5th Total tax contribution survey of large companies in South Africa • October 2013

Total tax contribution

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

www.pwc.co.za/tax

Foreword

This is the fifth edition of PwC South Africa's 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 significant 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 this, 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.

Furthermore, in the South African context, the transparency of tax contributions is critical to the priorities being considered by the recently-constituted Tax Review Committee (the so-called Davis Committee). Among the initial priorities announced by the Committee is the 'tax mix' (i.e. the various categories of tax upon which the State is reliant), and the total tax contribution by corporates will certainly be an important source of perspective on this issue. Another issue being investigated by the Committee is the possible impact of base erosion and profit shifting (BEPS) and the contribution by corporates may also shed significant light on this question.

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

We would like to thank all the companies that provided the data used in this report.

Paul de Chalain
Tax Leader

Contents

1. Executive summary

This is the fifth edition of our survey of the total tax contribution (TTC) of large companies in South Africa. This survey considers the total contribution made to the fiscus by large companies and includes comparative data that covers the 2012 and 2013 fiscal years. The changes in the country's economic cycle are also reflected in this report.

Survey participants contributed a total of R152 billion in taxes to the economy in 2013, making up 17.6% of total government tax receipts for 2013. For 2012, these amounts were R143 billion and 18.2% respectively.

Total taxes borne by participants were R48.6 billion for 2013 and R49.9 billion for 2012. Corporate income tax continues to be the highest tax borne by companies operating in South Africa, equating to 79.1% of total taxes borne for 2013 and 73.5% for 2012.

Participants collected a further R103.3 billion in taxes on behalf of the South African Revenue Service (SARS) for 2013, which represents 12% of total government taxation receipts. For 2012, these figures were R93 billion and 11.85% respectively.

The oil & gas sector was the highest total tax contributor to the economy at 37.8% in 2013 (2012: 26.9%). The financial services sector is the next-biggest contributor at 13.7% in 2013 (2012: 13.2%). The telecommunications sector follows at 12% for 2013 (2012: 14.5%).

The average total tax rate (TTR) for all participants in the current survey was 30.9% (2012: 32.4%), which means that Tax Freedom Day[1] was celebrated on 13 April (2012: 28 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 2013 were subject to 26 different taxes, compared to 25 in the previous year. On average, 10.5 taxes were borne and collected by survey participants for both 2013 (2012: 10.2).

In terms of staff numbers, survey participants employed an annual equivalent of 504 848 employees for 2013 (2012: 530 896).

The TTC framework is applied by PwC globally and we are able to draw comparisons between findings in South African and those in other tax jurisdictions. Section 8 provides an overview of the key results of our comparison.

[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. About this study

We have conducted four successful surveys in the past in South Africa and this report presents the results of the fifth survey, which covers the years 2011 to 2013. These surveys have been conducted because it is important that the impact of South Africa's tax system is understood and interpreted fairly, and that it contributes to an informed debate about the different business-related taxes.

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

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

The activities of a company give rise to its obligation to collect taxes, for example the employment of staff gives rise to the collection of pay-as-you-earn tax (PAYE) and the sale of goods and services gives rise to the collection of value-added tax (VAT).

This study was supported by 35 companies and was conducted for the fiscal years ended 31 March 2012 and 2013. The data provided by the companies was for financial year ends between 1 April and 31 March of the following year. 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 (40%) or 31 March (23%) year ends. Refer to Appendix I for a list of participants in the current survey.

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

Through the surveys that we have conducted over the years, 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.

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

A lack of transparency in respect of 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 35 companies (with an average response rate of 33 in each year), which provided us with their tax payments for their financial years.

For 2013, these companies bore R48.6 billion in taxes and collected R103.3 billion, a total tax contribution of R152 billion, which was 17.6% of total government tax receipts for the year.

For 2012, the figures were R49.9 billion in taxes borne and R93 billion in collections, a total tax contribution of R143 billion, which was 18.2% of total government tax receipts for the year.

Total tax contribution of survey participants for the fiscal year ended 31 March (R millions)

	2012		2013	
	Participants	Percentage of government tax receipts	Participants	Percentage of government tax receipts
Taxes borne	49 932	6.36%	48 560	5.64%
Taxes collected	93 027	11.85%	103 345	11.99%
TTC	**142 959**	**18.21%**	**151 905**	**17.63%**

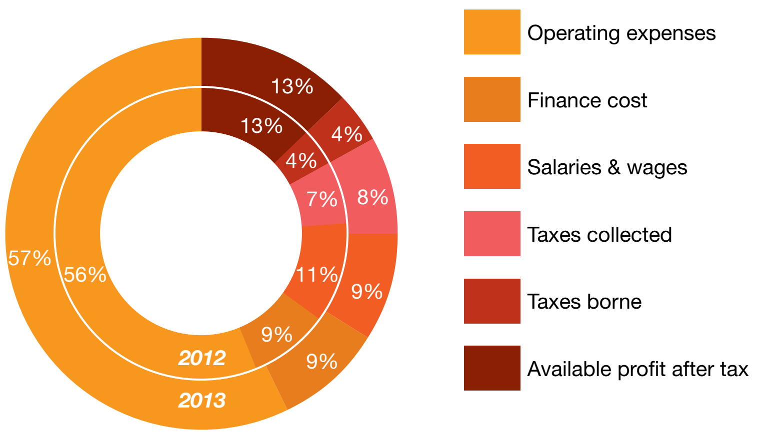
Source: PwC analysis

Corporate income tax is still the largest tax borne by survey participants. For every R1 of corporate income tax borne, participants paid R0.27 in other business taxes (2012: R0.36). The obligation imposed by government on business to collect taxes is significant in relation to the total tax revenue in the country. Participants collected on average R2.95 for every R1 of corporate income tax borne (2012: R2.53).

The survey also gathered information on the economic footprint of the participants. From this information it is apparent that for the 2013 fiscal year, of the value created by companies, 11.8% was distributed in the form of taxes (borne and collected), 9.4% to employees as wages and salaries and 9.1% for finance costs excluding interest income.

Only 12.7% of the value created was left to reinvest in the businesses or distribute to shareholders. During 2012, companies distributed 11.4% of the value created in the form of taxes (borne and collected), 10.9% to employees as wages and salaries and 9.4% for finance costs excluding interest income. Only 12.7% of the value created was left to reinvest in the businesses or distribute to shareholders.

Figure 1: Aggregate value distribution of all survey participants for the 2012 and 2013 fiscal years



Source: PwC analysis

Total tax contribution

	2012	2013
Taxes borne	3.98%	3.77%
Taxes collected	7.41%	8.02%
TTC	**11.39%**	**11.79%**

Source: PwC analysis

The survey determined that there were approximately 26 business taxes in South Africa. For the purpose of the study, the taxes (borne and/or collected) were grouped into the following five categories, also known as the *five Ps*:

Tax categories
Profit taxes (5) Corporate income tax; betting and gaming duties; mining taxes; and dividends tax. Secondary tax on companies was replaced by dividends tax effective 1 April 2012.
Property taxes (4) Property rates; stamp duty; securities transfer tax and transfer duty.
Product taxes (8) Customs duties; excise duties; fuel levies; fuel excise; other fuel taxes; Road Accident Fund; Universal Service Fund; value-added tax and withholding tax on royalties.
Planet taxes (5) Air passenger tax; plastic bag levy; electricity levy (effective 1 September 2009); incandescent light bulbs levy (effective 1 October 2009); and vehicle emissions tax.
People taxes (4) Occupational injuries and disease levy; pay-as-you-earn; skills development levy and Unemployment Insurance Fund.

Source: PwC analysis

These categories closely align with the classification of taxes under government receipts. The average number of taxes borne and collected by the survey participants were 6.7 and 3.8 respectively, with the highest being 13 taxes borne and 7 taxes collected.

4. Taxes borne and taxes collected

There are a significant number of taxes that impact businesses in South Africa. As a result, most of survey respondents find it difficult to identify the exact number and amount of tax that they have borne and collected. Appendix II provides a list of all taxes that affected respondents in the current survey. Most of these are indirect taxes embedded in the cost of products and services and are not separately accounted for such as excise duties, fuel-related taxes and air passenger tax. Some taxes are transaction based (e.g. stamp duty and securities transfer tax).

For the purposes of this 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. For this reason, it is likely that the data presented in this report understate the actual amounts of taxes borne and taxes collected by the participants.

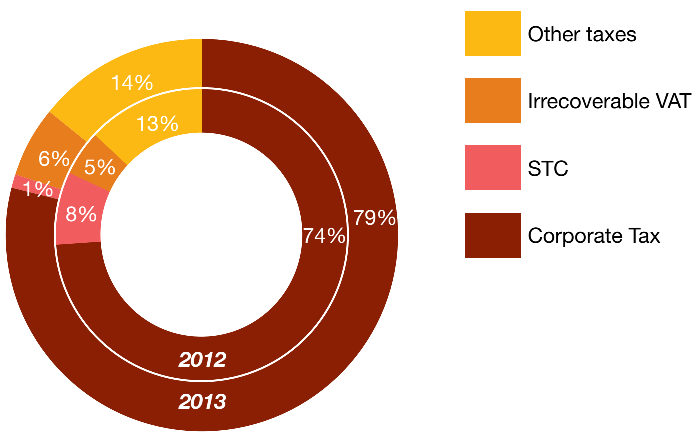
Taxes borne

Total taxes borne by participants were R48.6 billion for 2013 and R49.9 billion for 2012. In terms of percentages, this equates to 5.6% of the relevant total government taxation receipts for 2013 and 6.4% for 2012. For more information, please refer to Appendix IV.

Corporate income tax was the largest tax borne at 79.1% of total taxes borne for 2013 (2012: 73.5%). Customs and other product taxes were the second-largest tax borne at 6.6% for 2013 (2012: 5.2%).

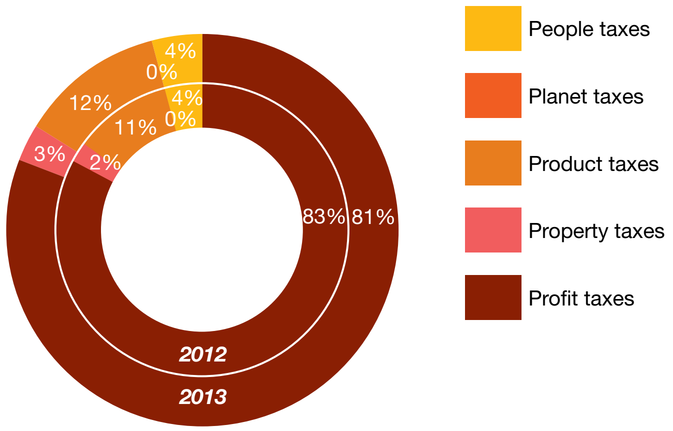
Irrecoverable VAT represented 5.6% of total taxes for 2013 (2012: 5.5%). VAT is irrecoverable if incurred on expenses that relate to 'exempt supplies' and if incurred on expenses where the input VAT is specifically denied. In such instances, although the VAT is normally expected to be a collected tax, it becomes a cost to the business (considered a tax borne).

Figure 2: Taxes borne 2012 vs 2013



Source: PwC analysis

Figure 3: Total taxes borne per category, 2012 vs 2013



Source: PwC analysis

Taxes collected

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 in which the company acts as a collecting agent on behalf of government.

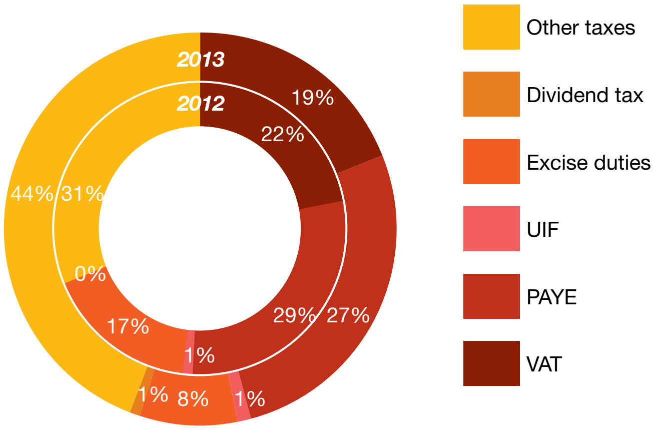
The current survey participants collected a total of R103.3 billion taxes for 2013 and R93 billion for 2012. This represents 12.0% of the relevant total government tax receipts for 2013 (2012: 11.85%). For more information, please refer to Appendix V.

Of the significant taxes collected, other taxes like fuel levies and the Road Accident Fund were the largest at 44.0% of total taxes collected in 2013 (2012: 30.7%). This was followed by pay-as-you-earn tax (PAYE) at 27.6% for 2013 (2012: 29.4%).

Value-added tax (VAT) represented 19.6% of taxes collected for 2013 (2012: 22.1%). Lastly, excise duties at 8.2% for 2013 (17.3% for 2012), while UIF accounted for the remaining 0.6% of taxes collected (2012: 0.5%).

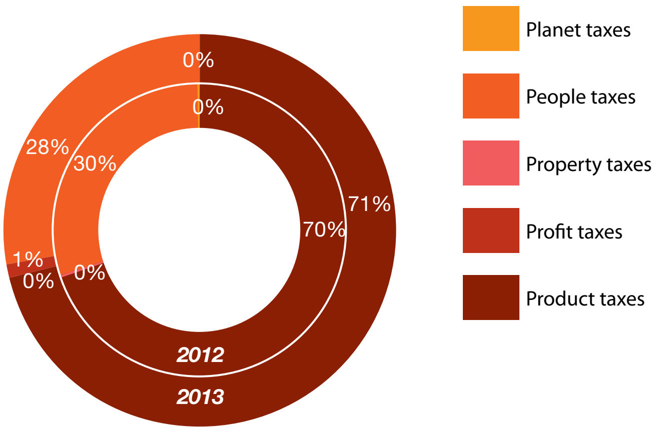
It is important to highlight that although the taxes collected are not a cost to companies, they retain an equal risk and compliance cost for these taxes as with the taxes borne. Section 9 provides an analysis of tax compliance cost.

Figure 4: Taxes collected, 2012 vs 2013



Source: PwC analysis

Figure 5: Tax collected per category, 2012 vs 2013

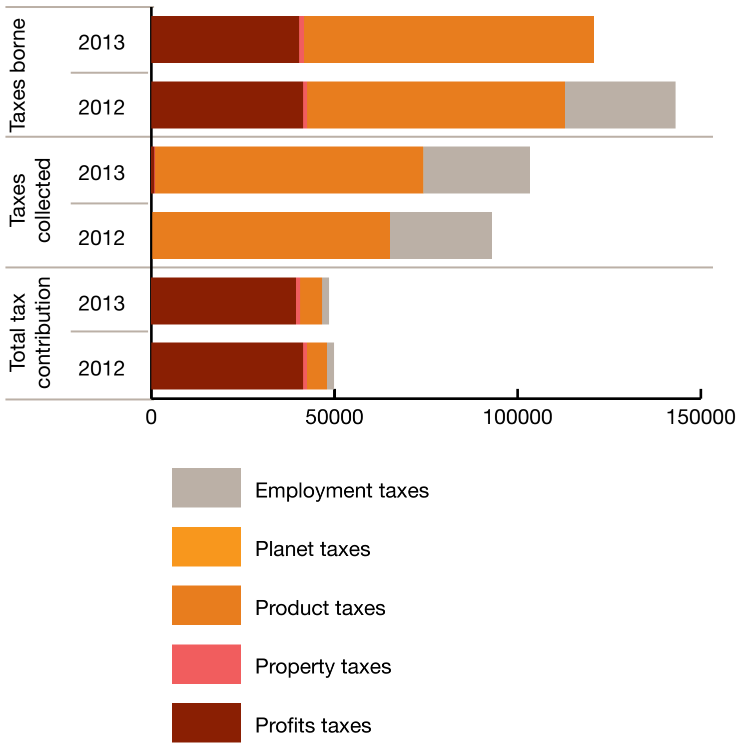


Source: PwC analysis

Taxes collected vs taxes borne

The results of the survey show that South African companies collect more taxes than those they incur. For every R1 of taxes borne, survey participants collected taxes of R2.13 (2012: R1.86). For every R1 of corporate income tax paid by survey participants, R2.69 was collected (2012: R2.53). Figure 6 illustrates the ratio of total tax collected to total taxes borne.

Figure 6: Ratio of total tax collected to total taxes borne, 2012 vs 2013



Source: PwC analysis

5. Key measures

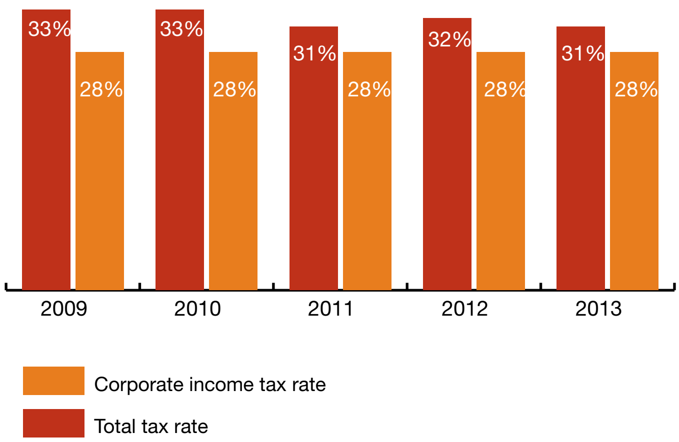
The data analysis within the TTC framework aggregates the data collected from survey participants and examines it in relation to two key measures: Total tax rate and TTC as a percentage of turnover.

Total tax rate

The average total tax rate (TTR) for survey respondents in 2013 was 30.9% (2012: 32.4%). 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 since there are other business taxes incurred that are included in the costs above the profit line. These taxes are added back to determine a profit before all business taxes. Figure 7 provides a comparison between corporate income tax and TTR. Please note that this is the TTR among survey participants only, hence it may not be an accurate reflection of businesses as a whole in South Africa.

Figure 7: Total tax rate vs corporate income tax



Source: PwC analysis

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 13 April for 2013 (2012: 28 April). Tax Freedom Day indicates the notional day of the year on which the survey respondents had earned enough to foot their tax bill. The table below illustrates Tax Freedom Day survey participants over the 2007-13 period.

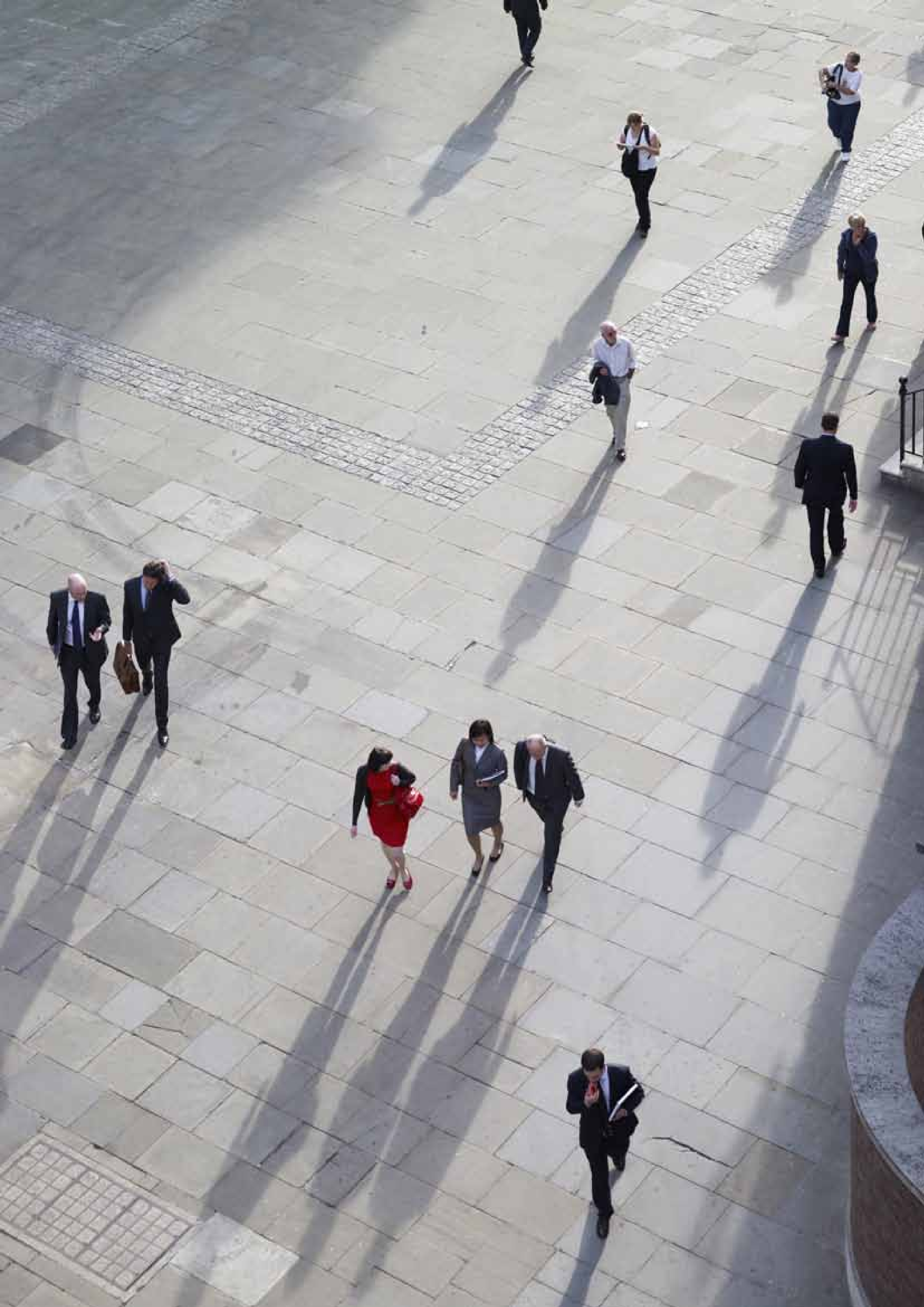
Tax Freedom Day for the surveys conducted

Calendar year	Tax Freedom Day
2007	4 May
2008	28 April
2009	2 May
2010	30 April
2011	20 April
2012	28 April
2013	13 April

Source: PwC analysis

TTC as a percentage of turnover

TTC as a percentage of turnover is another useful measure of what companies contribute 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 2013 was 10.6% (2012: 16%).



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 that participated in the previous year's survey were included in the trend analysis. In total, 30 of the 35 participants were included in the trend analysis.

Trends in taxes borne

Due to secondary tax on companies (STC) being replaced by dividends tax, there was a steep decline in this tax between 2012 and 2013. Of the remaining taxes, the movement in customs duties is most significant.

Corporate income tax has remained fairly constant from 2012 to 2013, which is supported by the minimal change in turnover and profit figures from the prior year. Corporate income tax remains by far the largest of the taxes borne by companies.

In terms of tax types, there was a significant increase in air passenger tax, resulting in the high increase in the planet taxes category. This was due to one particular survey participant paying an unusually high amount in airport taxes during the 2013 year. Overall, there was a slight decrease in taxes borne from 2012 to 2013.

Trends in taxes borne (R millions)

Taxes collected by type

Taxes borne	2013		2012		2011
Corporate tax	35 432	4%	34 005	24%	27 474
Secondary tax on companies (STC)	-	-100%	3 691	53%	2 407
Property rates	981	1%	972	4%	935
Customs duties	2 240	31%	1 709	154%	673
Irrecoverable VAT	2 523	-7%	2 725	9%	2 510
Skills development levy	1 050	15%	912	13%	806
Other	2 203	-2%	2 257	31%	1 721
	44 429	**-4%**	**46 271**	**27%**	**36 526**

Taxes collected by category

Taxes borne	2013		2012		2011
Profits taxes	35 690	-6%	37 914	26%	29 994
Property taxes	1 093	1%	1 077	1%	1 068
Product taxes	5 729	8%	5 315	34%	3 981
Planet taxes	19	128%	8	46%	6
People taxes	1 899	-3%	1 957	32%	1 477
Total	**44 429**	**-4%**	**46 271**	**27%**	**36 526**

Source: PwC analysis

Trends in taxes collected

The most significant increase was in value-added tax (VAT), while there was minimal movement in the other taxes. Due to the new dividends tax, there was a 100% increase in the profit taxes category. Product taxes overall (which includes fuel levies, value-added tax (VAT), excise duties and the Road Accident Fund) is quite clearly government's largest revenue source.

People taxes, including personal income tax (collected mainly in the form of pay-as-you-earn tax (PAYE)), remains the next-largest source of revenue for government. This revenue source remained fairly constant from the prior year, which links in to the minimal movement in employee numbers from the prior year.

Trends in taxes collected (R millions)

Taxes collected by type

Taxes collected	2013		2012		2011
Fuel levies	25 872	4%	24 898	7%	23 261
Value-added tax	19 604	13%	17 316	7%	16 217
Pay-as-you-earn	26 975	7%	25 152	17%	21 538
Other	13 418	7%	12 587	14%	11 031
	85 868	**7%**	**79 953**	**11%**	**72 047**

Taxes collected by category

Taxes collected	2013		2012		2011
Profit taxes	600	100%	-	0%	-
Property taxes	36	-17%	43	34%	32
Product taxes	57 679	6%	54 297	9%	50 044
Planet taxes	-	-100%	6	100%	-
People taxes	27 553	8%	25 607	17%	21 971
	85 868	**7%**	**79 953**	**11%**	**72 047**

Source: PwC analysis

Trends in total tax contribution

As indicated above, product taxes are government's most significant revenue source. For survey participants, this is followed by profit taxes and people taxes. In terms of actual government receipts, people taxes are usually slightly higher in terms of collections than profit taxes.

There has been a minimal increase in the total taxes contributed to government by survey participants between 2012 and 2013, confirming the tough economic conditions faced by companies. This contrasts greatly with the increase in turnover and profit figures between 2011 and 2012. There has also been a minimal increase in the number of employees.

Trends in total tax contribution (R millions)

Total tax contribution by category

Total tax contribution	**2013**		**2012**		**2011**
Profits taxes	36 290	-4%	37 914	26%	29 994
Property taxes	1 128	1%	1 120	2%	1 100
Product taxes	63 408	6%	59 613	10%	54 025
Planet taxes	19	32%	14	152%	6
People taxes	29 453	7%	27 564	18%	23 448
	130 298	**3%**	**126 225**	**16%**	**108 573**

Trends in economic footprint

Key metrics	**2013**		**2012**		**2011**
Total turnover attributable to SA (R millions)	886 345	-1%	893 901	12%	797 153
SA profit before tax (R millions)	202 811	4%	195 131	40%	139 207
Number of full-time employees	490 612	5%	465 439	2%	454 651

Source: PwC analysis

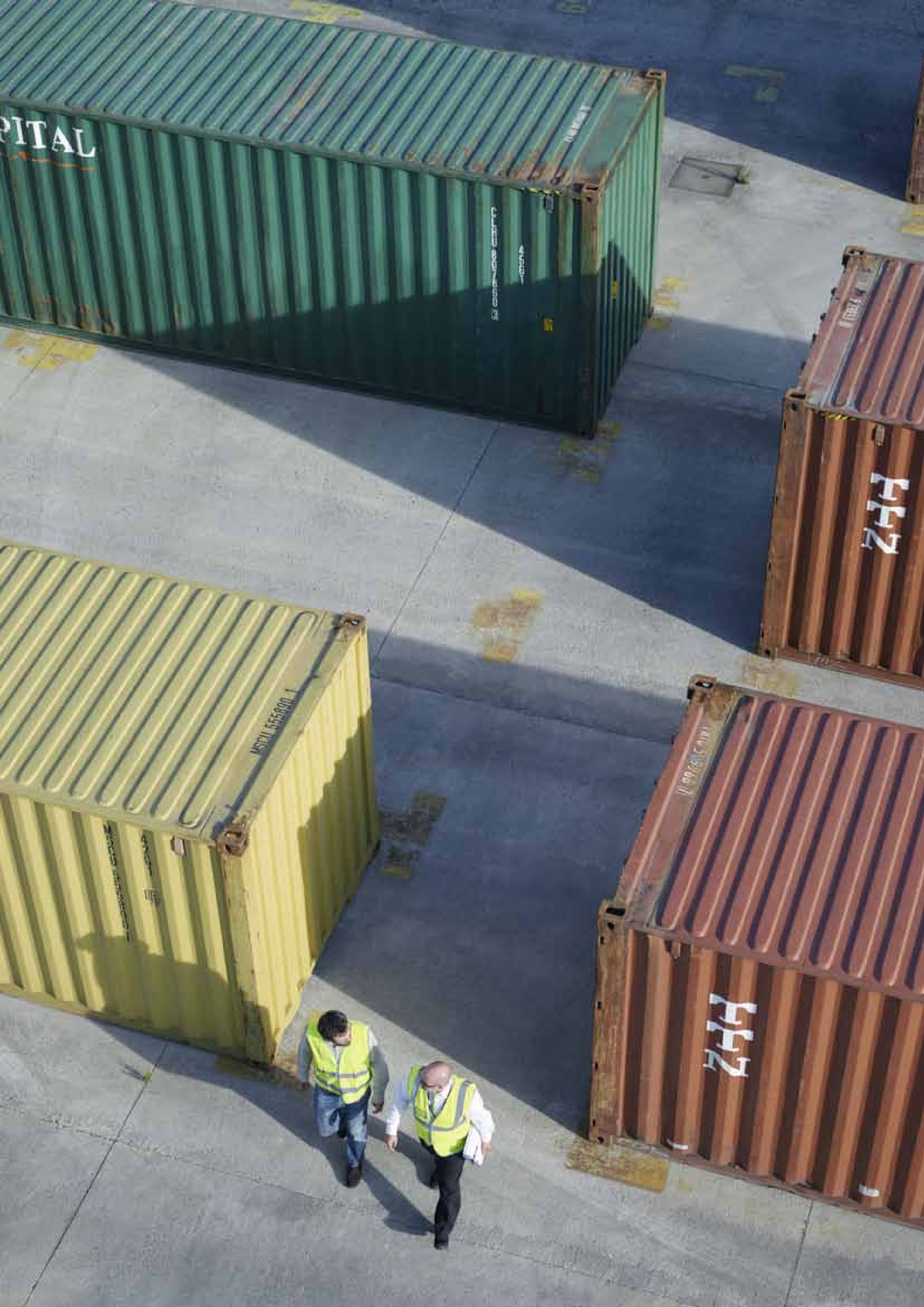
Other factors to note

In analysing trends, it is important to bear in mind that the some taxes are a reflection of past activities. For example, a decline in profitability in the prior year may only be reported after the event. This is mostly observed in corporate income tax, whereas other tax contributions such as VAT, excise and fuel-related taxes the real-time status of operations in companies, since these taxes are borne and collected in the course of daily business.

VAT is an important indicator of the operational health of a company. It is very difficult to disguise the status of a company's operations when it is a registered VAT vendor. VAT is also a significant category of tax in terms of the government's total tax receipts. In 2013 VAT had been in existence in South Africa for 22 years. During this period there has been only one change in the VAT rate. Looking forward, we expect that the upward trend in VAT contributions will continue, as the economy grows.

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.

Excise duties include fuel excise; ad valorem excise; excise on alcohol, beer, wine, fermented beverages and tobacco products.


PITAL
TTN
TTN

7. Tax compliance costs

This study examines the role and function of the central tax department in each company surveyed in order to determine the cost of the tax function's responsibility for business taxes. Participants were asked various questions, including whether each tax category was administered by the central tax department, shadow department or outsourced to external service providers.

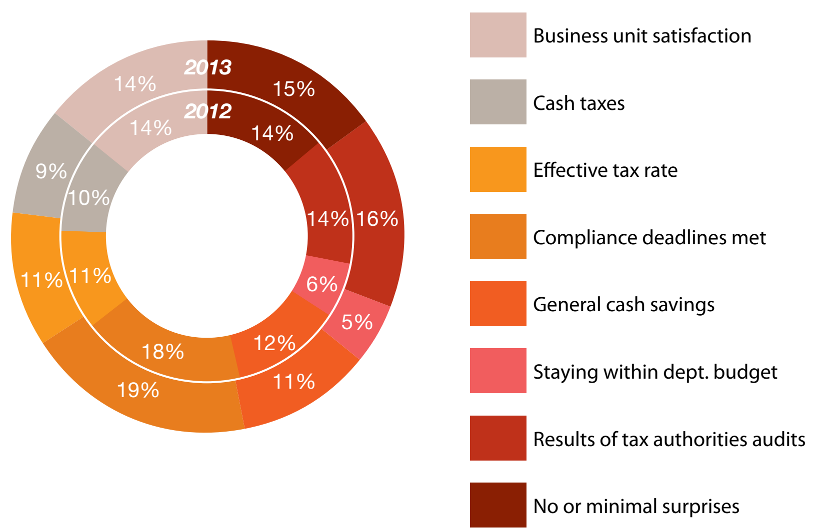
A central tax department occurs when a designated tax department exists that is separate from the accounting, payroll or similar functions. The 'shadow tax department' is the term used to describe those staff outside the central tax department who also play a role in tax compliance, such as accounting, finance and payroll.

Please note that not all participants responded to this aspect of the survey. Where insufficient responses were received, we excluded those results from our analysis.

We found a fairly even spread in terms of the performance criteria that are applied when evaluating the effectiveness of the tax function in different companies. The most significant performance criterion was that of meeting compliance deadlines with a 19.1% weighting being attached to this for 2013 (2012: 18.4%).

The performance criterion that carried the lowest weighting in terms of importance was meeting departmental budgets, being 4.7% in 2013 (2012: 6.1%). This differs significantly from the previous total tax contribution report where the reverse was true.

Figure 8: Tax departments' performance criteria

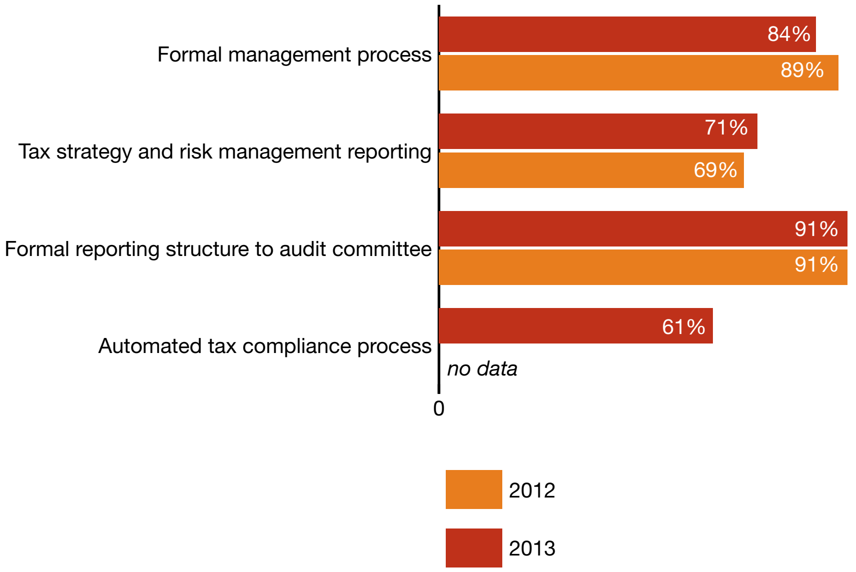


Source: PwC analysis

Most companies have a tax risk management framework in place, reflecting a shift towards formal risk management processes and policies over the years. For both 2012 and 2013, more than 80% of companies had a formal management process in place and over 70% had tax strategies and reporting policies in place.

In terms of corporate governance and transparency, there is board involvement, audit committee involvement and for certain companies there is also a tax committee in place. An interesting point is that for 93% of companies, the tax executive bears a significant responsibility in that this person is accountable for all areas of tax.

Figure 9: Participants who indicated that they have an appropriate tax risk framework

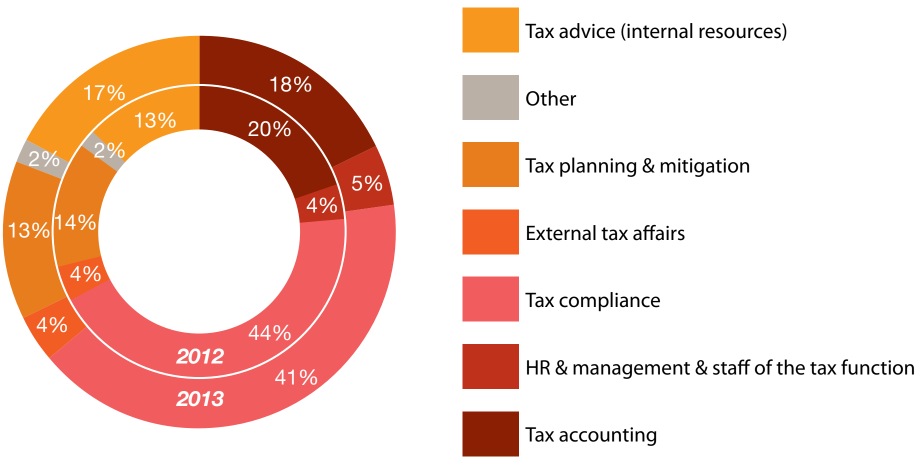


Source: PwC analysis

Resource allocation and the time spent by central tax departments tie in to the performance criteria and tax risk framework shown in Figure 8 and 9. Compliance is considered to take up 41.3% of the time of central tax departments (2012: 43.7%). Time spent on providing tax advice (utilising internal resources) appears to have increased from 12.8% in 2012 to 17.1% in 2013.

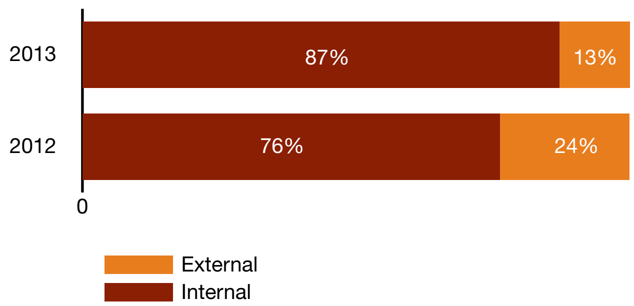
This may be indicative of increasing complexity resulting from legislative changes. It could also be a result of companies training their internal tax departments or utilising/hiring appropriate individuals to increase the internal support function. This interpretation is supported by the shift in budget allocation from external to internal resources from 76.2% in 2012 to 87.2% in 2013.

Figure 10: Time spent by the tax department on the tax function



Source: PwC analysis

Figure 11: Internal and external resource allocation



Source: PwC analysis

The central tax department comprised an average of 8.7 full-time employees (highest: 41, lowest: 1). This is only marginally more than for 2012 when the average was 8.1 employees (highest: 38, lowest: 1).

The financial services and banking sectors employs the greatest number of tax staff. The average number of management employees and junior level employees are on par (4.2 versus an overall average of 4 for 2013, and 3.95 versus 3.5 for 2012).

The average number of employees in top management is usually small (2013: 1.2, 2012: 0.9).

We analysed the tax types that companies spend the most resources on. This includes internal resources and the use of external service providers. Corporate tax undoubtedly takes up the most resources in tax departments.

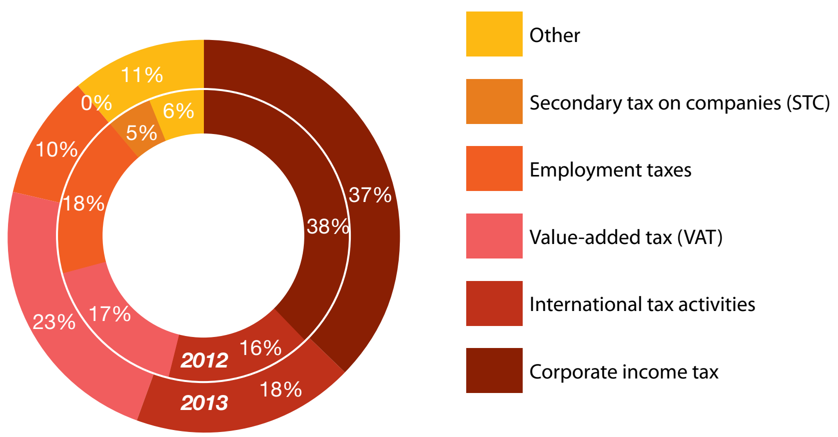
VAT and international tax take up a fairly similar proportion of resources, while the remaining resources are dedicated to other taxes.

The data collected on resource allocation made it clear that certain tax functions are performed outside of the tax department. This internal outsourcing is often representative of 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, while 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.

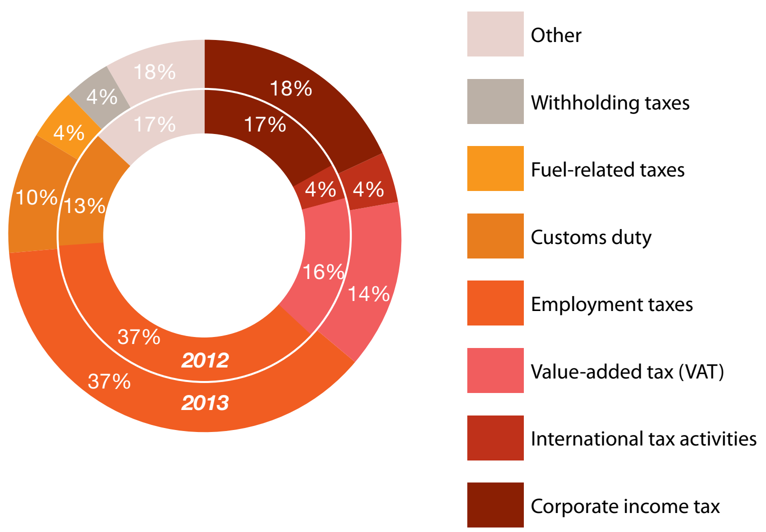
Figures 12-14 provide an analysis of participants' resource allocation to the various taxes. Note that the analyses for the central tax department and shadow tax department are based on hours spent, whereas the analysis relating to the external service providers is based on actual cost.

Figure 12: Time spent per tax type (central tax department)



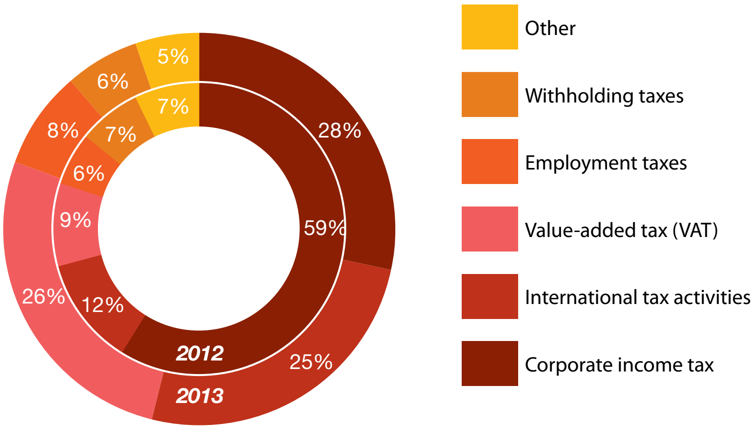
Source: PwC analysis

Figure 13: Time spent per tax type (shadow tax department)



Source: PwC analysis

Figure 14: Costs incurred per tax type (external service providers)

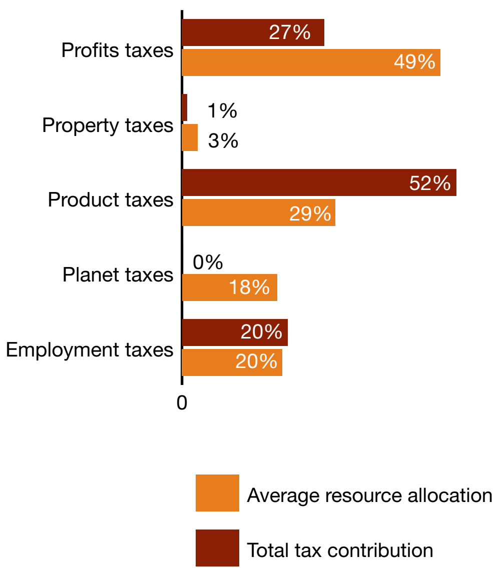


Source: PwC analysis

In earlier surveys we noted that companies' resource allocations to the different tax categories closely correlated to their total tax contributions. However, due to the significant fuel levies paid by companies in 2013, product taxes appear distorted in relation to the resources allocated to this tax category.

More resources were dedicated to profit taxes than justified in terms of the taxes paid. Figure 15 provides a comparison of tax compliance resource allocation and total tax contribution for the major tax categories.

Figure 15: Total tax contribution vs resource allocation



Source: PwC analysis

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.

It should be noted that the periods covered can vary by country as surveys were carried out at various times. The TTC framework is also applied by the World Bank Group in its 'Paying Taxes' report.

PwC studies in various countries have increased the corporate sector's awareness of the need for effective tax strategies and the risk management.

Key results of other countries' Total Tax Contribution 2013 surveys

	Total tax rate	Tax Freedom Day	Number of taxes	Average taxes borne	Average taxes collected	TTC as a percentage of turnover
United Kingdom	38.7%	7 July	24	9.1	4.3	15.4%
Japan	41.8%	30 July	57	15.9	6.9	4.8%
Switzerland	31.9%	28 May	50	18	10	11.4%
Luxembourg	24.0%	8 July	31	8.5	4.4	14.0%
South Africa	30.9%	13 April	26	6.7	3.8	14.3%

Source: PwC analysis

Appendix I: List of survey participants

Absa Group
Accenture
ArcelorMittal South Africa
BP Southern Africa
British American Tobacco South Africa
Capitec Bank
Discovery
Exxaro Resources
FirstRand Bank
Gold Fields
Liberty
Media24
Momentum
Mondi Group
MTN Group
Nampak
Nedbank
PetroSA
Pick ‘n Pay
Pioneer Foods
Remgro
Rio Tinto
SABMiller
Sanlam
Sasol
Shell SA
Shoprite
Siyaqhubeka Forests
Stanlib Group
Standard Bank of South Africa
Telkom SA
Toyota
Trans Hex
Transnet
Vodacom

Appendix II: Sample short report for survey participants

Total tax contribution

PricewaterhouseCoopers 2013 Survey of large South African companies
Short report for participant companies

Company 7	**29/02/2013**
Ranking of company's turnover	**23/33**

	R'000s
Turnover	10 929 926
Profit before total taxes borne	2 277 276
Total taxes borne	688 679
Total taxes collected	541 003
Total tax contribution (i.e. taxes borne and taxes collected)	1 229 682
Total taxes collected to total taxes borne ratio	79%
Total tax contribution (i.e. taxes borne and taxes collected) as a percentage of turnover	11%

Business taxes borne		**R'000s**
Profit taxes	**82.78%**	**570 074**
Corporate income tax		570 074
Betting and gaming duties		-
Mining taxes		-
Secondary tax on companies		-
Property taxes	**0.00%**	**-28**
Property rates		-28
Stamp duty		-
Securities transfer tax		-
Transfer duties		-
Product taxes	**13.34%**	**91 837**
Customs duties		-
Excise duties		-
Fuel related taxes[1]		3 002
Irrecoverable VAT borne		88 835
Planet taxes	**0.00%**	**7**
Air passenger tax		7
People taxes	**3.89%**	**26 789**
Skills development levy		16 039
Unemployment insurance fund levy		9 072
Occupational injuries and diseases levy		1 678
PAYE settlements borne		-
Total business taxes borne		**688 679**

[1] Fuel levies, fuel excise duties and Road Accident Fund.

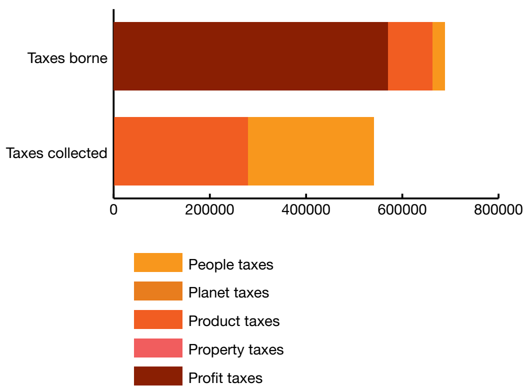
Note: No data was provided where value is indicated as ' - '.

Taxes collected		**R'000s**
Property taxes	**0.00%**	-
Securities transfer tax		-
Product taxes	**51.59%**	**279 085**
Excise duties		-
Fuel-related taxes[1]		-
Withholding taxes		-
Value-Added Tax		**279 085**
Other fuel taxes		-
Planet taxes	**0%**	-
Air passenger tax		-
Electricity levy	-	
Incandescent (filament) light bulbs levy	-	
Plastic bag levy		-
People taxes	**48%**	**261 918**
Unemployment insurance fund levy		9 072
PAYE		252 846
Total taxes collected		**541 003**

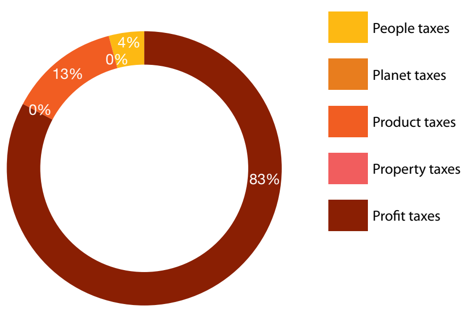
[1] Fuel levies, fuel excise duties and Road Accident Fund.

Note: No data was provided where value is indicated as ' - '.

Taxes borne vs taxes collected (R'000s)



Total business taxes borne



Appendix III: Taxes borne and collected

Taxes borne and taxes collected

	Taxes borne	Taxes collected
Profit taxes		
Corporate income tax	✓	
Secondary tax on companies	✓	
Mining taxes	✓	
Betting and gambling		
Property taxes		
Property rates	✓	
Stamp duty and security transfer tax	✓	✓
Transfer duty	✓	
Product taxes		
VAT	✓	✓
Fuel levies	✓	✓
Fuel excise duties	✓	✓
Other fuel taxes		✓
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		✓
Vehicle emissions tax		
People taxes		
Skills development levy	✓	
Unemployment Insurance Fund levy	✓	✓
Occupational injuries and diseases levy	✓	
PAYE	✓	✓

Appendix IV: Taxes borne vs government receipts

Taxes borne by participants	R' millions	Percentage of government receipts[2]
Profit taxes		
Corporate income tax	38 433	23.9%
Secondary tax on companies	559	5.7%
Mining taxes	430	8.6%
Betting and gambling	-	-
Property taxes		
Property rates	1 065	n/a[3]
Stamp duty and security transfer tax	154	6.8%
Transfer duty	3	0.1%
Product taxes		
Irrecoverable VAT	2 706	1.3%
Fuel levies and fuel excise	657	1.6%
Customs duties	2 257	5.8%
Road Accident Fund levy	294	1.5%
Excise duties	15	0.1%
Planet taxes		
Air passenger tax	19	2.2%
People taxes		
Skills development levy	1 097	9.6%
Unemployment Insurance Fund levy	596	4.5%
Occupational injuries and diseases levy	264	1.9%
PAYE	11	0.0%
Total taxes borne	**48 560**	**5.6%**

[2] Statistics obtained from the SARS Annual Report 2012-2013

[3] Municipal property rates were not classified in the SARS Annual Report 2012-2013

Appendix V: Taxes collected vs government receipts

Taxes collected by survey participants	R' millions	Percentage of government receipts[4]
Profit taxes		
Dividends tax	846	8.5%
Property taxes		
Security transfer tax	65	2.0%
Product taxes		
Excise duties	8 492	29.9%
Fuel levies, fuel excise and other fuel taxes	36 512	7.2%
VAT	20 224	9.4%
Road Accident Fund levy	8 021	41.0%
Withholding taxes	80	n/a[5]
People taxes		
PAYE	28 513	10.5%
Unemployment Insurance Fund	592	4.4%
Total taxes collected	**103 345**	**12.0%**

[4] Statistics obtained from the SARS Annual Report 2012-2013

[5] Withholding taxes (royalty) were not separately classified in the SARS Annual Report

Contacts

Paul de Chalain

Paul de Chalain is the Tax Leader of PwC Africa

Tel: +27 11 797 4260
E-mail: paul.de.chalain@za.pwc.com

Prof Osman Mollagee

Osman Mollagee is a tax partner and leads the South African Total Tax Contribution Survey initiative. He is also a member of the International Tax Services team of PwC Southern Africa

Tel: +27 11 797 4153
E-mail: osman.mollagee@za.pwc.com

For media enquiries, please contact:

Sonja Nel
Tel: +27 11 797 4207
E-mail: sonja.nel@za.pwc.com