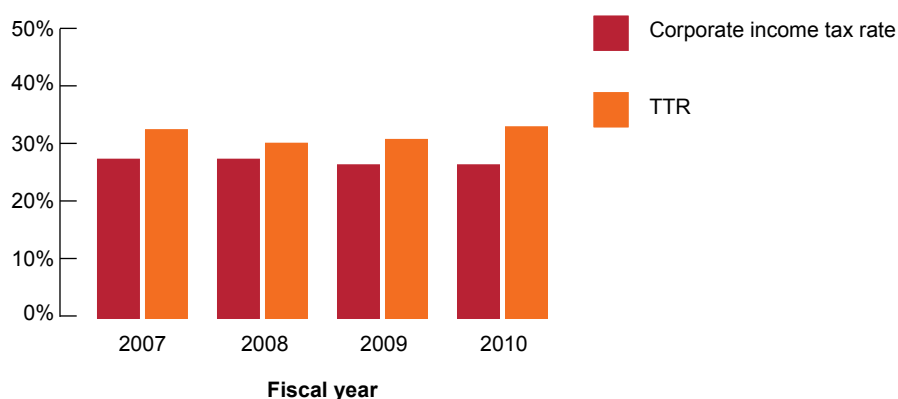
Total tax rate (TTR);
TTC as a percentage of turnover.

The Total Tax Rate

The average Total tax rate (TTR) for the survey respondents in 2010 was 33.24% (2009: 32.53%). The TTR measures the percentage of company profits used to pay all business taxes borne (corporate income tax and all other business taxes). TTR is calculated by taking all business taxes borne as a percentage of profits before all business taxes borne.

The TTR portrays a holistic picture of the total tax burden of a business. The profit figure used in the calculation is not the figure found in the financial statements. There are other business taxes incurred, included in the costs above the profit line. These taxes are added back to determine a profit before all business taxes. Refer to Figure 5 for a comparison between corporate income tax and TTR.

Figure 5 – Total Tax Rate versus Corporate Income Tax



The Tax Freedom Day

The Total Tax Rate can also be expressed in days, with the last day being Tax Freedom Day. Total business taxes borne are divided by profit before all business taxes and multiplied by the number of days in the calendar year. The average Tax Freedom Day for current survey participants was 30 April (2009: 2 May). Tax Freedom Day indicates the notional day of the year at which the survey respondents had earned enough to foot their tax bill. Refer to Figure 5.1 for Tax Freedom Days for the group of survey participants

Figure 5.1 – Tax Freedom Day for the surveys conducted

Calendar year	Tax Freedom Day
2007	4 May 2007
2008	28 April 2008
2009	2 May 2009
2010	30 April 2010

TTC as a percentage of turnover

TTC as a percentage of turnover is another useful measure of what companies contributes to government taxation receipts, having regard to their size as measured by turnover. The numerator for this calculation is TTC (total taxes borne plus total taxes collected), and the denominator is turnover. The average TTC as a percentage of turnover for participants in 2010 was 15.06% (2009: 15.57%)



6. Trends in Tax payments

The biggest obstacles to performing an accurate trend analysis, are incomplete data and variability of survey participants from one year to another. To mitigate the inaccuracy of the trend analysis, only companies which participated in the previous year's survey were included in the trend analysis. 36 out of the 50 participants were included in the trend analysis. Refer to Figure 6 for trends in taxes borne.

Trends in Taxes borne

Corporate income tax payments amongst the survey participants were the largest decline in 2010, with a 18.10% decrease from the previous year. Profit before tax decreased by 7.39% in 2010. The trend was further supported by the drop in STC of 6.56% which illustrates the decrease in the distribution of profits. Refer to Figure 6 for trends in taxes borne.

Figure 6 – Trends of taxes borne

	<i>Percentage change from the prior year</i>	
	<i>2010</i>	<i>2009</i>
Corporate income tax	-18.10%	13.80%
Total taxes borne	-14.59%	11.27%
Secondary tax on companies	-6.56%	-5.22%
Irrecoverable VAT	6.50%	3.60%
Customs duty	11.70%	-37.67%

Trends in Taxes collected

Personal income tax was government's largest source of tax revenue in 2010². A significant portion of South Africa's personal income tax revenue was from the collection of PAYE. The survey participants were amongst the large employers in 2010. In 2010, employment taxes collected increased by 14.16% compared to an increase of 14.72% in 2009. The trend in employment taxes is indicative of a decline in employment numbers in 2010. Refer to Figure 6.1 for trends on taxes collected.

² SARS, 2010 Tax statistics.

Figure 6.1 – Trends of taxes collected

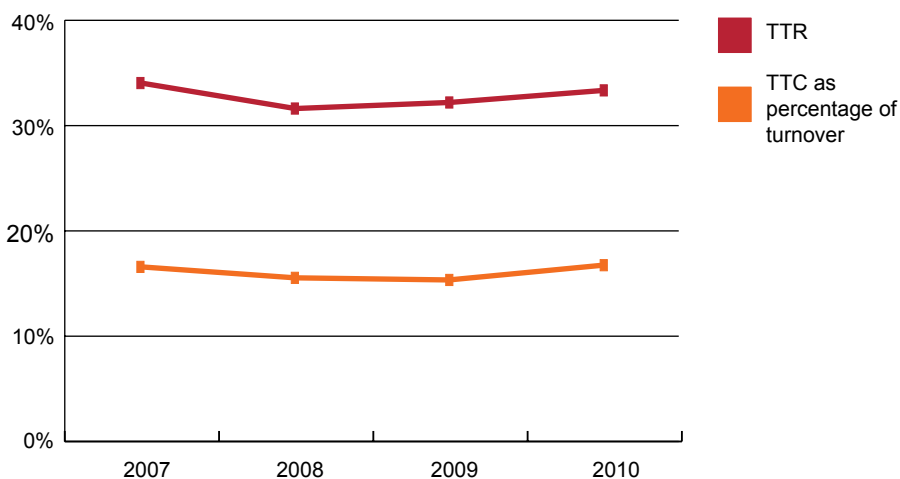
	<i>Percentage change from the prior year</i>	
	<i>2010</i>	<i>2009</i>
Total Taxes collected	15.19%	14.44%
Employment taxes collected	14.16%	14.72%

The overall declining trends in taxes is an indication of the tough economic conditions faced by companies in 2009/10. Most “telling” of the economic climate in South Africa for 2009 is the decrease in turnover of 7.63% compared to an increase of 14.38% the previous year. Refer to Figure 6.2 for the survey participants economic data trends.

Figure 6.2 – Trends in economic footprint

<i>Economic Footprint</i>	<i>Percentage change from the prior year</i>	
	<i>2010</i>	<i>2009</i>
Turnover	-7.63%	14.38%
Profit before tax	-7.39%	2.76%
Number of SA employees	-6.44%	-0.13%

Figure 6.3 – Trends for the key measure of the Total Tax Contribution study



Total Tax contribution trends of the major tax types

In 2010 there was a general increase in total contribution amongst the major tax categories of VAT, Excise duties, and People taxes. In analysing these trends, it is important to bear in mind that some of the taxes are a reflection of historical activities such as the decline in profitability in the prior year, which is reported after the event. This is mostly observed in corporate income tax, whereas other tax contributions such as VAT, excise and fuel-related taxes present a more real-time status of operations in companies, because the taxes are borne and collected within daily business operations.

Value-Added Tax (VAT)

VAT is an important indicator of the operational health of a company. It is very difficult to disguise the status of a company's operation when such company is a registered VAT vendor. The total tax contribution from VAT increased by 11.35% from the previous year.

VAT is also a significant category of tax in terms of the government's total tax receipts. 2010 was VAT's 19th year of existence in South Africa. For the past 19 years we have only seen one change in the VAT rate. Looking forward, we expect that the upward trend in VAT contributions will continue, as the economy grows.

Fuel related taxes

Fuel related taxes include, fuel levies and contributions to the Road Accident Fund. The largest companies' contribution to taxes in South Africa in absolute terms second to corporate income tax is from this area of tax. Fuel related taxes increased by 28.03% from 2009.

People taxes

People taxes are all taxes borne and collected by virtue of employing people. People taxes include, PAYE, Skills Development levy, Unemployment Insurance Fund levy and Occupational Injuries and Diseases levy. In 2010 the people taxes contribution increased by 6.22%.

Excise duties

Excise duties include fuel excise; ad valorem excise; excise on alcohol, beer, wine, fermented beverages and tobacco products. The contribution from these taxes increased by 6.22% in 2010.



7. Industry analysis

The survey has been conducted across most industry sectors in South Africa. However, as in previous surveys the participants were divided into four industry groupings: financial services, manufacturing, mining and other. The financial services industry includes banks, insurance companies etc. The manufacturing industry includes manufacturing of consumer goods and other goods (motor vehicles, oil and gas, etc.). The “other” industry group include all participants not included in financial, manufacturing or mining.

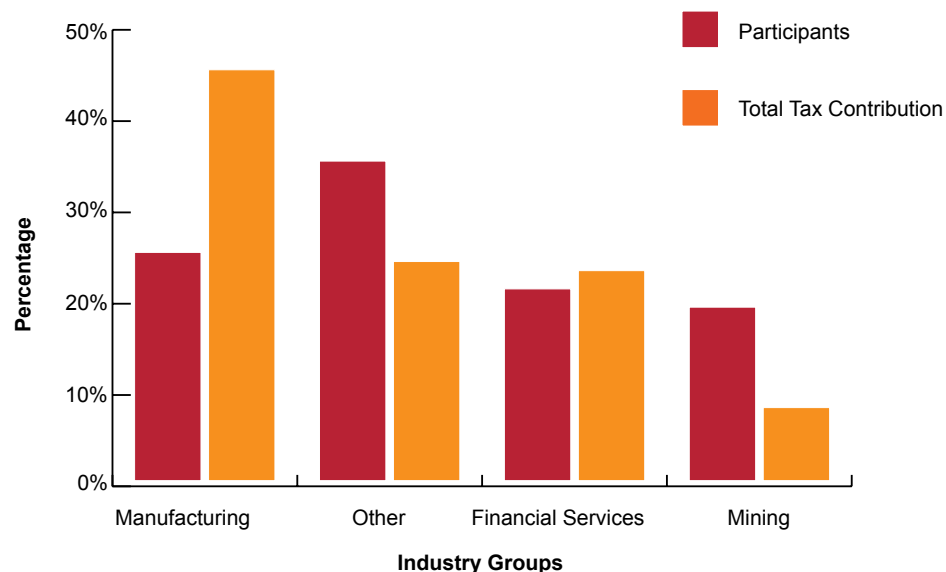
When interpreting the survey results in this section, it is important to bear in mind that there were different numbers of participants in each industry. However, the Total Tax Contribution key measures for the various industries enable comparisons to be drawn between the industries. The most meaningful figure amongst the industries is the TTR. According to this analysis the mining industry in 2010, had the highest TTR and the latest Tax Freedom day. Refer to Figure 7.3 for industry analysis on TTR and Tax Freedom day.

The manufacturing industry was the largest total tax contributing industry, which contributed R63.07 Billion in 2010 (44.81% of the TTC and 28% of survey respondents). It appears that the most efficient tax collecting industry, considering the level of Total Tax Contribution and the number of participants is Manufacturing, followed by, the Financial Services and mining industries respectively. Refer to Figure 7 and 7.1 for industry participants and their TTC in 2010.

Figure 7 – Industry analysis - number of participants and Total Tax Contribution

Industry	Participants	Total Tax Contribution
Manufacturing	14	63,070,132,768
Financial Services	13	35,685,366,806
Other	14	33,612,612,707
Mining	9	8,389,313,171
All participants as a group		140,757,425,452

Figure 7.1 – Industry analysis - Percentage of participants per industry and Total Tax Contribution



Consistent with prior years the survey participants collected more taxes than taxes borne in 2010. The ratio of taxes collected versus taxes borne also provides an indication of which industry incurs the most taxes. The Mining industry often meets scepticism for various reasons, mostly due to the amount of tax the industry pays. The ratio of taxes collected to taxes borne shows that in 2010, the Mining industry incurred the most taxes, followed by Financial Services. The high ratio observed in the manufacturing industry in 2010 was due to the increase in fuel prices which has led to a sharp increase in fuel related taxes collected. Refer to Figure 7.2 for industry analysis of the ratio of taxes collected to taxes borne.

Figure 7.2 – Industry analysis - ratio of taxes collected to taxes borne

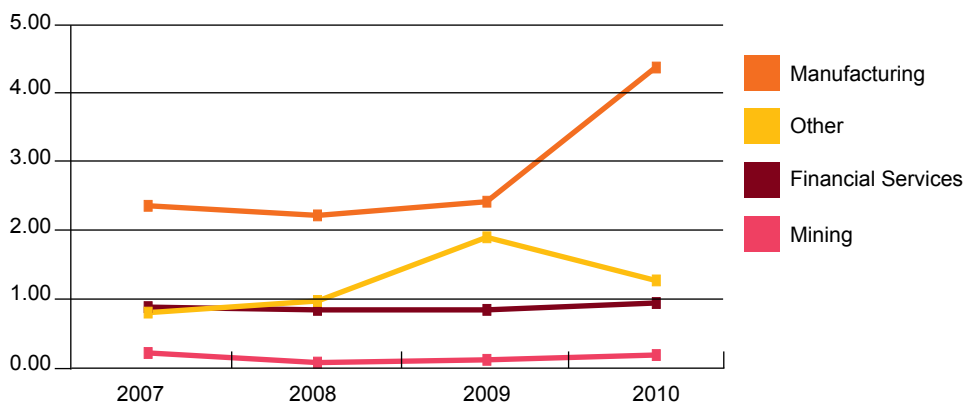


Figure 7.3 – Industry analysis - Industry grouping's Total Tax Rates and Tax Freedom days

<i>Industry</i>	<i>Total tax rate</i>	<i>Tax Freedom day</i>
Mining	38.26%	18 May
Financial Services	35.78%	6 April
All participants as a group	33.24%	30 April
Manufacturing	31.19%	22 April
Other	30.01%	18 April

Figure 7.4 – Industry analysis - Total Tax Contribution as a percentage of turnover

<i>Industry</i>	<i>2010</i>	<i>2009</i>
Manufacturing	25.18%	21.42%
All participants as a group	15.06%	15.57%
Financial Services	12.26%	19.73%
Other	10.39%	11.54%
Mining	6.66%	9.45%

8. International comparisons

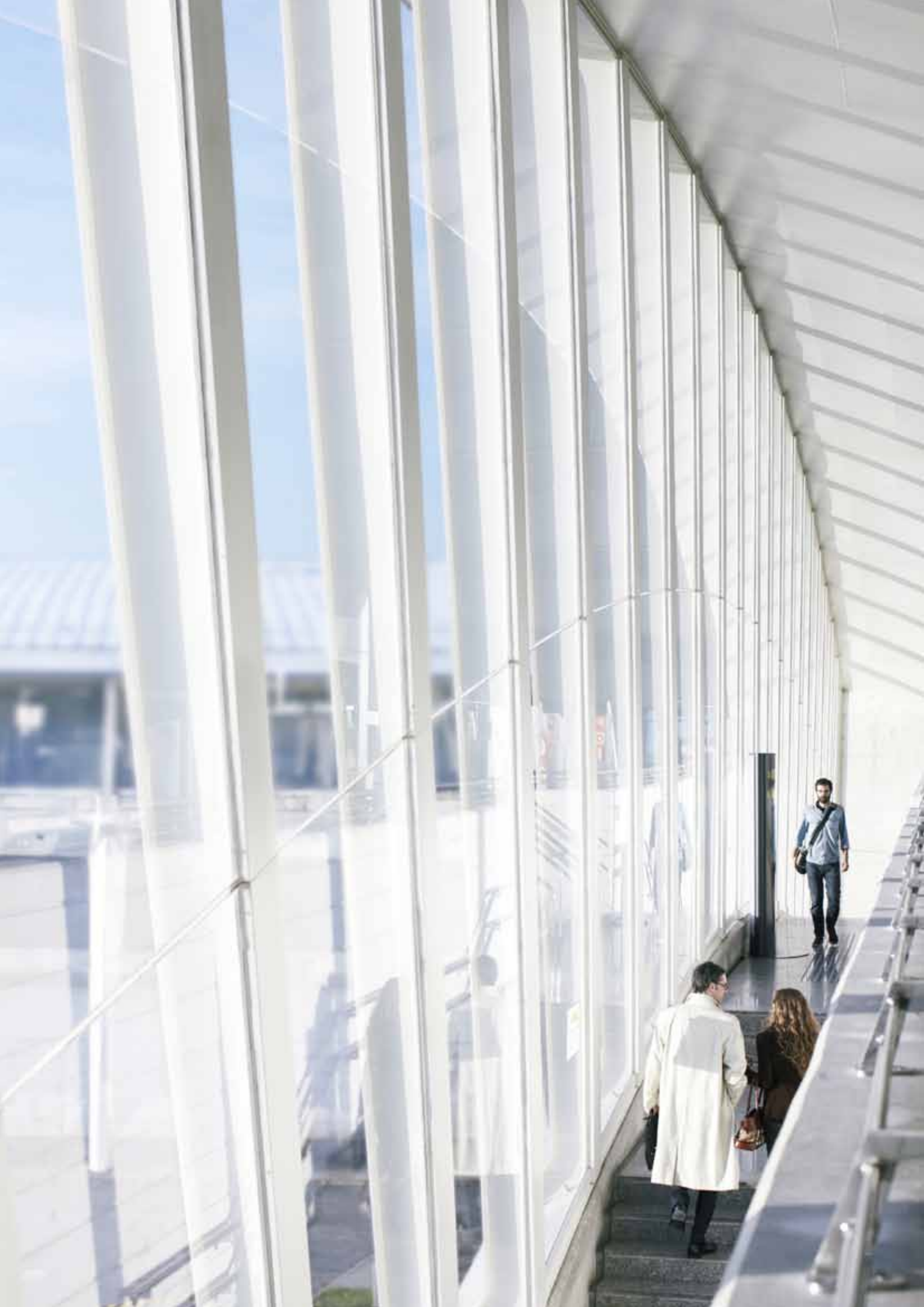
Tax regimes are an important factor during the evaluation of global investments. Alleviating the tax burden on the corporate sector by adjusting tax rates and making compliance easier, can bring macro-economic benefits by attracting foreign investment and making the country's tax environment more competitive.

Other countries involved in the Total Tax Contribution survey which have released their survey results include the UK, Australia, Belgium and Japan. It should be noted that the periods covered can vary by country as surveys were carried out at various times. The Total Tax Contribution (TTC) Framework is also applied by the World Bank Group in their report, "Paying Taxes".

PwC studies in various countries around the world have increased awareness in the corporate sector of the need for effective tax strategy and the risk management. Refer to Figure 8 for key findings in other countries' TTC surveys.

Figure 8 – Key results of other countries Total Tax Contribution 2010 surveys

	<i>Total Tax Rate</i>	<i>Tax Freedom Day</i>	<i>Number of taxes</i>	<i>Average taxes borne</i>	<i>Average taxes collected</i>	<i>TTC as a percentage of turnover</i>
United Kingdom	51.8%	7 July	23	7.3	3.1	20.7%
Japan	58.3%	30 July	54	15.4	6.5	6.4%
Australia	41.0%	28 May	53	6	3	14.1%
Belgium	52.1%	8 July	92	11.8	5.1	16.0%
South Africa	33.2%	30 April	22	6.93	3.31	15.06%

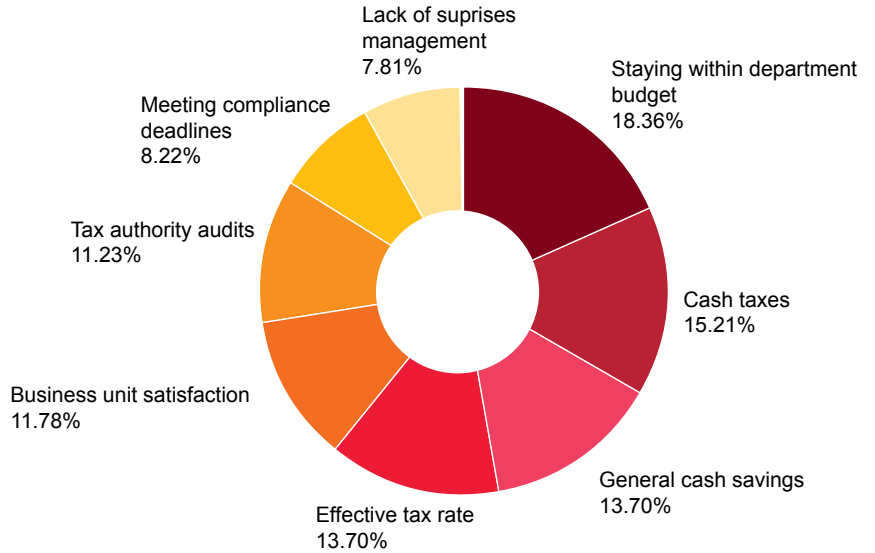


9. Tax compliance cost

The Total Tax Contribution survey included a study into the role and function of the central tax department, in order to determine the cost of the tax function responsibility for business taxes. 29 of the 50 survey respondents included data for their tax departments and were considered for this analysis. Participants were asked to indicate whether each tax category was administered by the central tax department, shadow department or outsourced to external service providers.

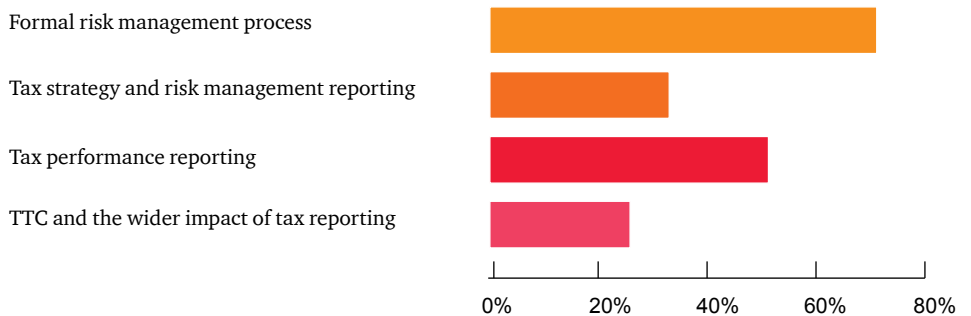
The study revealed a big difference in the various performance criteria that are applied when evaluating the effectiveness of the tax function in different companies. The survey indicates that most central departments (18.36%) are mainly evaluated on meeting departmental budgets. The lowest performance indicator was on management of lack of surprises (7.81%) followed by meeting of compliance deadlines (8.22%). The central tax department generally reports to the Financial Director or the Chief Financial Officer (76.92%). Refer to Figure 9 for Tax department performance criteria amongst survey participants.

Figure 9 – Tax departments performance criteria



Some companies' lack of appropriate tax risk management framework was evident in only 72.99% of the survey respondents, indicating that they have formal risk management processes. It also appears that large businesses are not transparent with their taxes affairs, an average of 37.68% indicated that they reported appropriately to stake holders. This is concerning as companies are increasingly being required to be more transparent, through various corporate governance reform and transparency campaigns. Refer to Figure 9.1 for an analysis of participants' tax risk framework.

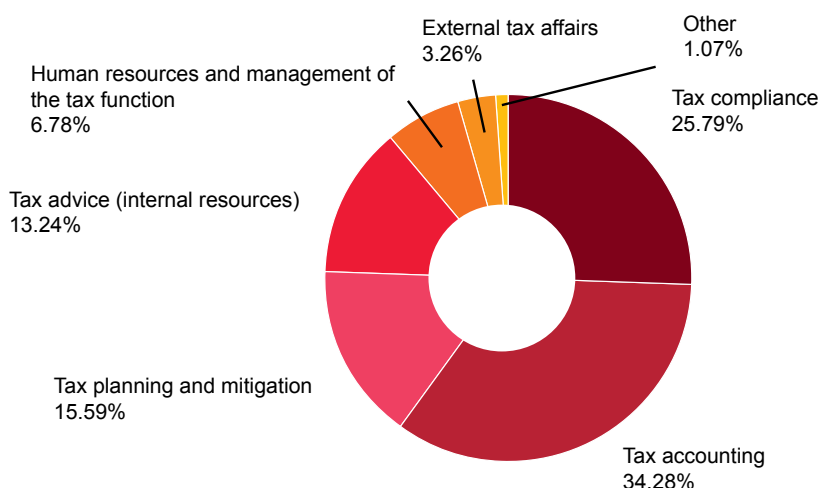
Figure 9.1 – Participants who indicated that they have appropriate Tax risk framework



Participants indicated that 83.44% of their annual budget is allocated to internal resources (salaries and overheads) and 16.56% to external tax service providers. The average annual budget was R4.6 million for internal resources and R 0.8 million for service providers. The central tax department comprised an average of 5.73 full-time equivalent employees (maximum of 35 and the lowest being 1).

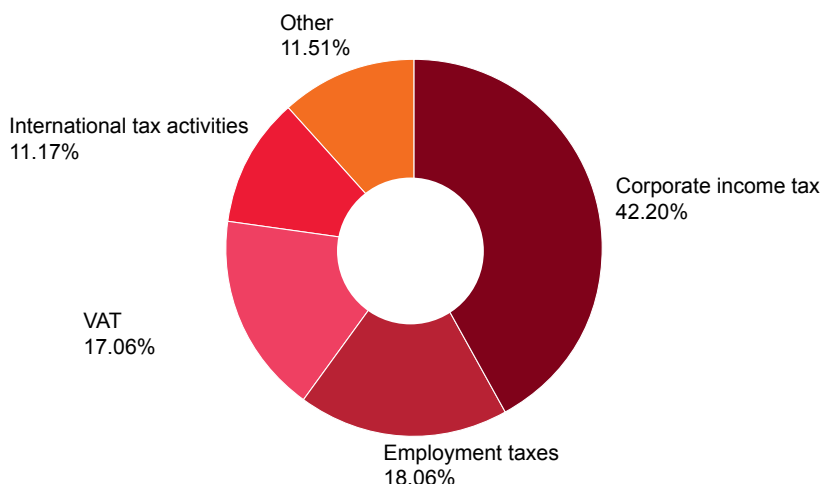
The current survey participants spent 25.79% of their time on tax compliance, 34.29% on tax accounting and the remaining 39.93% was spent on tax planning and overall management. Refer to Figure 9.2 for time spent on tax function by the central tax department.

Figure 9.2 – Time spent by the central tax department on the tax function



Data collected on companies' allocation of resources indicates that the highest amount of resources (42.20%) was allocated to corporate income tax, 18.06% to employment taxes, 17.06% on VAT, 11.17% to international taxes activities and the remaining 11.51% on other taxes. Refer to Figure 9.3 for company resources allocation to the different tax categories

Figure 9.3 – Resource allocation to different tax types



From the data collected on resource allocation it was clear that certain tax functions are performed outside of the tax department. This internal outsourcing often represents the risks and complexity associated with a particular tax type as perceived by the central tax department, for instance, most companies' payroll-related taxes are managed by their human resource departments, whilst other more complex areas such as corporate income tax and international tax activities are administered largely through the central tax department and external service providers. Refer to Figure 9.4 to 9.6 for analysis of participants resource allocation to the various taxes.

Figure 9.4 – Central Tax department on different tax types

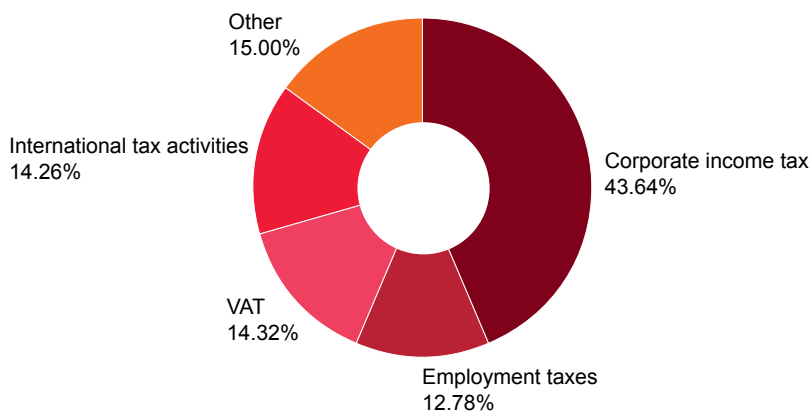


Figure 9.5 – Shadow department on different tax types

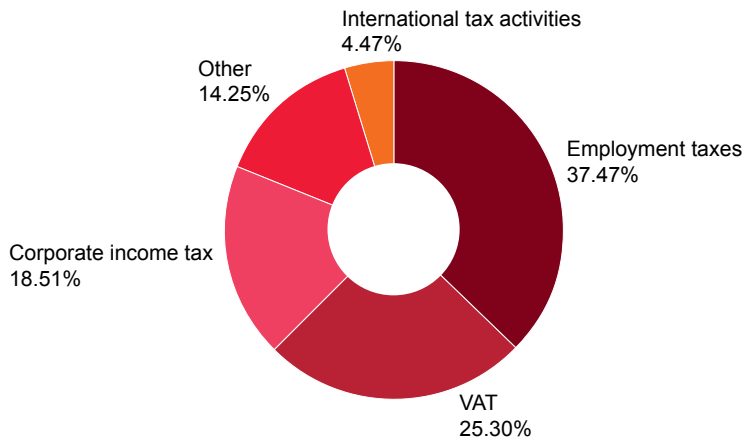
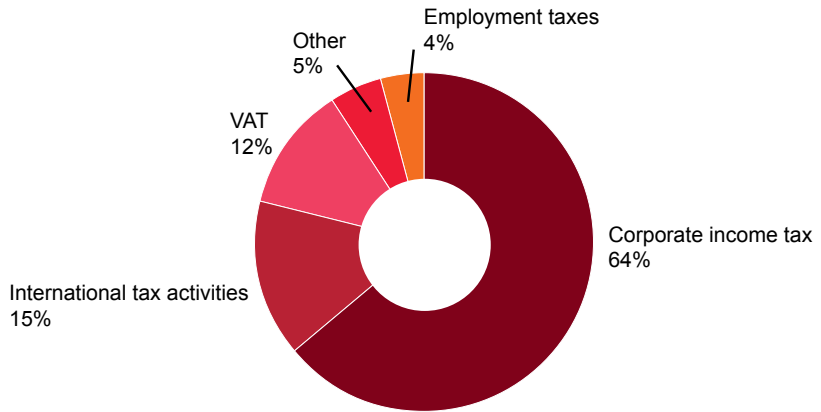
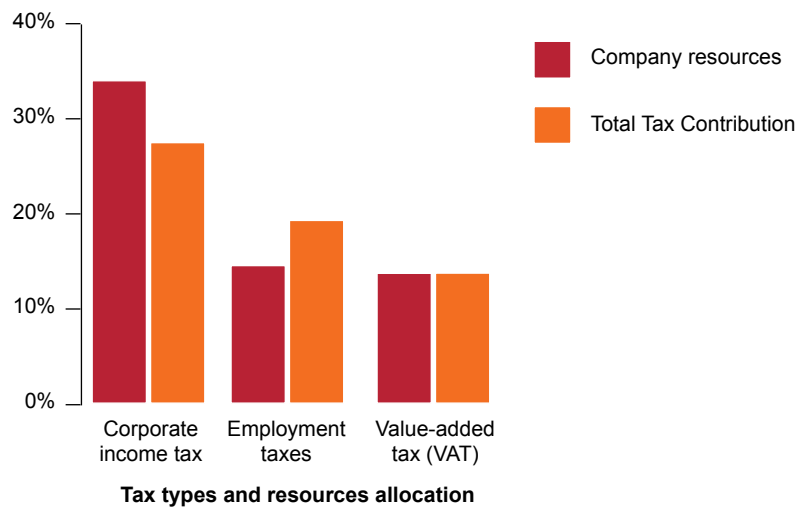


Figure 9.6 – Tax types outsourced to service provider



From the analysis it was also noted that the companies resource allocation to tax compliance was closely linked to the Total Tax Contribution in 2010. Refer to Figure 9.7 for a comparison of tax compliance resources and Total Tax Contribution of the major tax categories.

Figure 9.7 – Allocation of participants' resources versus Total Tax Contribution



Appendix I: List of survey participants

Absa Group

Accenture

Anglo American

Anglo Platinum

Anglogold Ashanti

ArcelorMittal South Africa

BP Southern Africa

British American Tobacco South Africa

Capitec Bank

De Beers

Diageo South Africa

Discovery

Distell

Exxaro Resources

First Rand Bank

Gold Fields

Investec

JD Group

Liberty

Media24

Medi-Clinic

Metropolitan

Momentum

Mondi Group

MultiChoice

Nampak

Nedbank

Oats

Orbicom

Palabora Mining Company

Pick n Pay

Pioneer Foods

Procter & Gamble

PSG Group

Rainbow Chicken

Reunert

SABMiller

Safmarine

Sanlam

Sasol

Shoprite

Sishen Iron Ore

Stanlib Group

Steinhoff International

Telkom SA

Petro SA

Standard Bank of South Africa

Trans Hex

Transnet

Vodacom

Appendix II: Sample short report for Survey participants

Total Tax Contribution

PricewaterhouseCoopers 2010 Survey of large South African companies

Short report for participant companies



Company: **Company 51**
Year-end: **31 March 2010**

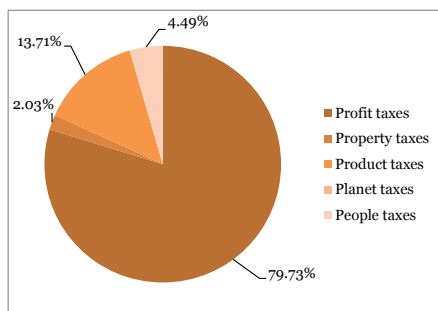
	R '000	Ranking
Turnover	16,649,805	17/51
Profit before total taxes borne	3,160,668	15/51
Total taxes borne	954,866	18/51
Total taxes collected	1,482,355	14/51
Total Tax Contribution (i.e. taxes borne and taxes collected)	2,437,221	15/51
Total taxes collected to total taxes borne ratio	1.55	18/51
Total Tax Contribution as a percentage of turnover	14.64%	24/51
Total Tax Rate 'TTR'	27.81%	35/51

Taxes borne	Percentage per tax category	R '000	Taxes collected	Percentage per tax category	R '000
Profit taxes	79.73%	761,344	Property taxes	0.25%	3,698
Corporate income tax		681,502	STT (note 1) collected		3,698
Betting and gaming duties		-	Product taxes	67.15%	995,455
Mining taxes		3,982	Excise duties		290,891
Secondary tax on companies		75,860	Fuel levies		415,303
Property taxes	2.03%	19,425	Road Accident Fund		53,136
Property rates		15,271	VAT		234,280
Stamp duty and STT (note 1)		4,128	Withholding taxes		1,845
Transfer duty		25	Planet taxes	0.00%	-
Product taxes	13.71%	130,952	Air passenger tax		-
Customs duties		27,735	Electricity levy		-
Excise duties		987	Incandescent light bulbs levy		-
Fuel levies		14,428	Plastic bag levy		-
Irrecoverable VAT		81,128	People taxes	32.60%	483,202
Road Accident Fund levy		6,674	Pay-as-you-earn		472,099
Universal Service Fund levy		Note 2	Unemployment Insurance Fund levy		11,103
Planet taxes	0.03%	254			
Air passenger tax		254			
People taxes	4.49%	42,891			
Occupational injuries and diseases levy		8,507			
Pay-as-you-earn settlements		592			
Skills Development levy		22,690			
Unemployment Insurance Fund levy		11,103			
TOTAL TAXES BORNE		954,866	TOTAL TAXES COLLECTED		1,482,355

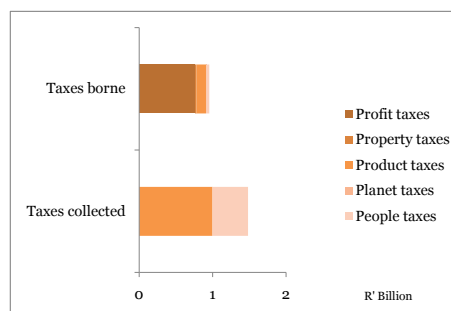
Note 1: Securities Transfer Tax ('STT').

Note 2: No data was requested for the Universal Service Fund levy.

Total taxes borne



Total taxes collected to total taxes borne



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Email: charles.de.wet@za.pwc.com

Appendix III: List of taxes borne and collected

	<i>Taxes borne</i>	<i>Taxes collected</i>
Profit Taxes		
Corporate income Tax	✓	
Secondary tax on copmanies	✓	
Mining Taxes	✓	
Betting and gambling	✓	
Property Taxes		
Property rates	✓	
Stamp duty and Securities transfer	✓	✓
Transfer duty	✓	
Product Taxes		
VAT	✓	✓
Fuel levies	✓	✓
Customs duties	✓	
Road Accident Fund levy	✓	✓
Excise duties	✓	✓
Withholding taxes		✓
Planet Taxes		
Air passenger tax	✓	
Plastic bag levy		
Incandescent (filament) light bulbs levy		
Electricity levy		
People Taxes		
Skills Development levy	✓	
Unemployment Insurance Fund levy	✓	✓
Occupational Injuries and Diseases levy	✓	
PAYE	✓	✓

Appendix IV: Taxes borne versus Government receipts

<i>Taxes borne by participants</i>	<i>R' Million</i>	<i>Percentage of government receipts³</i>
Profit Taxes		
Corporate income tax	38,708	28.70%
Secondary tax on companies	4,522	29.23%
Mining taxes	211	33.40%
Betting and gambling	-	-
Property Taxes		
Property rates	911	3.77%
Stamp duty and Securities transfer tax	244	7.25%
Transfer duty	1	0.03%
Product Taxes		
Irrecoverable VAT	3,656	2.47%
Fuel levies	798	2.74%
Customs duties	1,568	8.01%
Road Accident Fund levy	369	2.84%
Excise duties	39	0.17%
Planet Taxes		
Air passenger tax	15	2.58%
People Taxes		
Skills Development levy	1,370	17.55%
Unemployment Insurance Fund levy	670	6.36%
Occupational Injuries and Diseases levy	434	9.63%
PAYE Settlements	29	0.02%
Total taxes borne	53,545	8.44%

Appendix V: Taxes collected versus Government receipts

<i>Taxes collected by survey participants</i>	<i>R' Million</i>	<i>Percentage of government receipts⁴</i>
Property taxes		
Securities transfer tax	214	6.45%
Product taxes		
Excise duties	16,852	74.68%
Fuel levies	24,088	82.78%
VAT	13,830	9.35%
Road Accident Fund levy	3,082	23.66%
Withholding taxes	103	56.33%
Planet taxes		
Plastic bag levy	-	-
Air passenger tax	-	-
People taxes		
PAYE	28,374	14.73%
Unemployment Insurance Fund	670	6.36%
Total taxes collected	87,212	20.80%

³ SARS Annual report 2010, Compensation Fund Annual Report 2010, 2010 Tax statistics.

Appendix VI: Key results of prior surveys

<i>South Africa</i>				
<i>Survey calendar year</i>	2010	2009	2008	2007
Number of survey participants	50	45	50	50
Number of business-related taxes	22	20	20	22
Taxes borne				
Mean average number of taxes borne	7	8	8	9
Total taxes borne (billion)	ZAR 53.55	ZAR 49.62	ZAR 65.96	ZAR 61.01
Corporate income tax as a percentage of total taxes borne	72.29%	74.63%	69.37%	66.07%
Taxes collected				
Mean average number of taxes collected	3	4	4	3
Total taxes collected (billion)	ZAR 87.21	ZAR 72.67	ZAR 78.13	ZAR 52.89
Taxes collected to taxes borne	1.60	1.19	1.18	1.07
TTC (billion)	ZAR 140.76	ZAR 133.68	ZAR 144.09	ZAR 102.51
TTC for participants as percentage of government tax receipts	23.51%	20.16%	17.55%	19.70%
Key measure of TTC				
Total tax rate	33.24%	32.53%	31.85%	34.27%
TTC as a percentage of turnover	15.06%	15.57%	15.77%	16.81%
Tax Freedom Day	30 April	2 May	28 April	4 May

Appendix VII: TTC team



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Appendix VIII: TTC Publications

Paying Taxes 2011: The Global Picture

Published jointly with the World Bank
Published November 2010



Total Tax Contribution 2009

What is the actual contribution of large
companies to the fiscus?
Published May 2010



Tax transparency: Communicating the tax companies pay

Published November 2010



Total Tax Contribution 2009 Belgium

Published March 2010



Total Tax Contribution 2009 Japan

Published December 2010



Total Tax Contribution 2010 UK

Published March 2011





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