Industry
Tax

Total Tax Contribution 2008

What is the actual contribution of large companies to the fiscus?

May 2009

Foreword

In the dawn of the global economic downturn and a worldwide recession that seems more likely every day, PricewaterhouseCoopers believes it is important that the impact of all taxes on business is properly understood.

This is the second annual Total Tax Contribution report for large South African companies. As in the first report, data were collected by means of a survey based on the PricewaterhouseCoopers Total Tax Contribution Framework. The survey was once again strongly supported by large companies. This confirms that large South African companies are concerned about their total tax contribution and the international competitiveness of the South African tax regime for investment[1].

Taxes are a significant cost to the company and should be controlled and managed in the quest to create shareholder value and maximise earnings per share. Conversely, the amount of taxes paid by large companies is becoming subject to increasing scrutiny and public debate, with a resultant increase in global and local attention to sustainability issues in triple bottomline (economic, social and environmental) performance reporting. King III requires the statutory financial information and sustainability information to be integrated and reported annually. The integrated report should have sufficient information to record how the company has positively and negatively affected the economic life of the community in which it operated during the year under review[2].

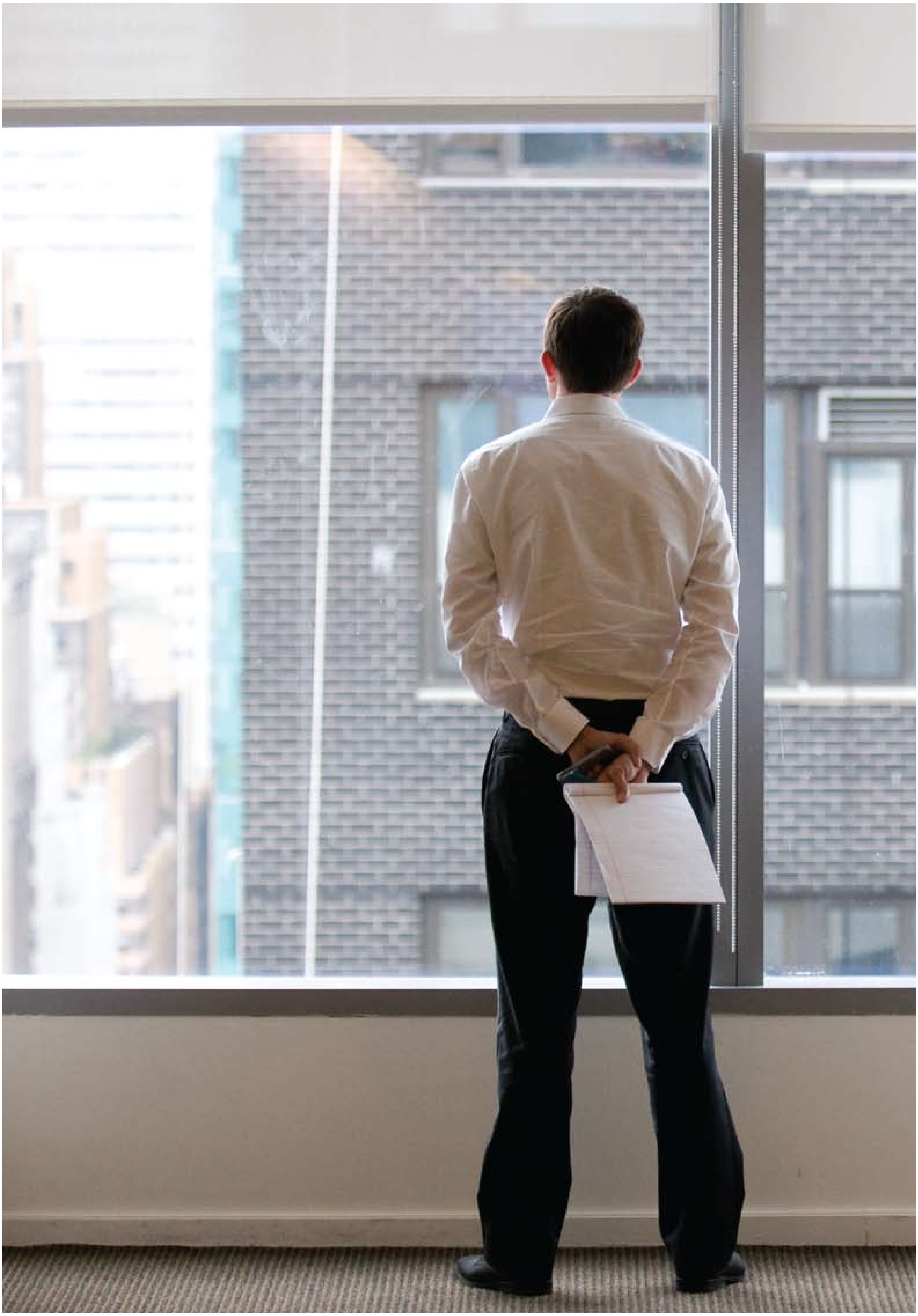
The survey results reflect the keen interest of large South African companies in how the government taxes business and emphasises the importance of large companies as contributors to South African tax revenues.

We trust this report will provide valuable insight into our tax system and its impact on business and confirm the significant contribution that large companies make to the South African economy. We would particularly like to thank the participants for their commitment and valuable contribution.

Paul de Chalain
Managing Partner
Tax Services

[1] Chief executive officers worldwide indicated that “clarity and stability of the tax rules” followed by the “total amount of taxes paid” are the most important aspects of a tax regime in influencing investment decisions – 12th Annual PwC Global Survey of Chief Executive Officers, published in 2009.

[2] The King Committee on Governance released the draft Code of Governance Principles for South Africa and the draft Report on Governance for South Africa, together referred to as “King III”, for public comment on 25 February 2009.



Contents

Key results

- Participation by large South African companies shows support for both the total tax contribution (TTC) concept and the output of the survey:
  - 50 companies provided data in 2008.
  - There is now an extensive bank of data from two TTC surveys.
- Corporate income tax is only one of 21 taxes that companies pay in South Africa.
- Participants reported that, on average, they were responsible for 8.26 taxes borne and 3.56 taxes collected.
- Participants reported a total tax contribution of R144 085 million:
  - Total taxes borne by participants were R65 959 million.
  - Corporate income tax represents 69.37% of total taxes borne.
  - Taxes borne by participants represent 11.4% of total estimated government taxation receipts from the relevant taxes.
  - Participants collected a further R78 126 million in taxes.
  - Taxes collected by participants represent 21.02% of total estimated government taxation receipts from the relevant taxes.
  - Therefore, on average, for every R1 of corporate income tax, there is another R0.44 in other business taxes borne and R1.71 in taxes collected.

Key results

- Large companies have a major economic impact in South Africa:
  - Participants reported a South African turnover of R1 073 254 million, 680 802 employees and people taxes of R27 903 million.
  - 24.64% of the value distributed by participants was paid to government in taxes borne and collected.
- Tax Freedom Day[1] was on 28 April for all participants as a group. Insurance companies celebrated Tax Freedom Day early on 17 March, while retailers only have theirs on 9 June.
- Industry analysis indicated that although oil and gas companies contributed the highest TTC, retailing companies stood out with the highest total tax rate of 42.16%. Insurance companies had the lowest total tax rate of 20.59%.
- Virtually all participants view their relationship with the South African Revenue Service as completely co-operative or somewhat co-operative.
- The survey collected data on the cost of complying with the South African tax system, and 36 participants provided data in this regard:
  - On average, participants have 8.6 full-time equivalent employees involved in South African tax compliance.
  - Participants spent R238 million in total on compliance activities (R159 million on own resources [Central and Shadow Tax Departments] and R79 million on external resources).
  - The Shadow Tax Department contributed 36.24% of total time spent on tax compliance activities.
  - For all taxes borne and taxes collected, the average cost of tax compliance is R2.03 for every R100 of taxes borne, effectively representing a surcharge on the taxes that companies bear.
- Through TTC surveys undertaken by PwC in a number of countries, it is now possible to compare the impact of the tax system on large companies. Of the countries for which we currently have results:
  - Belgium (52.07%) has the highest average total tax rate (TTR) and Canada (29.5%) the lowest. South Africa's TTR is 31.8%.
  - The average TTC as a percentage of turnover is highest in Canada (26.3%) and lowest in the United States (10.4%), while South Africa scored 15.8%.

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

1. Purpose and outline of the survey

1.1 PricewaterhouseCoopers (PwC) believes it is important that the total impact of taxes on the business sector is appreciated and understood.

1.2 The amount of corporate income tax paid by large companies is coming under increasing scrutiny and public debate. There is a perception that large companies are not paying their fair share in taxes, resulting in an increased tax burden on other taxpayers, including individuals. But it is not widely appreciated that companies pay many other business taxes, apart from corporate income tax, which also contribute substantially to the public finances. These other business-related taxes usually have little visibility in financial statements; because of the lack of transparency in respect of these other business taxes, there is generally little understanding of the nature and extent of the total amount of tax that companies pay.

1.3 In an effort to enhance transparency regarding the aggregate amount of tax contributed to the fiscus by large companies, PwC has designed the PwC Total Tax Contribution (TTC) Framework (see Appendix 1).

1.4 The TTC Framework entails a survey which enables companies to collect and report total tax information in a consistent manner. It looks beyond corporate income tax and provides a methodology for measuring all the business taxes that companies pay. The TTC Framework draws a distinction between taxes borne (those taxes which are a cost to the company) and taxes collected (where the company is the unpaid tax collector on behalf of government). See Appendix 2 for a full list of South African business taxes that companies pay.

1.5 The collection obligations imposed by government on business are significant, and it is important to appreciate that the amount of tax collected by companies is a significant aspect of their total tax contribution. Taxes collected by a company are essentially generated by its business activities in relation to either the employment of people or the sale of products and services.

1.6 In addition, the significant cost of administering the collection of these taxes needs to be recognised. Business bears the costs of interpreting the often complex legislative provisions in this regard, maintaining the necessary compliance systems, and paying the penalties incurred if errors are made in complying with the applicable legislation.

1.7 The survey for South Africa was designed to enable participating companies to collate reliable information on taxes borne, taxes collected and tax compliance costs.

1.8 For purposes of the survey, companies were selected and invited to participate on the basis of their size, since the survey focuses on the large corporate sector. The participating large companies span a variety of sectors of the economy.

1.9 The first survey for large companies was carried out in 2007. The participation of 50 companies, provided reliable empirical data on actual taxes borne, actual taxes collected and tax compliance costs.

1.10 The 2008 survey was again conducted with a focus on large companies in South Africa, and 50 companies participated. See Appendix 6 for a list of participants. In generating the survey results, PwC anonymised and aggregated the data provided by participants. PwC has not verified, validated or audited the data and cannot therefore give any undertaking as to the accuracy of the survey results, but there is no reason to believe that the results are anything but accurate. A participating company would gain nothing by submitting inaccurate data.

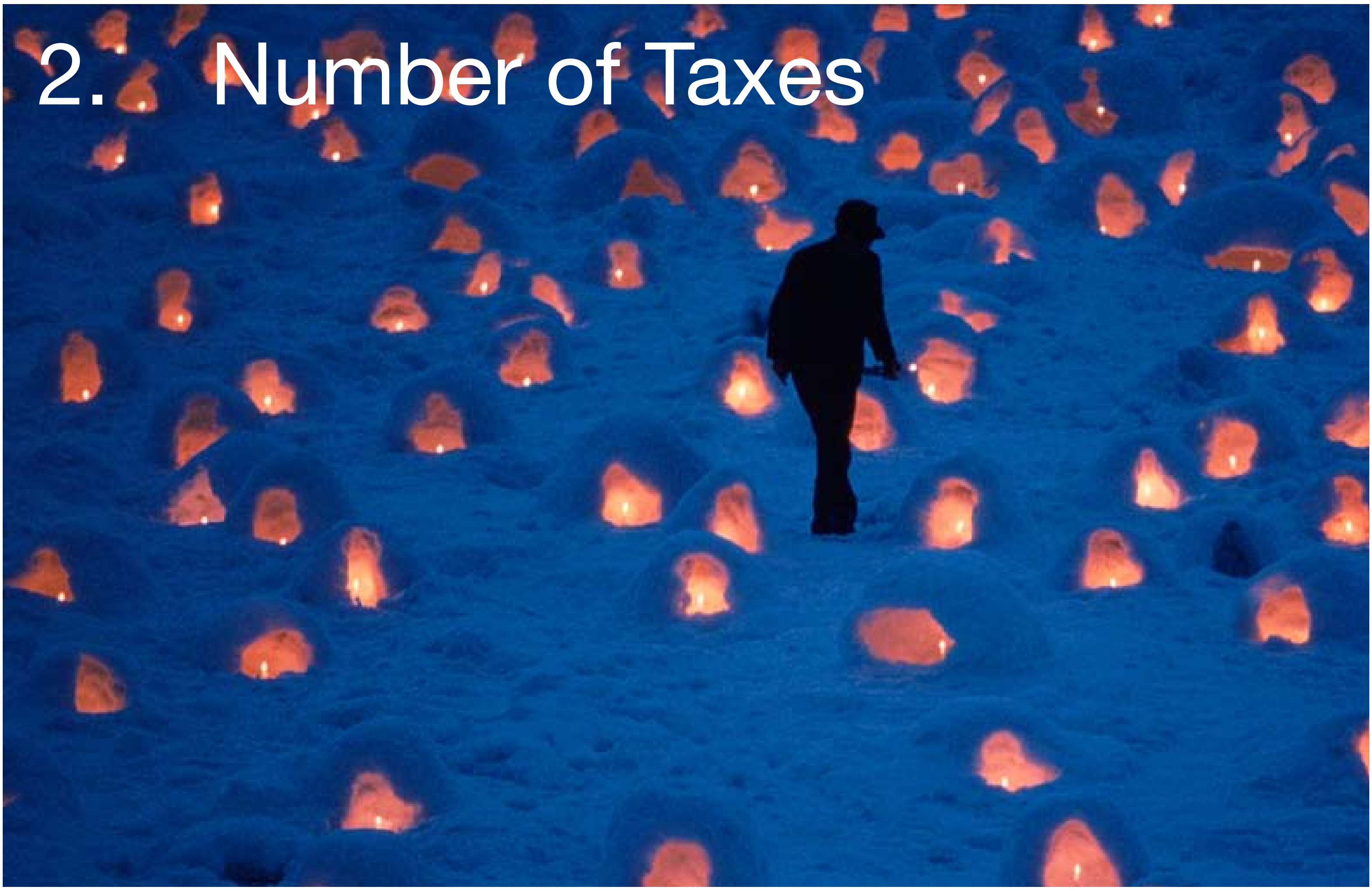
1.11 Companies participating in the survey were asked to complete a detailed questionnaire in respect of taxes borne and taxes collected by them during their latest financial year, which coincided with the twelve-month periods ended 31 March 2007 and 2008. The survey also collected data on the size and shape of participant’s Tax Departments and the cost of complying with South African business taxes.

1.12 The results of the surveys provide information on how the South African tax system impacts large business and what these companies contributed to South Africa's public finances. The results will facilitate an informed debate amongst stakeholders and enhance corporate social responsibility reporting. Multinational companies of course operate across international and fiscal boundaries; however, we confined this survey to taxes imposed by South African legislation in order to comment on the impact of the South African tax regime.

1.13 The South African total tax contribution study –

- Provides comprehensive information on the different types of taxes paid, the amount of tax paid and collected, and the cost of tax compliance;
- Makes visible to a company's internal stakeholders the impact of all taxes on the business;
- Enables management to make informed investment decisions and improve tax risk management and controls as well as the allocation of tax resources;
- Provides a way for companies to communicate their tax contribution to external stakeholders as part of corporate social responsibility reporting;
- Facilitates an industry focus, making possible benchmarking and trend analysis; and
- Facilitates an informed debate in the public domain (i.e. financial analysts; the government, including the South African Revenue Service and the National Treasury; the media; trade unions; the general body of taxpayers; and other interested parties).

2. Number of Taxes



2.1 During the period to 31 March 2008, the total number of business taxes in South Africa was 21. These included 19 national taxes and 2 local taxes.

2.2 For the purpose of the study, the 21 taxes borne and/or collected have been grouped into the following five categories, also known as the 5 P's:

- Profit taxes (5 taxes)
- Property taxes (3 taxes)
- Product taxes (7 taxes)
- Planet taxes (2 taxes)
- People taxes (4 taxes).

These categories closely align with the classification of taxes under government receipts. Table 1 lists the 21 taxes per category (see Appendix 2 for a comprehensive list of taxes borne and taxes collected). No data were requested for Universal Service Fund payments, and the Retirement Fund tax was abolished effective 1 March 2007.

Table 1: List of taxes per category

Profit taxes (5) Corporate income tax Betting and gaming duties[1] Mining taxes[1] Retirement Fund tax Secondary tax on companies
Property taxes (3) Property rates Stamp duty and uncertificated securities tax Transfer duties
Product taxes (7) Customs duties Excise duties Fuel levies Road Accident Fund Universal Service Fund Value-added tax Withholding tax on royalties
Planet taxes (2) Air passenger tax Plastic bag levy
People taxes (4) Occupational injuries and disease levy Pay-as-you-earn Skills development levy Unemployment Insurance Fund

[1]Also referred to as “Other profit taxes”.

3. Tax mix

3.1 While corporate income tax is the most visible tax, large companies make a substantial contribution to government receipts through other business taxes and through their role as a collector of taxes as well. Figure 1 illustrates the total tax contribution tax mix of participants and Figure 2 the tax mix of government.

3.2 If these two figures are compared, it is noticeable that the tax mix of the group of participants closely aligns with the tax mix of government.

Tax mix

Figure 1: Participants' tax mix

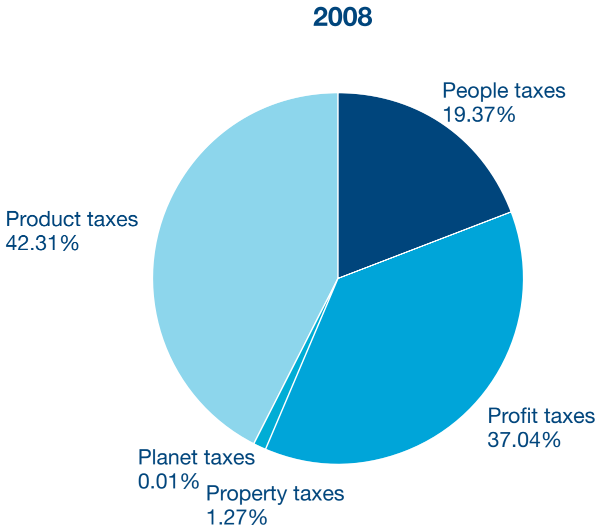
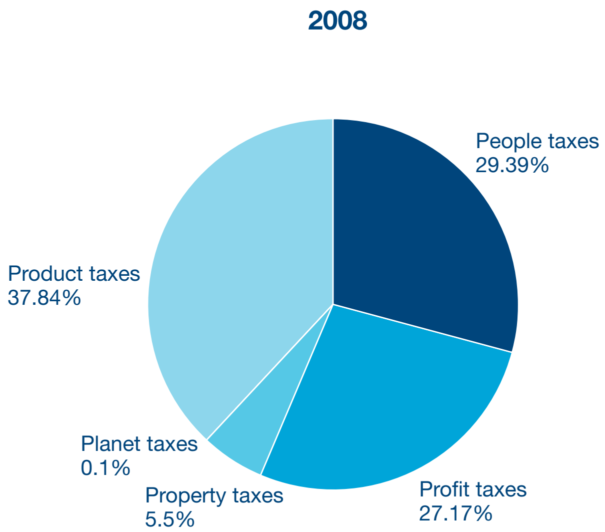


Figure 2: Government's tax mix



4. Tax burden

Number of taxes borne and collected

4.1 Participants in the survey reported that, on average, they were liable for 8.26 taxes borne and for 3.56 taxes collected.

4.2 Some participating companies bore as many as 14 different taxes. This confirms that, in determining the impact of tax on the corporate sector – and in considering possible tax reforms – account must be taken of the full range of taxes to which companies are exposed, and the debate should not be limited to corporate income tax.

4.3 Some participating companies collected as many as 9 different taxes. This gives an indication of the heavy compliance burden with regard to taxes which the corporate sector is required, at its own expense, to collect and remit to the fiscus.

4.4 Figures 3 and 4 illustrate the number of taxes borne and the number of taxes collected, as reported by participants.

Figure 3: Number of taxes borne by participants

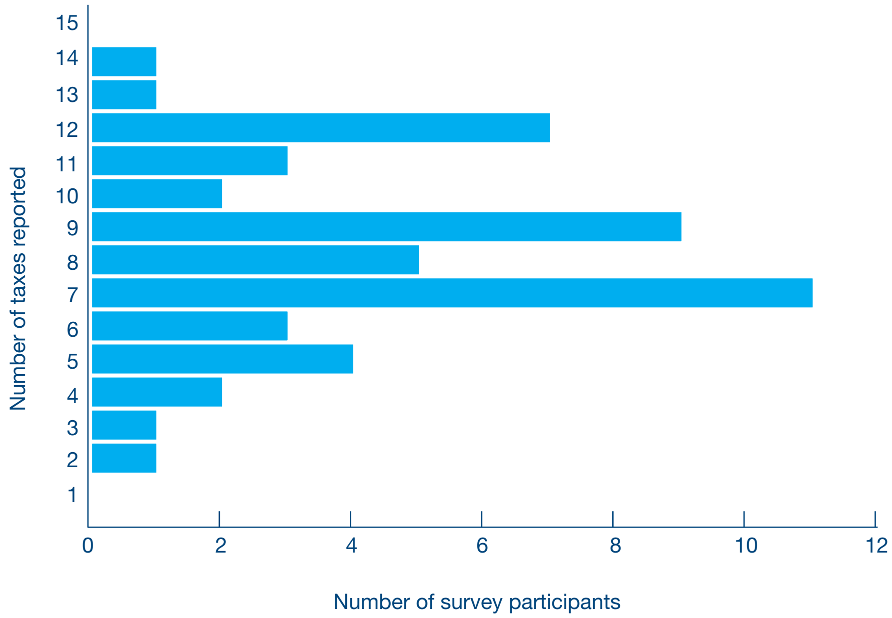
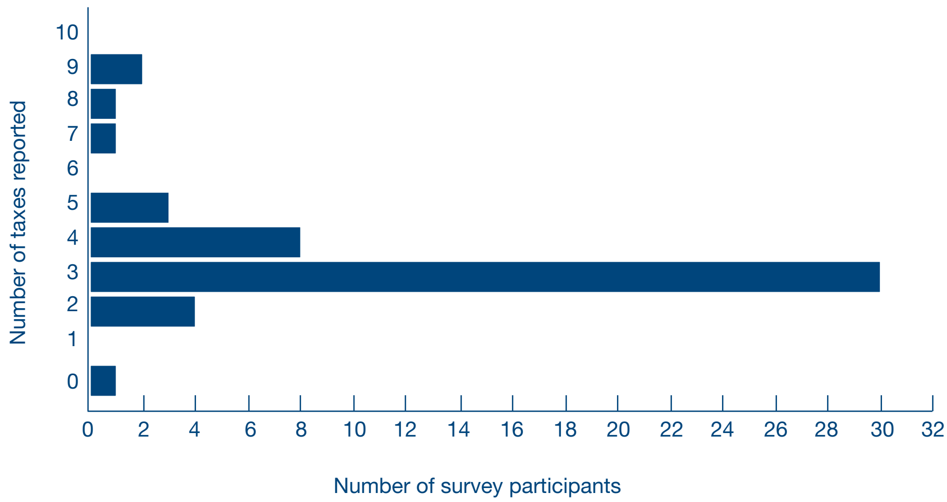


Figure 4: Number of taxes collected by participants



4.5 Given the significant number of taxes impacting most companies, many survey participants reported that they found it difficult to identify the precise amount and, in some cases, the number of taxes borne and taxes collected.

4.6 Some of these taxes are embedded in the cost of products (e.g. excise duties, fuel-related taxes and air passenger tax), some are transaction-based (e.g. stamp duty), and some form part of a range of lower-value taxes that are difficult for survey participants to separately identify and quantify. Where no amount was provided by survey participants in relation to a tax, the tax was treated as if it had not been borne or collected by that participant. This issue was particularly acute in the case of stamp duty, which most participants found difficult to accurately quantify. Consequently, it is likely that the data presented in the survey understate the actual amounts of taxes borne and taxes collected by survey participants.

4.7 Certain taxes can be regarded as being both borne and collected – borne by a company in respect of its own consumption, and also collected by that company. These taxes are value-added tax (VAT) (i.e. irrecoverable VAT borne and VAT collected); uncertificated securities tax; fuel-related taxes (i.e. fuel levies, fuel excise duty, and Road Accident Fund); air passenger tax; pay-as-you-earn (PAYE) (i.e. PAYE settlements borne and PAYE collected); and the Unemployment Insurance Fund payments.

4.8 Where taxes collected are concerned, only the expenses incurred in collection are a cost to the company, and not the tax itself.

Taxes borne

4.9 Survey participants bore R65 959 million (2007: R51 481 million) in taxes, or 11.4% of total estimated government taxation receipts from the relevant taxes. (See Appendix 3).

4.10 Corporate income tax was the largest tax borne (69.37% [2007: 67.71%] of total taxes borne), followed by secondary tax on companies (10.58%) (2007: 9.18%).

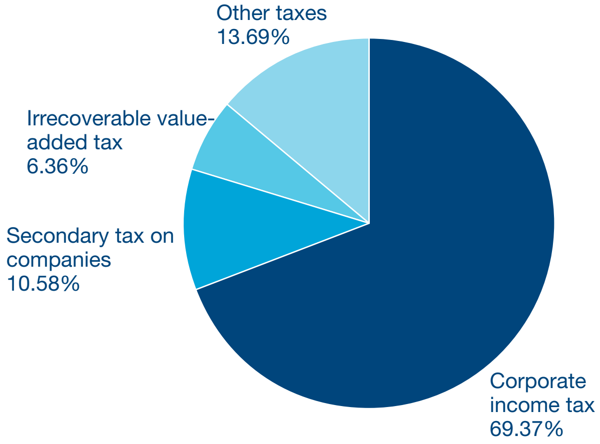
4.11 Survey participants were unable to recover R4 196 million (2007: R3 390 million) of VAT. VAT is irrecoverable if incurred on expenses for exempt supplies, for example, financial services, residential accommodation, passenger transport, holding company costs, etc. Irrecoverable VAT also includes VAT incurred on certain business expenses where the input VAT is specifically denied, for example, entertainment, motor car hire, acquisition of motor vehicles, certain subscriptions, etc. Irrecoverable VAT is therefore a tax borne (6.36% [2007: 6.58%] of total taxes borne) by the company and not a tax collected on behalf of government.

4.12 Fuel-related taxes (fuel levies, fuel excise duties and Road Accident Fund) contributed 4.15% (2007: 4.83%) of total taxes borne.

4.13 For every R1 of corporate income tax paid, another R0.44 (2007: R0.48) in other business taxes was borne.

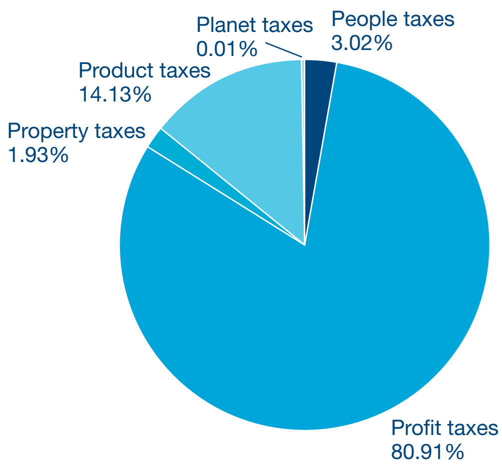
4.14 Figure 5 illustrates taxes borne per tax type, and Figure 6, per tax category.

Figure 5: Taxes borne 2008 – percentage per tax type



Profit taxes	**80.91% (2007: 78.40%)**
Corporate income tax	69.37%
Secondary tax on companies	10.58%
Other profit taxes	0.77%
Retirement Fund tax	0.19%
Property taxes	**1.93% (2007: 2.45%)**
Property rates	1.68%
Stamp duty and uncertificated securities tax	0.21%
Transfer duties	0.04%
Product taxes	**14.13% (2007: 15.85%)**
Irrecoverable value-added tax	6.36%
Customs duties	3.35%
Fuel levies	2.96%
Road Accident Fund	1.08%
Excise duties	0.38%
Planet taxes	**0.01% (2007: 0.01%)**
Air passenger tax	0.01%
People taxes	**3.02% (2007: 3.29%)**
Skills development levy	1.47%
Unemployment Insurance Fund	1.01%
Occupational injuries and disease levy	0.50%
Pay-as-you-earn settlements	0.04%

Figure 6: Taxes borne 2008 – percentage per tax category



Taxes collected

4.15 Survey participants collected a total of R78 126 million (2007: R69 173 million) in taxes. This represents 21.02% of estimated government taxation receipts from the relevant taxes. (See Appendix 4).

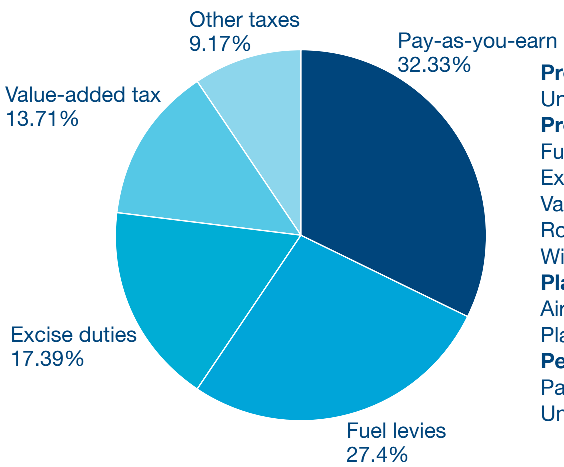
4.16 The large number of participants in the oil and gas industry resulted in fuel-related taxes (fuel levies, fuel excise duties and Road Accident Fund) collected being significant – R28 612 million (2007: R26 490 million) and, in total, 36.62% (2007: 38.29%) of total taxes collected by participants.

4.17 PAYE contributed a significant 32.33% (2007: 28.79%) (R25 262 million [2007: R19 914 million]) of total taxes collected, followed by excise duties (on alcohol, beer, wine, fermented beverages and tobacco) of R12 325 million (2007: R11 032 million) (15.78% [2007: 15.95%]).

4.18 VAT contributed R10 712 million (2007: R10 752 million) (13.71% [2007: 15.54%]) to total taxes collected.

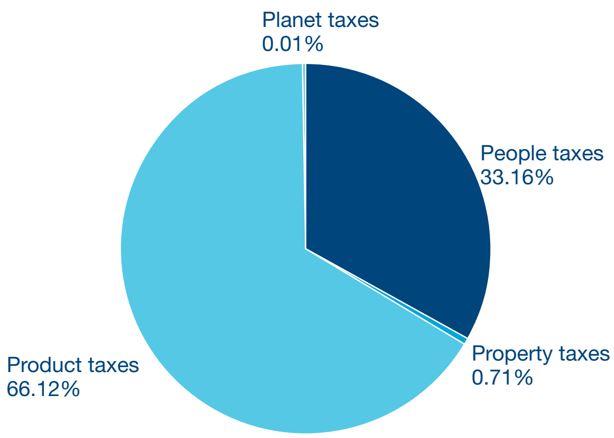
4.19 Figure 7 illustrates taxes collected per tax type, and Figure 8, per tax category.

Figure 7: Taxes collected 2008 – percentage per tax type



Property taxes	**0.71% (2007: 0.58%)**
Uncertificated securities tax	0.71%
Product taxes	**66.12% (2007: 69.8%)**
Fuel levies	27.40%
Excise duties	17.39%
Value-added tax	13.71%
Road Accident Fund	7.61%
Withholding tax on royalties	0.01%
Planet taxes	**0.01% (2007: 0.01%)**
Air passenger tax	0.00%
Plastic bag levy	0.01%
People taxes	**33.16% (2007: 29.61%)**
Pay-as-you-earn	32.33%
Unemployment Insurance Fund	0.83%

Figure 8: Taxes collected 2008 – percentage per tax category

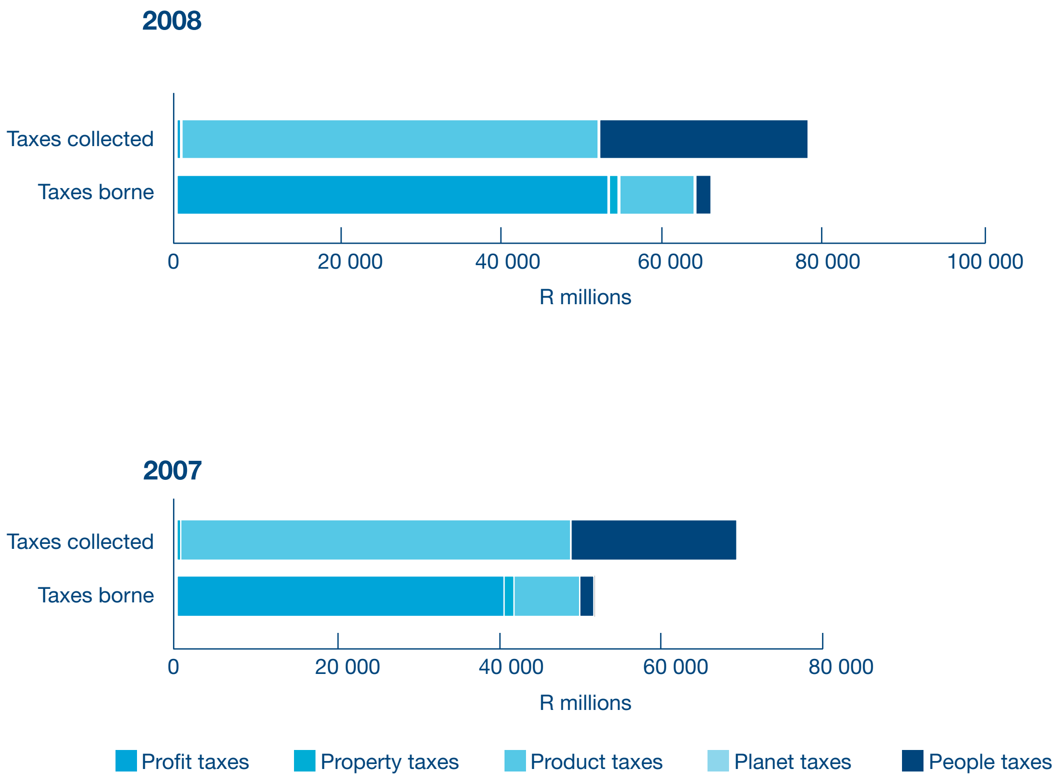


Taxes collected to taxes borne

4.20 Taxes collected by survey participants exceeded the amount of taxes borne by them.

4.21 For every R1 of taxes borne by survey participants, taxes of R1.18 (2007: R1.34) were collected, and for every R1 of corporate income tax paid by survey participants, R1.71 (2007: R1.98) was collected in taxes. Figure 9 illustrates total taxes collected to total taxes borne.

Figure 9: Taxes borne and taxes collected



Total Tax Contribution

4.22 A company's total tax contribution (TTC) represents the total taxes borne and total taxes collected by it. In aggregate, participants reported a TTC of R144 085 million (2007: R120 654 million) (see Table 2).

4.23 The 21 business taxes contributed a total of R603 169 million to government tax receipts, with the R144 085 million representing 23.89% of these government taxation receipts. Figure 10 illustrates the TTC of large South African companies as a percentage of total government tax receipts.

Table 2: Total tax contribution of large SA companies

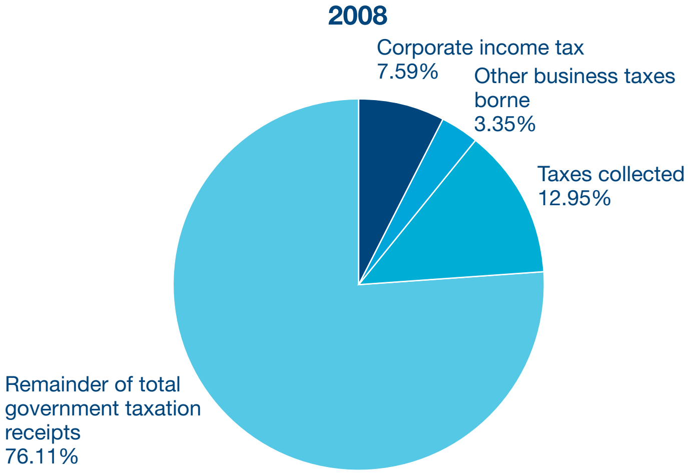
TTC 2008	Data from survey participants (R million)	Government tax receipts (R million)[1]	% of government tax receipts
Corporate income tax	R45 756		7.59%
Other business taxes	R20 203		3.35%
SA taxes borne	**R65 959**		**10.94%**
SA taxes collected	**R78 126**		**12.95%**
Total tax contribution	**R144 085**	**R603 169**	**23.89%**

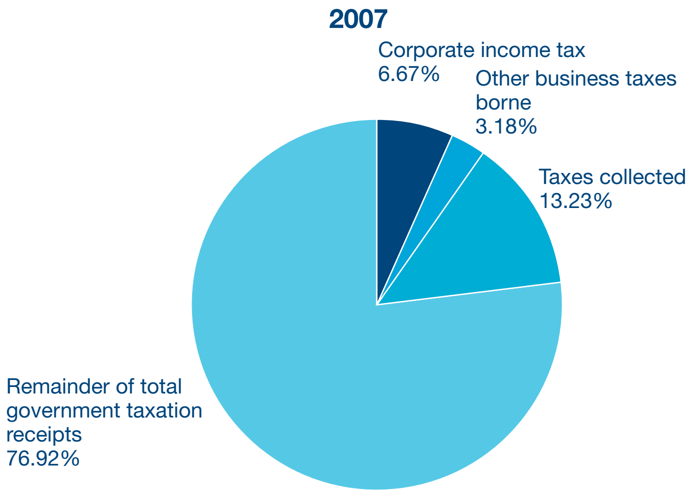
[1] Sources: Estimate of National Revenue 2008; Compensation Fund Annual Report 2008; SARS Annual Report 2008; and SARS Tax Statistics 2008.

TTC 2007	Data from survey participants (R million)	Government tax receipts (R million)[1]	% of government tax receipts
Corporate income tax	R34 858		6.67%
Other business taxes	R16 623		3.18%
SA taxes borne	**R51 481**		**9.85%**
SA taxes collected	**R69 173**		**13.23%**
Total tax contribution	**R120 654**	**R522 802**	**23.08%**

[1] Sources: Estimate of National Revenue 2008; Compensation Fund Annual Report 2008; SARS Annual Report 2008; and SARS Tax Statistics 2008.

Figure 10: Total tax contribution as a percentage of total government tax receipts





Value distributed

4.24 Total tax contribution studies highlight the economic, social and environmental issues of triple bottomline performance reporting with regard to taxes.

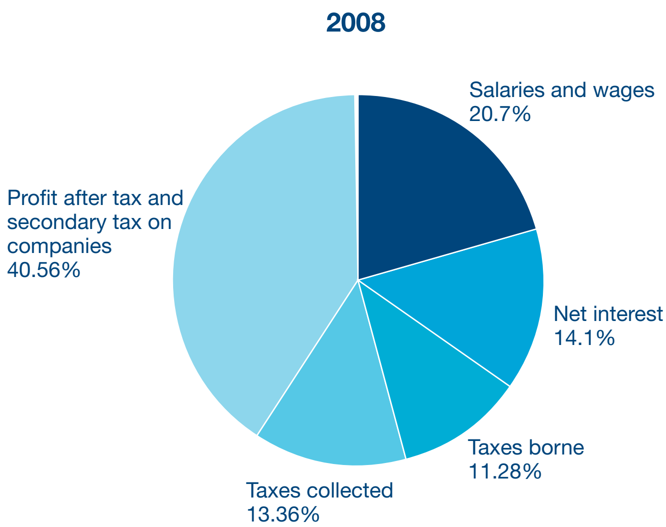
4.25 The possibilities of reporting are legion and, for the purposes of this study, limited to taxes borne and taxes collected as a percentage of value distributed, which is an approximation of how companies add value for their stakeholders.

4.26 The survey collected data on South African (SA) turnover, SA turnover before tax, SA salaries and wages paid, and net interest paid in SA. A collation of all these figures with taxes borne and taxes collected suggests that 24.64% of the value distributed by survey participants was paid to government in taxes borne (11.28%) and taxes collected (13.36%), as illustrated in Table 3. Figure 11 shows the total figures used in the study, all expressed as a percentage of value distributed.

Table 3: Value distributed to stakeholders

	Data from survey participants (R million)	% of value
Taxes borne	**R65 959**	**11.28%**
Taxes collected	**R78 126**	**13.36%**
Other stakeholders[1]	R440 770	75.36%
Total value distributed	**R584 855**	**100%**
[1]Finance cost (net interest); employees (salaries and wages); and investors (profit after tax and secondary tax on companies).		

Figure 11: Taxes borne and taxes collected as a percentage of value distributed



4.27 By way of comparison, total tax contribution studies in the United Kingdom (UK) suggest that 48.6% of the value distributed by participants is paid to government in taxes borne and taxes collected. The United States reports 32.5%.

5. People taxes

5.1 Large South African (SA) companies are also major employers. The 2008 survey participants employed 680 802 (2007: 661 911) employees in SA. People taxes borne (R1 995 million) and collected (R25 908 million) by survey participants totalled R27 903 million (2007: R22 175 million).

5.2 People taxes borne include pay-as-you-earn (PAYE) settlements, the occupational injuries and disease levy, the skills development levy and Unemployment Insurance Fund (UIF) payments.

5.3 People taxes collected include PAYE and UIF payments.

5.4 Participating companies reported a total salaries and wages bill of R121 103 million (2007: R110 945 million).

5.5 On average, for each employee, large companies remitted (taxes borne [R7 233] and taxes collected [R62 406]) an amount of R69 639 (2007: R59 083) into the public finances in 2008 in people taxes alone. On average, people taxes borne and collected comprise 25.2% (2007: 22.6%) of the salaries and wages bill (see Table 4).

Table 4: People taxes as a percentage of salaries and wages

People taxes as a percentage of salaries and wages	2008		
	Borne	Collected	Total
Total people taxes as a percentage of total salaries and wages[1]	1.7%	21%	22.7%
Mean average of people taxes as a percentage of salaries and wages[2]	2.4%	22.8%	25.2%
Median average of people taxes as a percentage of salaries and wages[2]	1.5%	18.4%	20.4%

[1] Calculated for all participants as a group.
[2] Calculated for all individual participant companies.

People taxes as a percentage of salaries and wages	2007		
	Borne	Collected	Total
Total people taxes as a percentage of total salaries and wages[1]	1.6%	18.8%	20.4%
Mean average of people taxes as a percentage of salaries and wages[2]	1.9%	20.7%	22.6%
Median average of people taxes as a percentage of salaries and wages[2]	1.5%	18.2%	19.8%

[1] Calculated for all participants as a group.
[2] Calculated for all individual participant companies.

6. Tax Freedom Day

6.1 Tax Freedom Day is the notional day of the year when a nation and its taxpayers have met all tax liabilities for that year. This day is calculated annually by the Free Market Foundation of Southern Africa by using gross domestic product and total taxes paid.

6.2 The concept of Tax Freedom Day was developed and copyrighted in 1948 by Florida businessman, Dallas Hostetler, who calculated the day each year for the next two decades in the United States. In 1971, Hostetler retired and transferred copyright to the Tax Foundation in the United States (US). The copyright in South Africa is owned by the Free Market Foundation, which calculates this day every year.

6.3 This year, South Africa's Tax Freedom Day falls on 10 May[1]. In effect, the total earnings of the average South African taxpayer from 1 January to 10 May are equal to the total taxes that he or she has to pay for 2009. Last year, Tax Freedom Day was on 12 May, and the year before it was on 10 May. A later date means that the overall tax burden for that year has increased, and an earlier date, that it has decreased.

6.4 In the United Kingdom (UK), Tax Freedom Day fell on 14 May[2], while in the US it fell on 13 April[3] . This means that the average South African pays proportionately more taxes to income earned than the average citizen in the US, but marginally less than the average citizen in the UK.

[1] Calculated by the Free Market Foundation (SA).
[2] Calculated by the Adam Smith Institute (UK).
[3] Calculated by the Tax Foundation (US).

6.5 The data gathered during the survey make it possible to calculate the average Tax Freedom Day for the participants. Tax Freedom Day for participants was calculated using the concepts defined in the TTC Framework, and specifically the concept of taxes borne.

6.6 To calculate Tax Freedom Day, the total taxes borne were divided by profit before all business taxes, and this was translated into days for a particular calendar year (see Figure 12).

Figure 12: Tax Freedom Day

$$\text{Tax Freedom Day} = \frac{\text{Total taxes borne}}{\text{Profit before all business taxes}} \times 365 \text{ days}$$

6.7 The mean average Tax Freedom Day for participants was 28 April (see Figure 13).

Figure 13: Tax Freedom Day

April						
Sun	**Mon**	**Tue**	**Wed**	**Thu**	**Fri**	**Sat**
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	X 28	29	30			

6.8 The identification of Tax Freedom Day invites reflection on the tax system and the value that is received for taxes paid. As an involuntary investor in government, a taxpayer welcomes the arrival of Tax Freedom Day as the day of the year when he or she has ceased working solely for the fiscus, and hard-earned income received after that date is his or hers to spend.

7. Industry analysis

7.1 Income tax disclosure in annual reports provides an important insight into a company's tax affairs, with companies' effective tax rates[1] (ETR) being the headline rate commonly quoted by chief financial officers when discussing their company's income tax affairs in the annual report. ETR gives a basic indication of the impact of tax on results.

7.2 Tax benchmarking is one way of analysing the Total Tax Contribution of companies in the same industry. The participants were divided into the following industries: banks, consumer goods, general manufacturing, insurance, media and entertainment, mining, oil and gas, retailers, and telecommunication. The "other industries" group combines participants from industries with three or fewer participants. Table 5 lists the industries as well as the number of participants and their total tax contribution. Taxes borne and taxes collected for a specific industry are listed in Table 6.

[1] The effective tax rate of a company is its tax provision as a percentage of income before tax, as per the face of the income statement/statement of comprehensive income.

Table 5: Industries

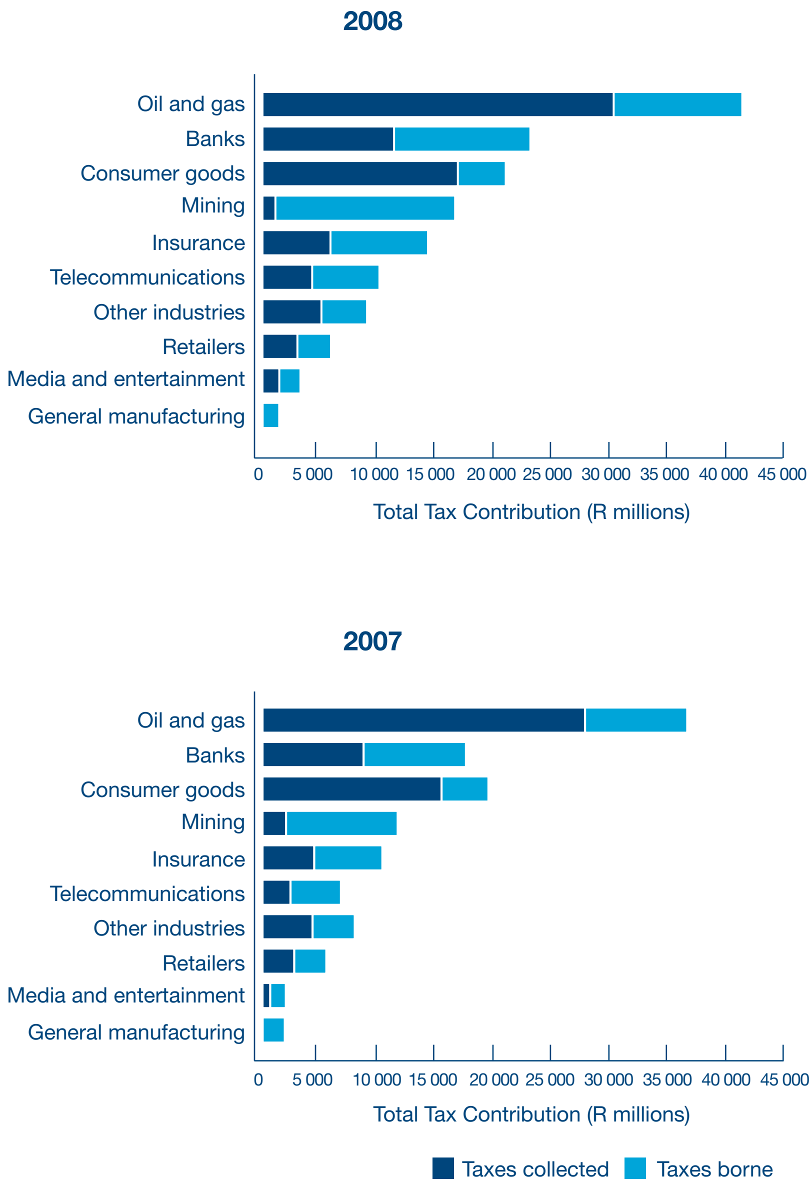
Industries	Number of participants	Total tax contribution 2008 (R million)	Total tax contribution 2007 (R million)
Oil and gas	5	40 875	36 810
Banks	6	22 824	17 632
Consumer goods	4	20 722	19 583
Mining	9	16 414	11 717
Insurance	5	14 100	10 392
Telecommunication	4	9 964	6 799
Other industries	4	8 910	7 997
Retailers	5	5 840	5 536
Media and entertainment	4	3 236	2 023
General manufacturing	4	1 200	2 165
Totals	**50**	**144 085**	**120 654**

Table 6: Taxes borne and taxes collected

Industries	Taxes borne 2008 (R million)	Taxes borne 2007 (R million)	Taxes collected 2008 (R million)	Taxes collected 2007 (R million)
Oil and gas	10 958	8 860	29 918	27 950
Banks	11 613	8 873	11 211	8 759
Consumer goods	4 078	4 068	16 644	15 515
Mining	15 310	9 675	1 103	2 042
Insurance	8 307	5 910	5 793	4 482
Telecommunication	5 729	4 373	4 235	2 426
Other industries	3 888	3 660	5 023	4 337
Retailers	2 865	2 786	2 976	2 750
Media and entertainment	1 802	1 355	1 434	668
General manufacturing	1 410	1 921	(210)	244
Totals	**65 959**	**51 481**	**78 126**	**69 173**

7.3 Figure 14 illustrates the total tax contribution (TTC) for the ten industries. The oil and gas industry contributed the most and general manufacturing the least.

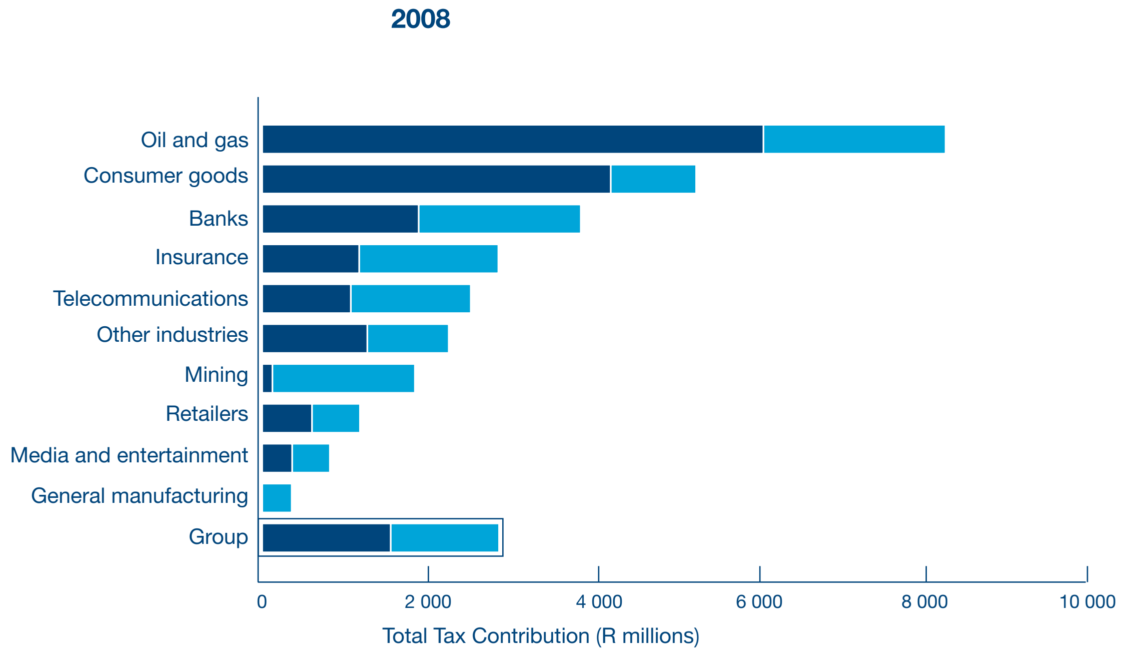
Figure 14: Industry analysis – TTC per industry

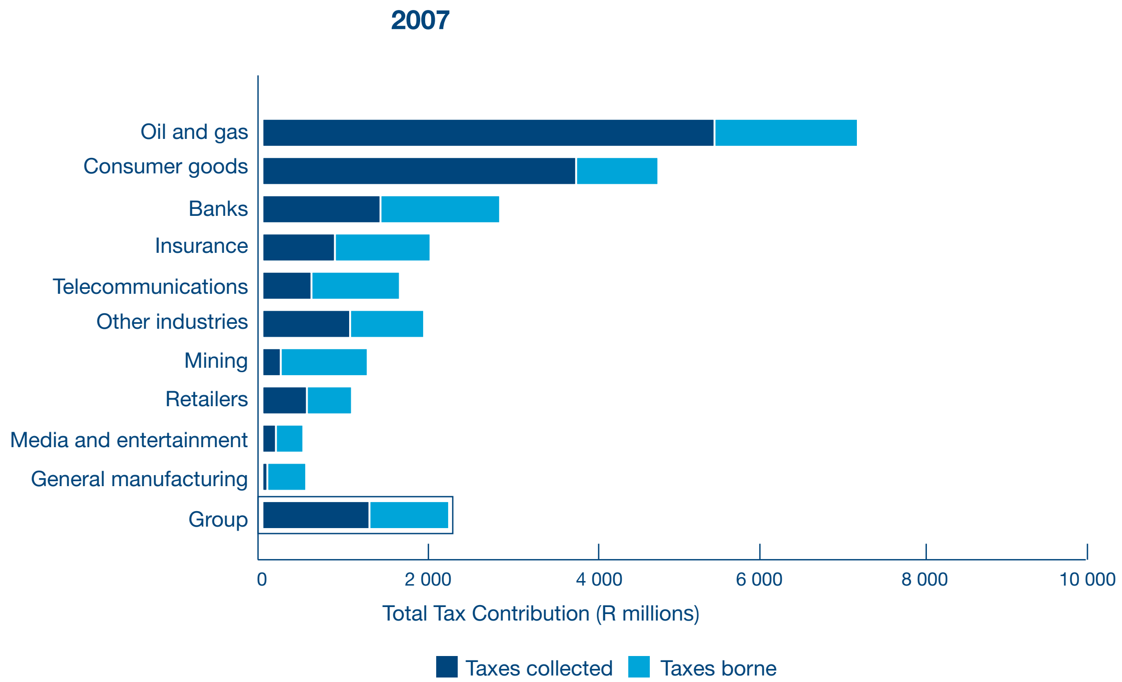


7.4 In interpreting the survey results in this section, it is important to understand that there were different numbers of participants in each industry. A comparison between industries therefore does not compare like with like. However, the mean average TTC for the various industries enables comparisons to be drawn.

7.5 The mean average TTC for the participating group ("Group") was R2 882 million (2007: R2 413 million), with oil and gas again being the highest with a mean average TTC of R8 175 million (2007: R7 362 million), while general manufacturing was the lowest at R300 million (media and entertainment was the lowest in 2007: R506 million) . Figure 15 illustrates the mean average TTC per industry.

Figure 15: Industry analysis – mean average TTC per industry



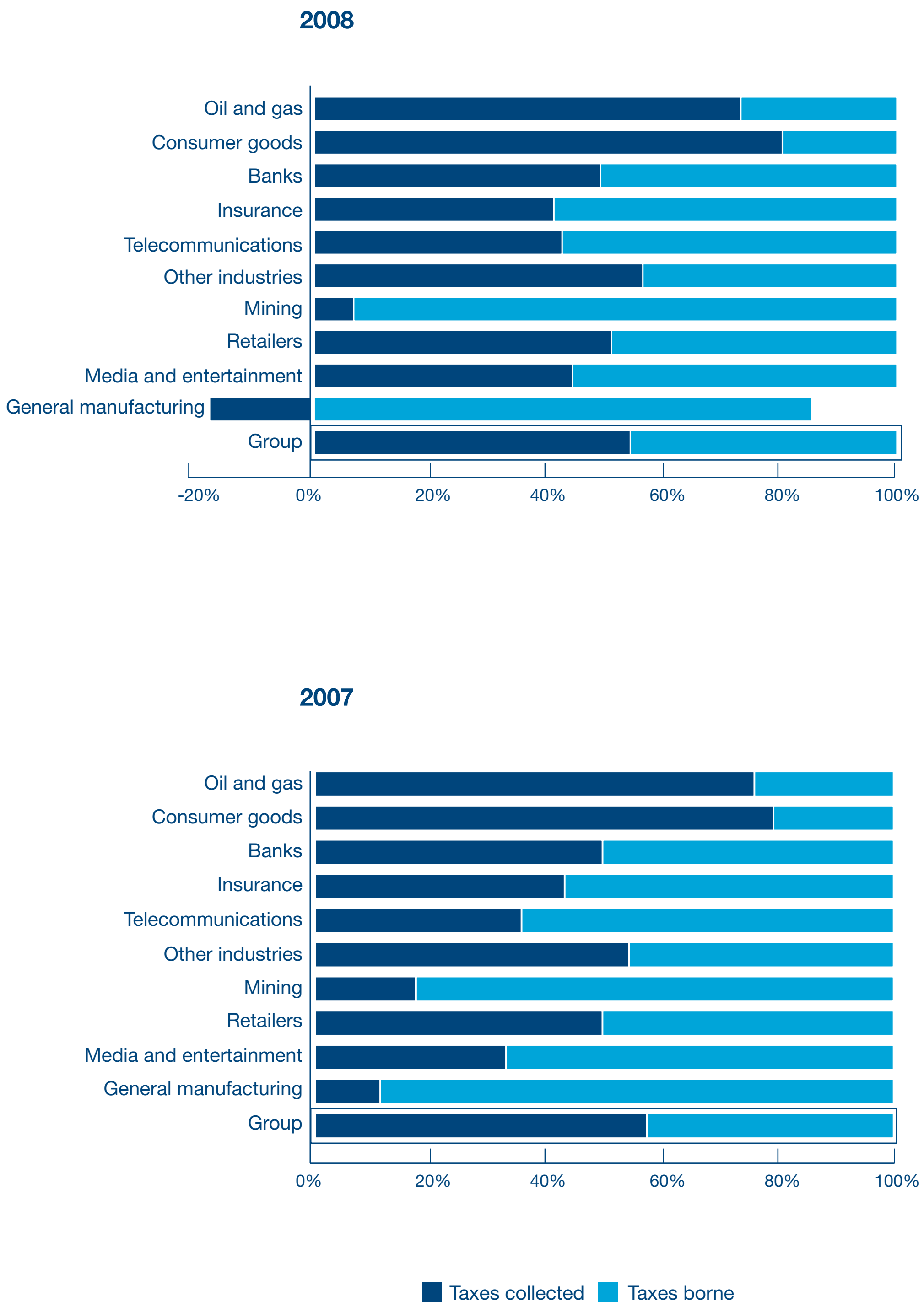


7.6 Table 7 compares total taxes collected to total taxes borne, and Figure 16 illustrates the taxes borne and taxes collected per industry.

Table 7: Total taxes collected to total taxes borne

Industries	Ratio 2008	Ratio 2007
Consumer goods	4.08	3.81
Oil and gas	2.73	3.15
Other industries	1.29	1.18
Group	**1.18**	**1.34**
Retailers	1.04	0.99
Banks	0.97	0.99
Media and entertainment	0.80	0.49
Telecommunication	0.74	0.55
Insurance	0.70	0.76
Mining	0.07	0.21
General manufacturing	(0.15)	0.13

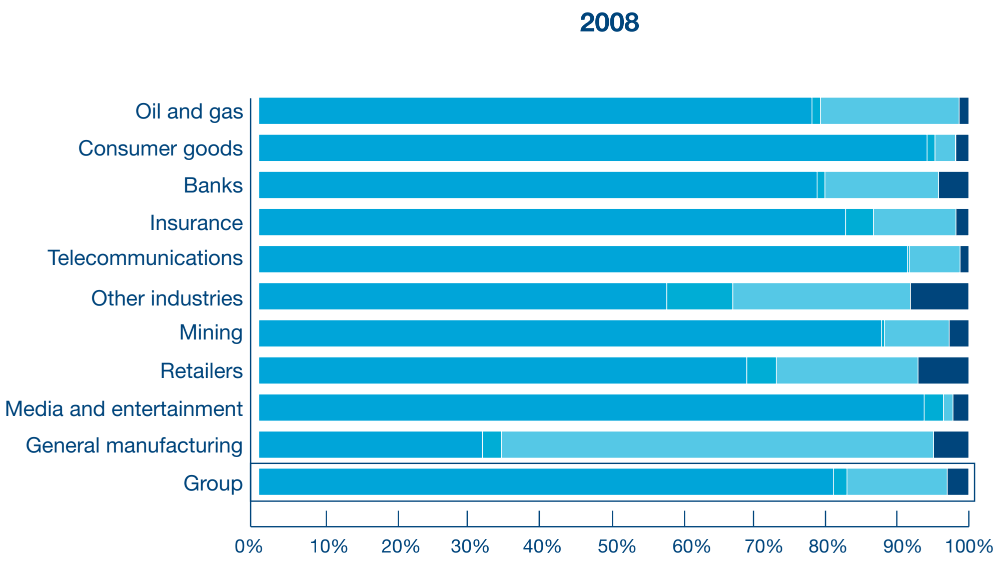
Figure 16: Industry analysis – taxes borne and taxes collected



7.7 General manufacturing was in a refund position for value-added tax collected.

7.8 Figure 17 illustrates taxes borne per tax category, while Figure 18 distinguishes between corporate income tax and other business taxes.

Figure 17: Industry analysis – taxes borne per tax category



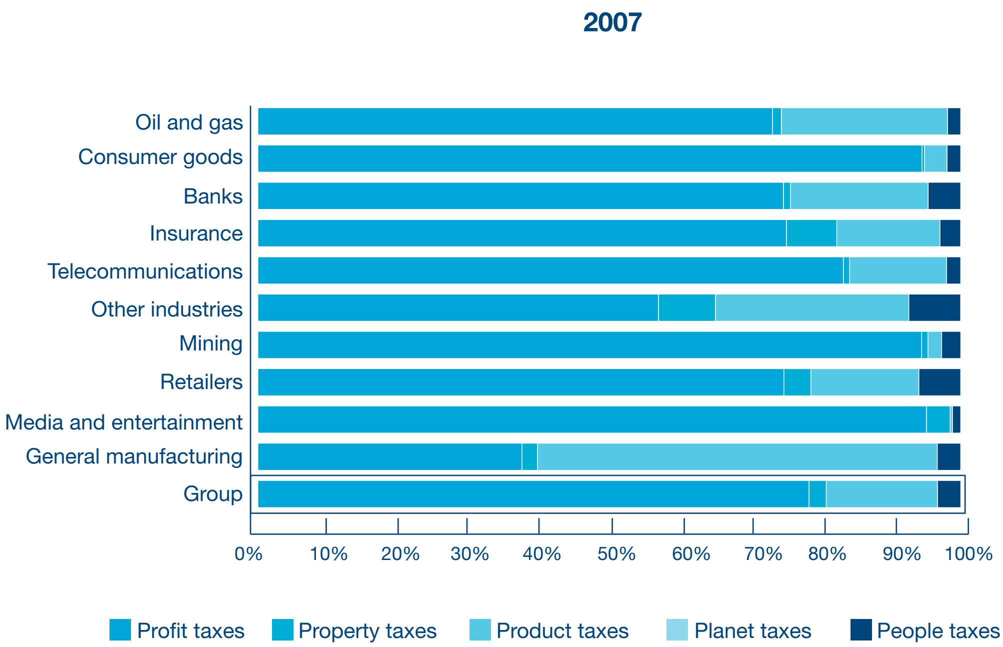
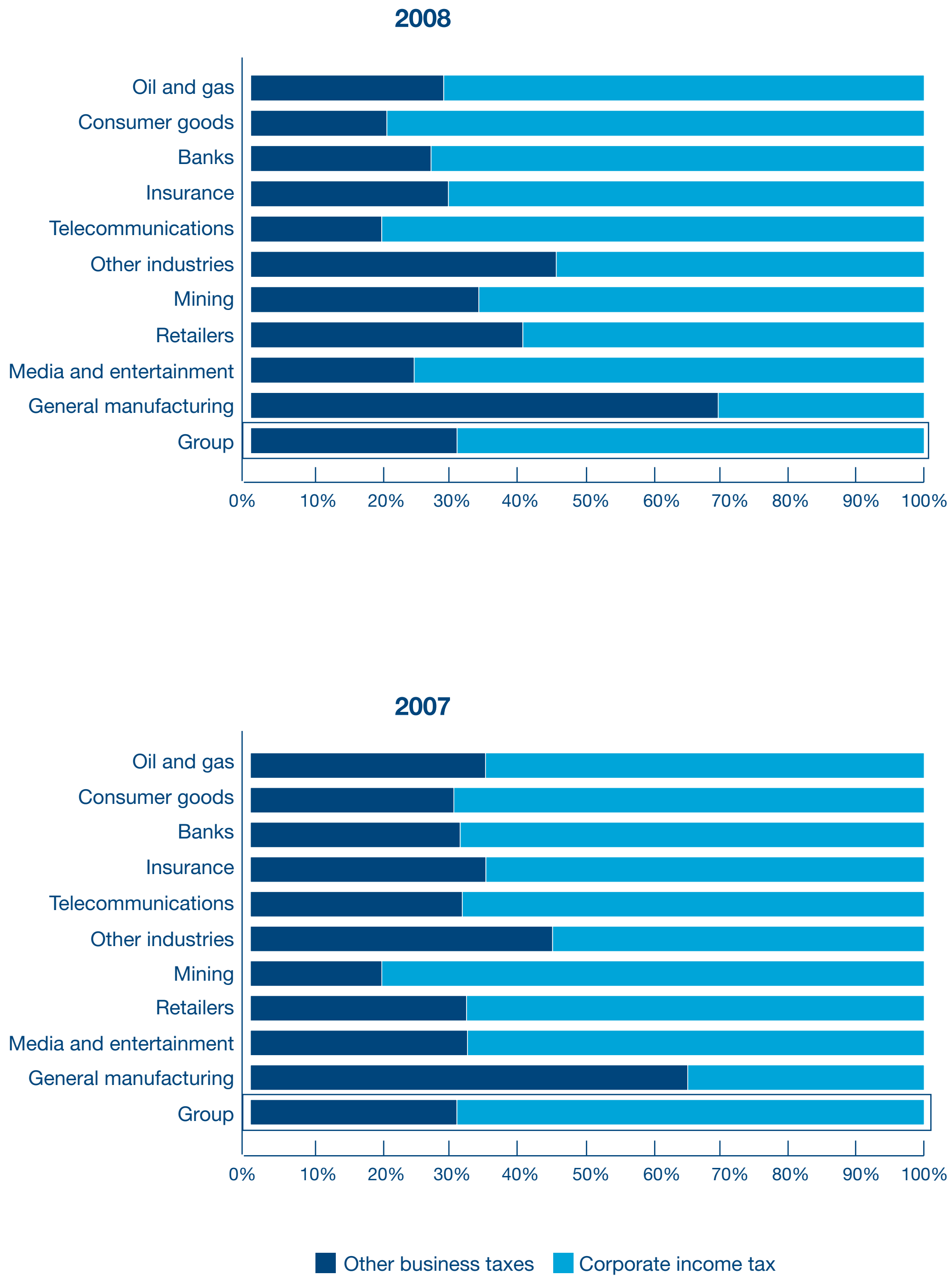
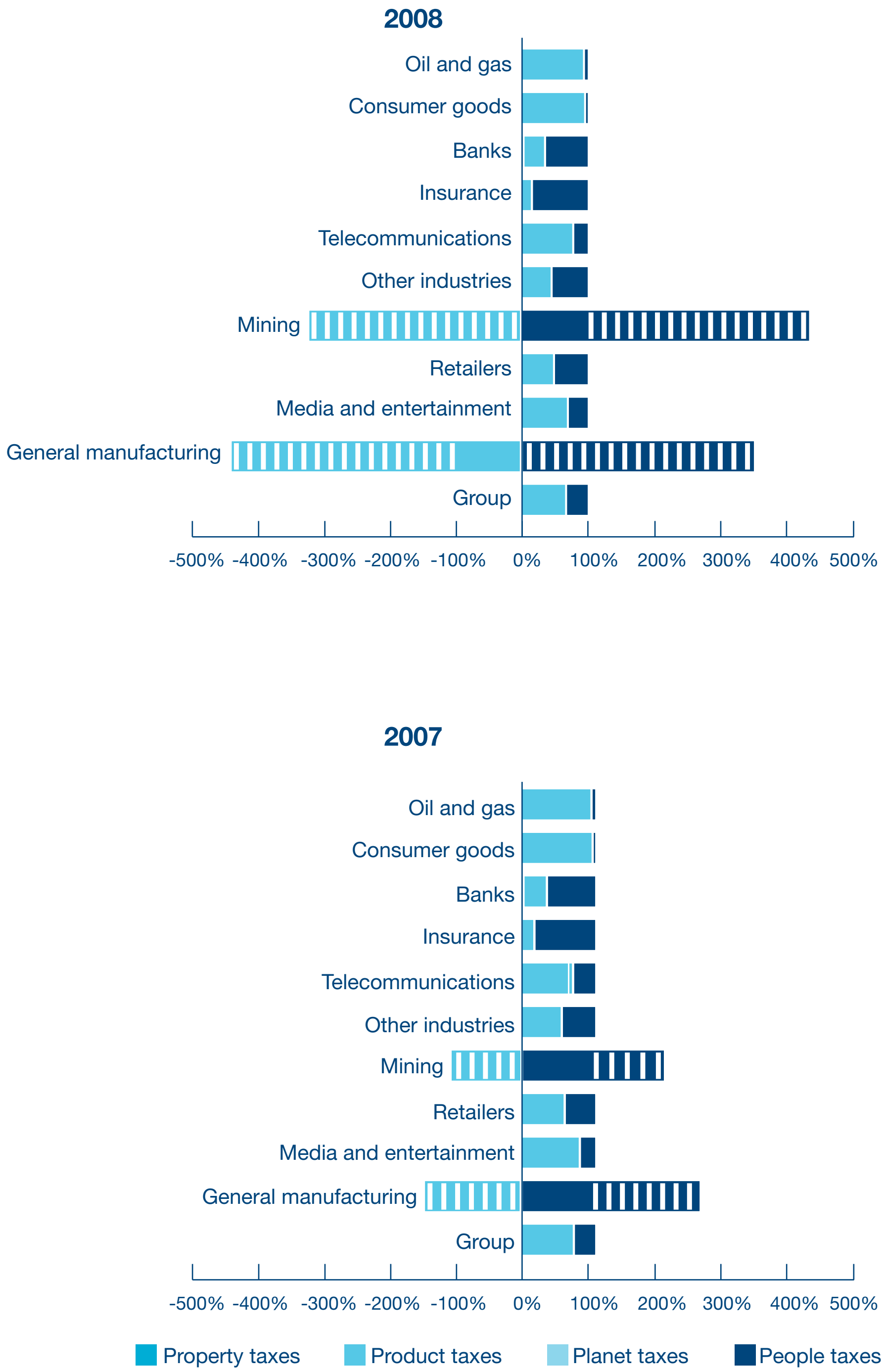


Figure 18: Industry analysis – corporate income tax and other business taxes



7.9 Figure 19 illustrates the tax mix of taxes collected per tax category.

Figure 19: Industry analysis – tax collected per tax category

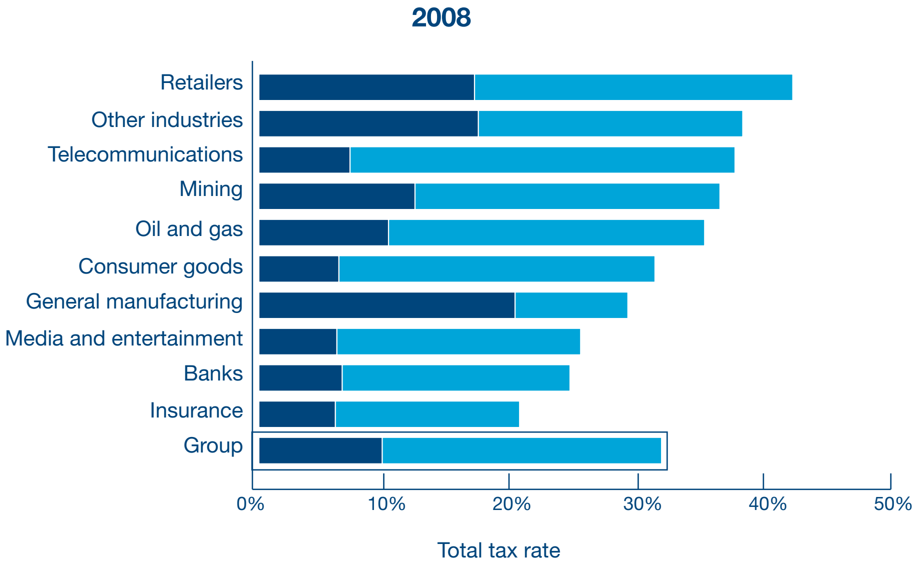


7.10 The most meaningful figure for companies is the total tax rate. This figure compares all taxes borne to profit before all business taxes borne, and thus provides a more complete picture of the real tax burden than the ETR.

7.11 TTC as a percentage of turnover provide a measure of what a company contributes to government tax receipts with respect to its size as measured by turnover.

7.12 Figure 20 illustrates the total tax rate per industry and Figure 21 the TTC as a percentage of turnover per industry.

Figure 20: Industry analysis – total tax rate



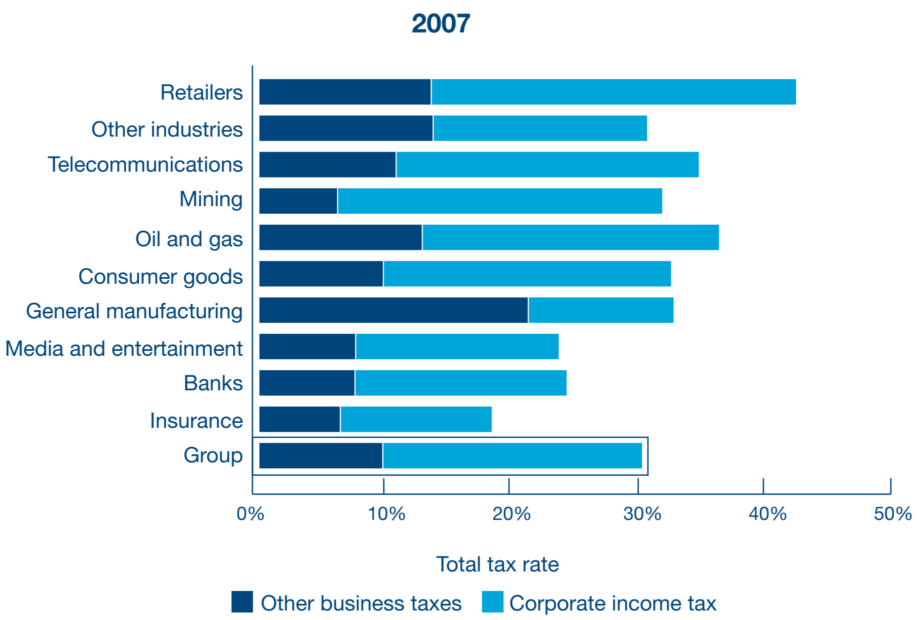
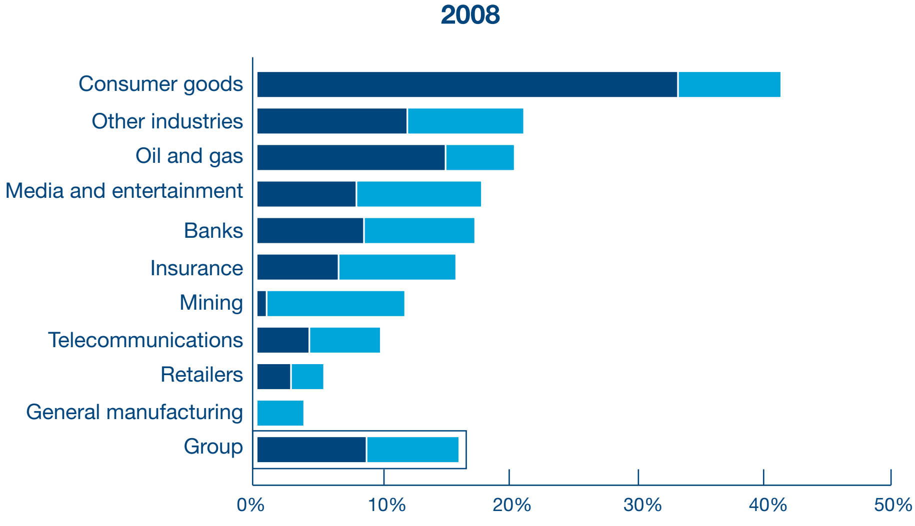
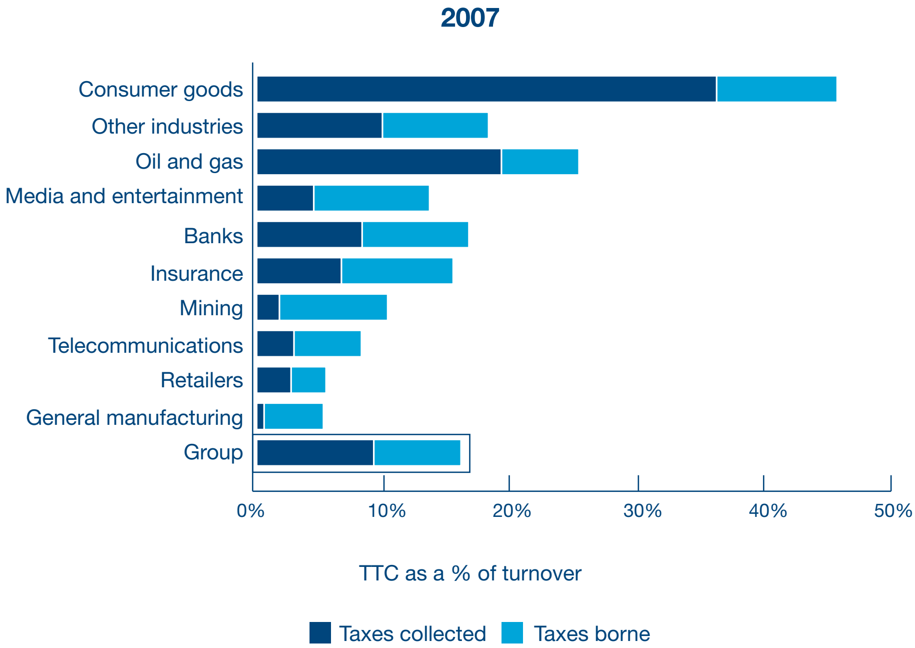


Figure 21: Industry analysis – TTC as a percentage of turnover





7.13 Tax Freedom Day was calculated for the different industries and is reflected in Table 8.

Table 8: Tax Freedom Day

Industries	Tax Freedom Day
Insurance	17 March
Banks	31 March
Media and entertainment	3 April
General manufacturing	16 April
Consumer goods	26 April
Group	**28 April**
Oil and gas	10 May
Mining	18 May
Telecommunication	20 May
Other industries	24 May
Retailers	9 June

8. The picture for individual participants

8.1 The mean average total tax rate (TTR) for participants is 31.8% (2007: 25%) (see Table 9).

Table 9: Total tax rate

Total tax rate (TTR)	2008	2007
TTR[1]	21.3%	25%
Mean average TTR[2]	31.8%	30.4%
Median average TTR[2]	29.6%	29.3%

[1] Calculated for all participants as a group.
[2] Calculated for all individual participant companies.

8.2 The mean average for Total Tax Contribution (TTC) as a percentage of turnover for participants is 15.8% (2007: 15.6%) (see Table 10).

Table 10: TTC as a percentage of total turnover

TTC as a percentage of turnover	2008		
	Borne	Collected	Total
TTC as a percentage of total turnover[1]	6.1%	7.3%	13.4%
Mean average of TTC as a percentage of turnover[2]	7.7%	8.1%	15.8%
Median average of TTC as a percentage of turnover[2]	6.1%	4.7%	11.6%

[1] Calculated for all participants as a group.
[2] Calculated for all individual participant companies.

TTC as a percentage of turnover	2007		
	Borne	Collected	Total
TTC as a percentage of total turnover[1]	5.8%	7.9%	13.7%
Mean average of TTC as a percentage of turnover[2]	6.9%	8.7%	15.6%
Median average of TTC as a percentage of turnover[2]	6.1%	3.9%	10.7%

[1] Calculated for all participants as a group.
[2] Calculated for all individual participant companies.

8.3 The mean average people taxes borne and collected per employee for participants are R69 640 (2007: R59 083) (see Table 11).

Table 11: People taxes borne and collected per employee

People taxes borne and collected per employee	2008		
	Borne	Collected	Total
Total people taxes borne and collected per SA employee[1]	R2 919	R37 072	R39 991
Mean average people taxes borne and collected per SA employee[2]	R7 233	R62 406	R69 639
Median average people taxes borne and collected per SA employee[2]	R3 606	R47 632	R51 665

[1] Calculated for all participants as a group.
[2] Calculated for all individual participant companies.

People taxes borne and collected per employee	2007		
	Borne	Collected	Total
Total people taxes borne and collected per SA employee[1]	R2 830	R34 317	R37 147
Mean average people taxes borne and collected per SA employee[2]	R6 167	R52 916	R59 083
Median average people taxes borne and collected per SA employee[2]	R3 329	R42 529	R45 507

[1] Calculated for all participants as a group.
[2] Calculated for all individual participant companies.

9. Trend analysis

Economic downturn

9.1 Participants in the survey included 31 listed companies with a market cap of R3 178 580 million on 31 March 2008. The market cap increased with 9.64% from 2 April 2007 to 31 March 2008. A decrease of 32.5% in market cap followed from 1 April 2008 to 31 March 2009. The market cap for these companies was R2 145 633 million on 31 March 2009.

9.2 Additionally, 29 203 million shares of participants traded from 1 April 2008 to 31 March 2009, compared to 21 893 million shares for the period 2 April 2007 to 31 March 2008. This resulted in an increase of 33.39%.

9.3 The decrease of 32.5% in market cap for participating companies is clear evidence of an economic downturn, while the increase in share trading of 33.19% points to a volatile market.

9.4 In the year to March 2008, taxes borne in the United Kingdom (UK) decreased significantly, with particular declines in corporation tax and stamp duties, reflecting reduced profitability and lower transaction activity. Corporation tax fell by 24.2% and total taxes borne by 12.4%. This contrasts with all previous surveys conducted in the UK, where the figures for corporation tax and other taxes borne consistently showed an increase over the previous year.

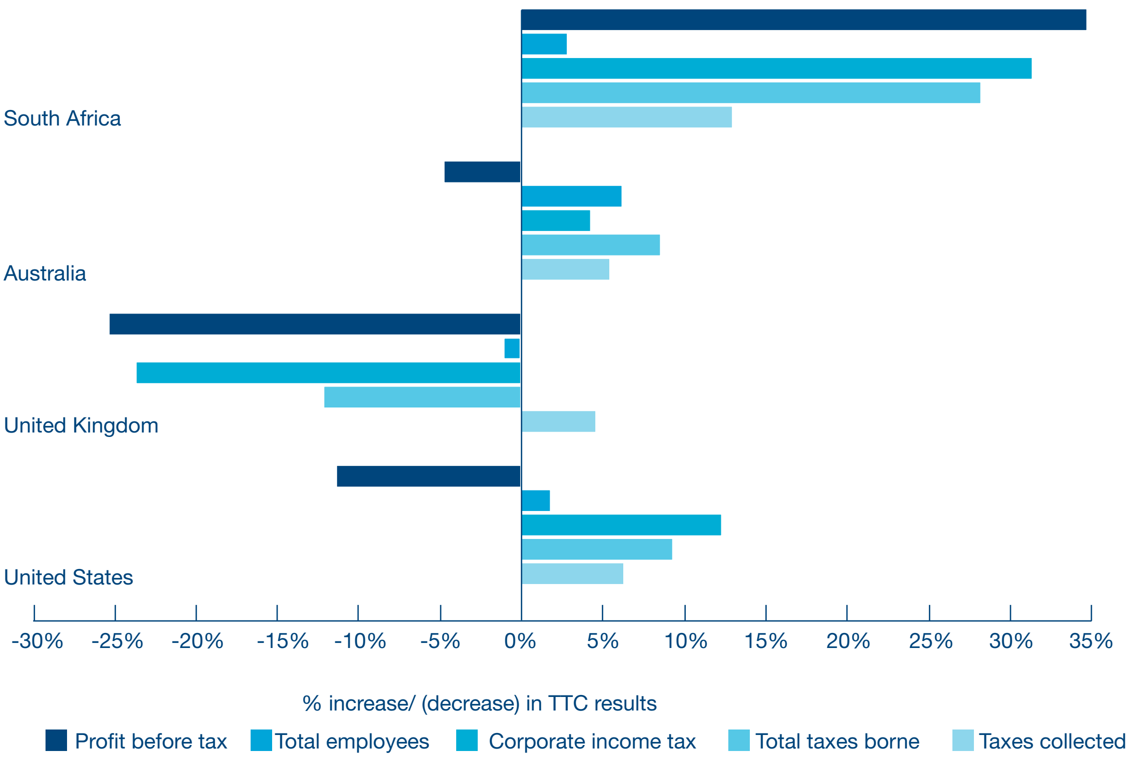
9.5 The UK also reported a decrease in profit before tax (25.9%) and total employees (1%). Australia and the US reported only decreases in profit before tax (4.4% and 11.6% respectively).

9.6 South Africa, Australia and the US reported increases in corporate income tax borne (31.26%, 4% and 11.5% respectively), increases in total taxes borne (28.12%, 8% and 8.7% respectively) and increases in total employees (2.85%, 5.8% and 1.7% respectively), with South Africa reporting an increase in profit before tax (34.6%).

9.7 All four countries reported increases in total taxes collected – South Africa: 12.94%; Australia: 5.1%; the UK: 4.3%; and the US: 5.9%.

9.8 Figure 22 illustrates the impact of the economic downturn in the UK.

Figure 22: Impact of the economic downturn on the 2008 TTC results for countries carrying out TTC studies for 2008



9.9 Looking forward, the current economic outlook indicates that further declines are likely in 2009 surveys. Tax receipts from the financial services sector will undoubtedly be much lower in 2009, as will the profitability of other sectors.

TTC 2008 results compared to TTC 2007 results

9.10 The companies that participated in the 2008 TTC survey differed from those that participated in the 2007 TTC survey. Although both surveys had 50 participants, a comparison between the results does not compare like with like. It is interesting, however, to compare the following three measures: total tax rate; TTC as a percentage of turnover; and employment taxes borne and collected per employee.

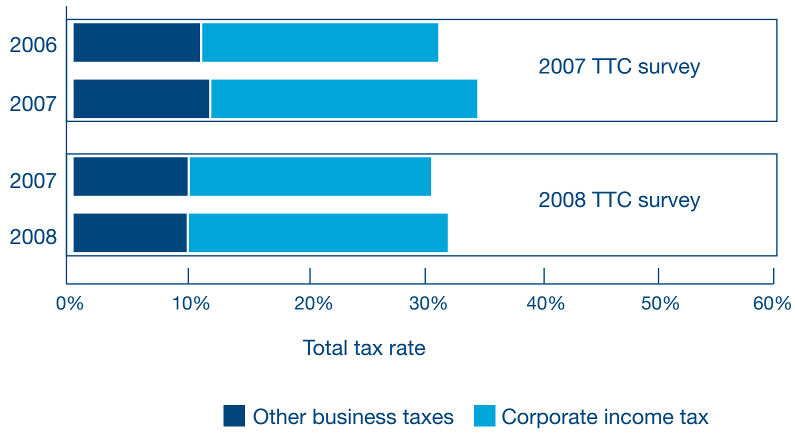
9.11 If these three measures are compared, it is noticeable that the results are closely aligned even though the participation group differed. Both surveys collected data for 21 taxes.

9.12 The 2007 TTC survey reported a mean average total tax rate for participants of 34.3%, up from 31% in 2006.

9.13 The results of the 2008 TTC survey indicated a mean average total tax rate for participants of 31.8%, up from 30.4% in 2007.

9.14 The decrease in total tax rate may be attributed to the increase in participants from the bank and insurance industries.

Figure 23: Trend – total tax rate

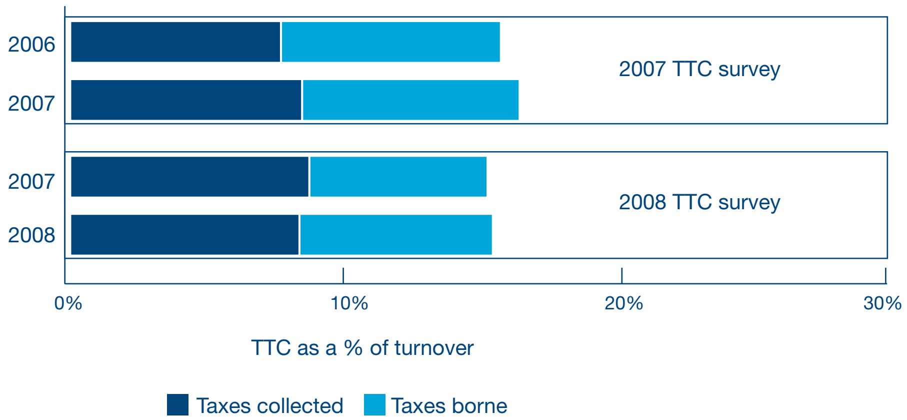


9.15 The 2007 TTC survey reported a mean average of TTC as a percentage of turnover of 16.8%, up from 16.1% in 2006.

9.16 The results of the 2008 TTC survey indicated a mean average of taxes borne and taxes collected as a percentage of turnover of 15.8%, up from 15.6% in 2007.

9.17 The decrease in total tax rate may be attributed to the increase in participants from the retailers and telecommunication industries.

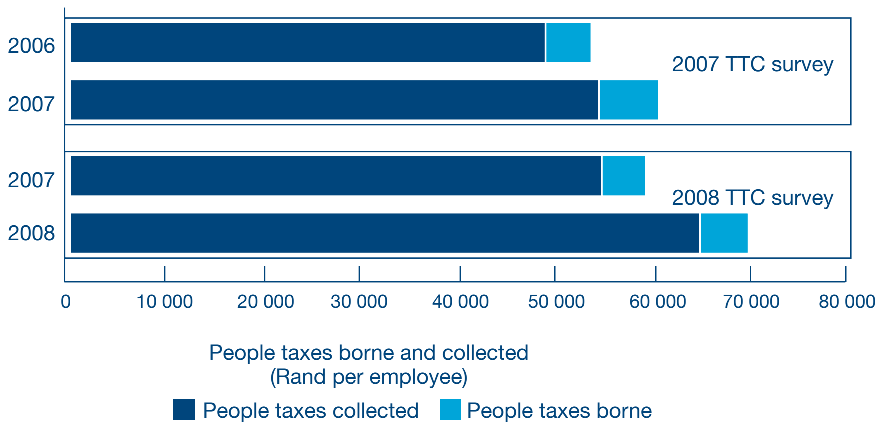
Figure 24: Trend – TTC as a percentage of turnover



9.18 The 2007 TTC survey reported a mean average of R60 415 for employment taxes borne and collected per employee, up from R53 512 in 2006.

9.19 The results for the 2008 TTC survey indicated a mean average of R69 639 for employment taxes borne and collected per employee, up from R59 083 in 2007.

Figure 25: Trend – people taxes borne and collected per employee



10. Compliance burden

In-house specialist tax resources

10.1 The management of tax planning and tax compliance activities represents a real cost to large business. Furthermore, the services that members of the corporate sector perform as unpaid tax collectors are a valuable contribution to the fiscus and to the national economy, where only the cost of taxes collected, and not the tax itself, is a cost to the company.

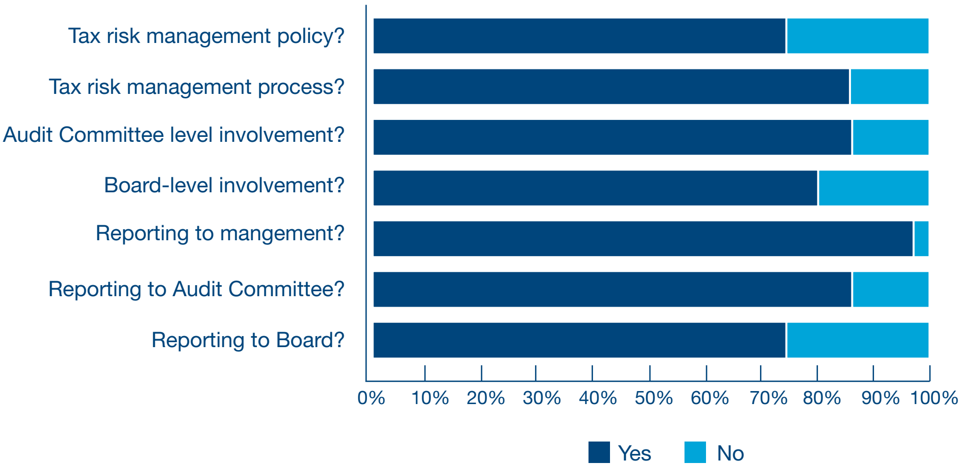
10.2 The 2008 survey collected data on the size and shape of participants' Tax Departments (their in-house specialist tax resource) and the cost of complying with South African business taxes. It is important to note that the Tax Departments of large companies will generally also play a role in the group's worldwide tax affairs.

10.3 Participants reported an average of 12.41 full-time equivalent employees in their Central Tax Department. The minimum number was 1 and the maximum nearly 33[1].

10.4 Participants manage tax risk with a formal tax risk management policy (73.71%); tax risk management process (86.11%); Audit Committee-level involvement (86.11%); and Board-level involvement (80%). Participants also indicated the existence of a formal tax reporting structure to management (97.14%); to the Audit Committee (86.11%); and to the Board (74.29%) (see Figure 26)[2].

[1] 28 participants provided data.
[2] 35 participants provided data.

Figure 26: Tax risk management and tax reporting structure

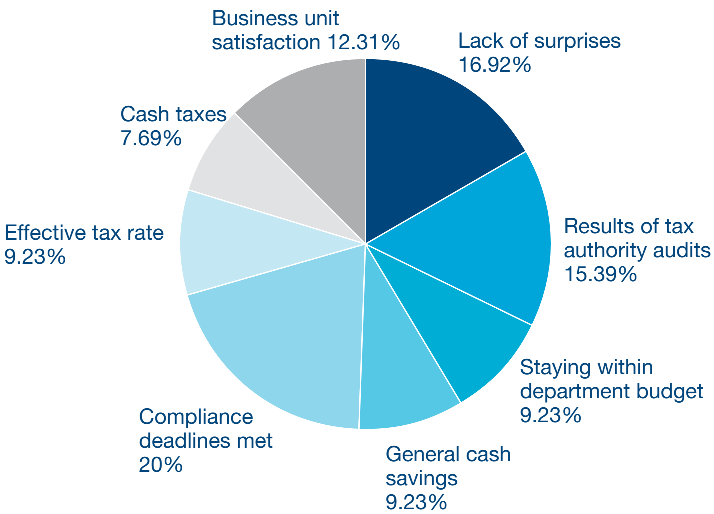


10.5 The head of tax in the Central Tax Department generally reports to the Financial Director or the Chief Financial Officer (89.65%)[1].

10.6 The average annual budget for the Central Tax Department for participants is R7 671 326, of which 81.28% represents internal costs (i.e. people costs, overheads, travel, training and technology), while 18.72% represents spend on external costs (i.e. outside consultants, compliance outsourcing)[2].

10.7 The primary performance measure for the Central Tax Department is often the meeting of compliance deadlines (20%), followed by lack of surprises (16.92%) and results of tax authority audits (15.39%) (see Figure 27)[3].

Figure 27: How is the Tax Department measured?



[1] 28 participants provided data.
[2] 19 participants provided data.
[3] 24 participants provided data.

10.8 Participants' Central Tax Departments spend the majority of their time on tax compliance-related work[1] and profit taxes[2] (see Figures 28 and 29).

Figure 28: Time spent on tax function

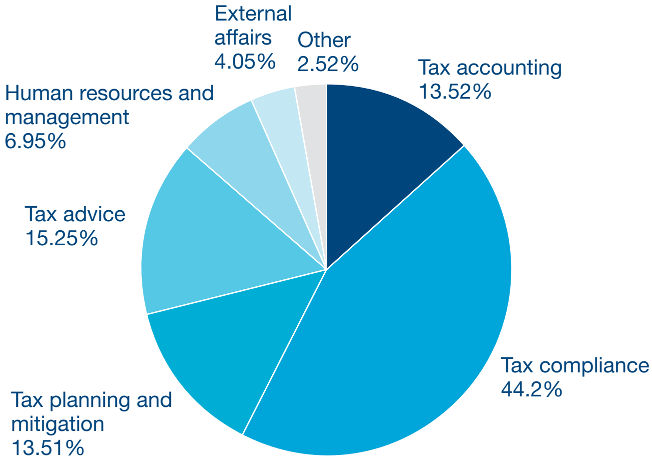
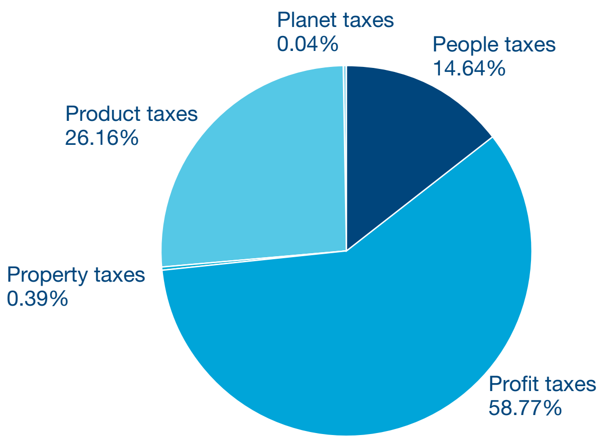


Figure 29: Time spent on different taxes



[1] 27 participants provided data.
[2] 24 participants provided data.

The cost of tax compliance

10.9 As illustrated by Figure 28, 44.2% of time spent on tax functions by the Central Tax Department relates to tax compliance work.

10.10 South African tax compliance work includes keeping records and collecting data; calculating tax liabilities and completing tax returns; making tax payments; dealing with tax authorities, including resolving disputes; clearances and applications, where relevant; and training of staff and keeping up to date with changes in tax rules and regulations.

10.11 In-house specialist tax resources are not limited to the Central Tax Department. Employees in other business functions (i.e. accounting, finance, shared services, payroll, etc.) also play a role in tax compliance and are collectively referred to as the "Shadow" Tax Department for the purpose of this study. 36 participants provided data on time spent on compliance activities for the Central Tax Department as well as for the Shadow Tax Department.

10.12 Overall, participants reported the equivalent of 302 full-time employees (193 in the Central Tax Department and 109 in the Shadow Tax Department) working on SA tax compliance, an average of 8.6 full-time equivalent per company.

10.13 The Shadow Tax Department contributed 36.24% of total time spent on tax compliance activities (see Figure 30). Figure 31 illustrates the split between the Central Tax Department and the Shadow Tax Department for a number of taxes.

Figure 30: Time spent - Central and Shadow Tax Departments

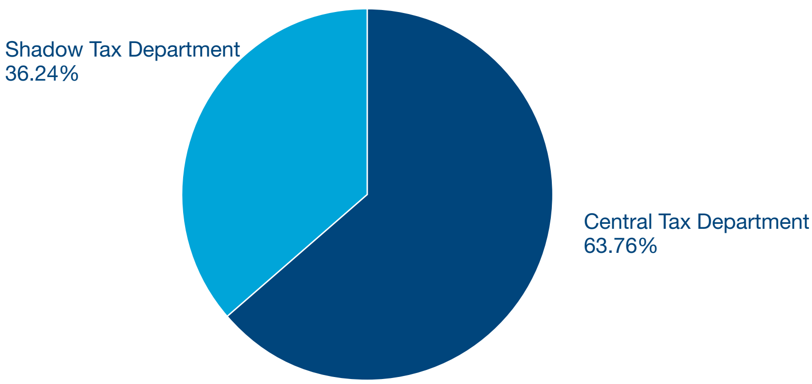
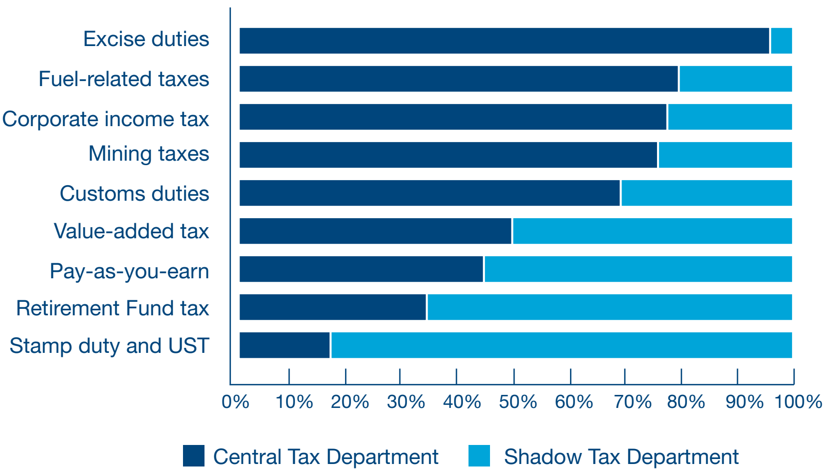
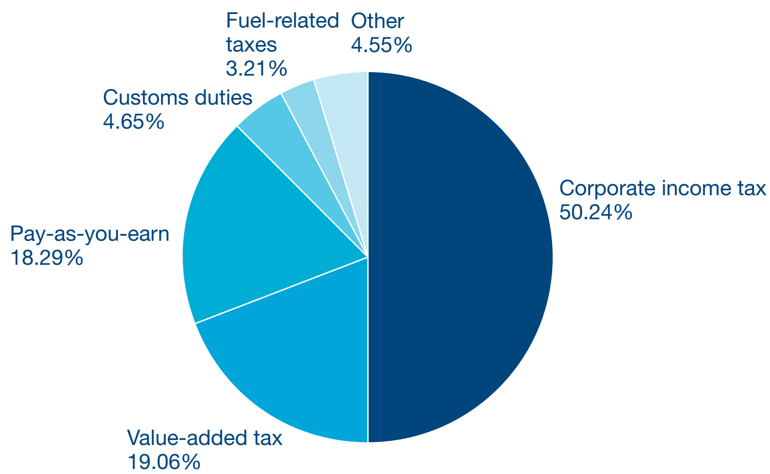


Figure 31: Mix - Central and Shadow Tax Departments



10.14 50.24% of the time spent on tax compliance relates to corporate income tax, 19.06% to value-added tax and 18.29% to pay-as-you-earn. The other taxes account for 12.41% (see Figure 32). Of the 50.24% of time spent on corporate income tax, 15.31% relates to the international aspects of South African corporate income tax rules, with the lion's share being spent on transfer pricing and CFCs.

Figure 32: Time spent on tax compliance (own resources)



10.15 The data provided by participants on time spent by own (also referred to as "internal") resources (Central and Shadow Tax Departments) have been translated to a monetary cost, utilising data provided by participants on salary cost as well as a fixed percentage for overheads. Participants also provided the total cost incurred during the year on compliance services provided by external service providers.

10.16 Participants spent R238 million in total to comply with South African taxes – R159 million on internal resources and R79 million on external resources. This resulted in the following mix between costs incurred internally and externally, as illustrated by Figure 33. See Figures 34 and 35 for compliance cost per tax type (external resources and all resources respectively).

Figure 33: Mix - internal and external tax resources

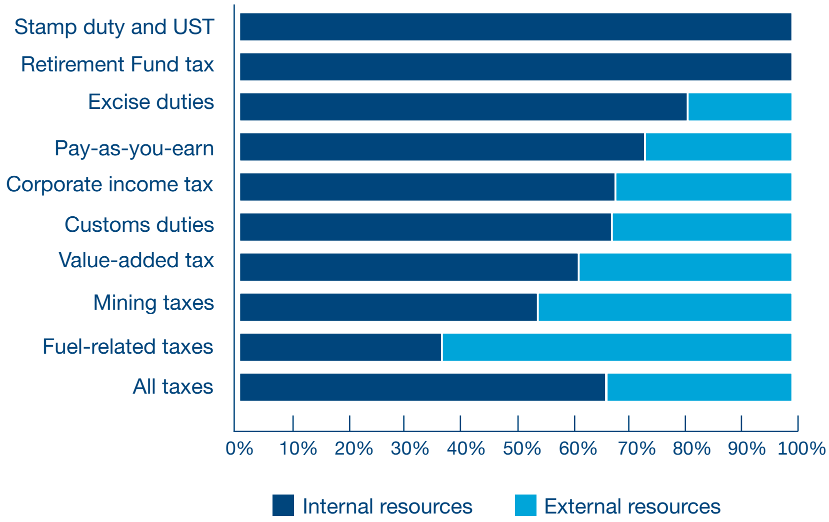
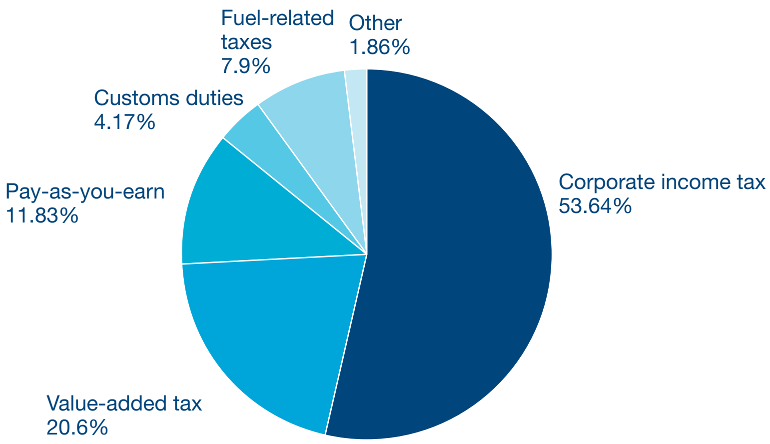
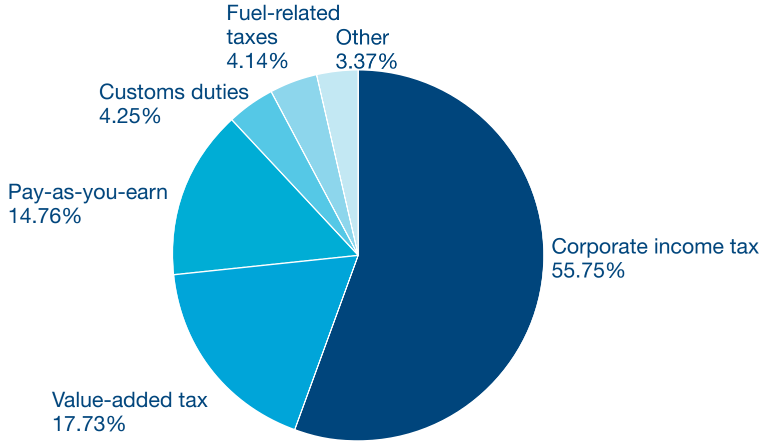


Figure 34: Tax compliance cost (external resources)



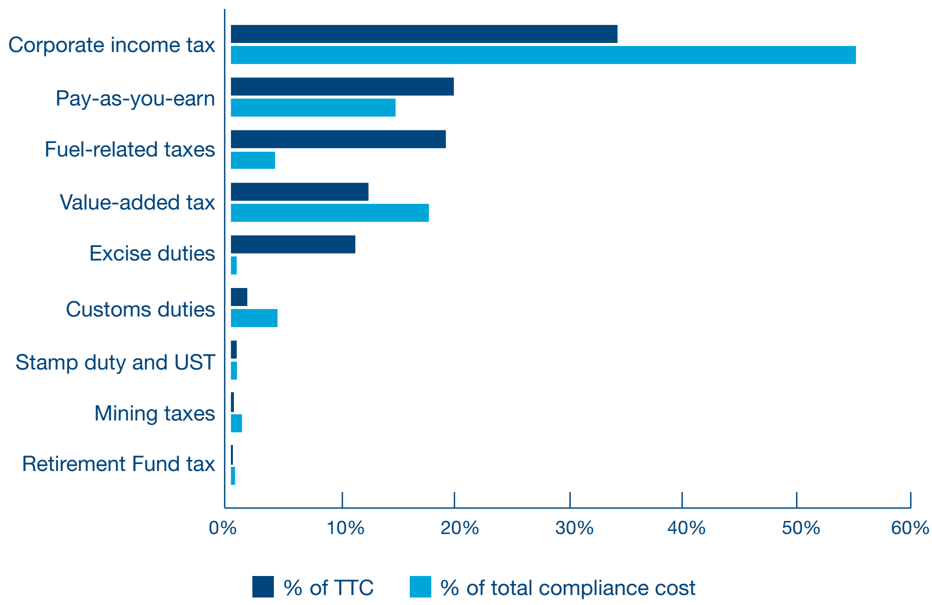
Compliance burden

Figure 35: Tax compliance cost (internal and external resources)



10.17 The tax compliance cost was compared with participants' total tax contribution (TTC[1]), which indicated that 55.75% of the total cost is for corporate income tax, which represents only 34.52% of the TTC[1]. The results show that corporate income tax is a relatively expensive tax to administer (see Figure 36).

Figure 36: TTC and compliance cost



[1] TTC for the 36 participants that provided compliance data.

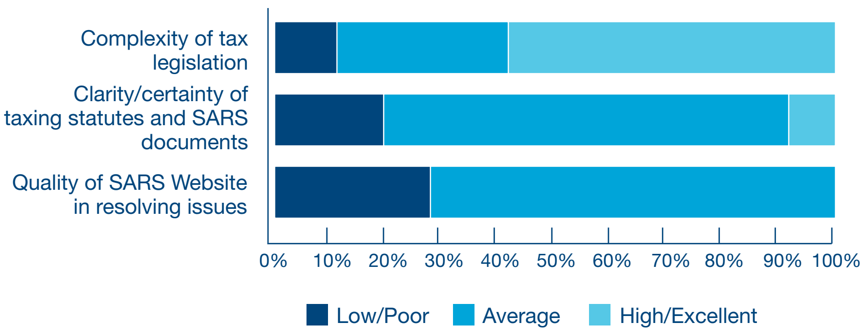
10.18 On average, participants' cost to comply with corporate income tax was R1.74 for every R100 of corporate income tax paid, while the cost to comply with all taxes borne and collected was R2.03 for every R100 of taxes borne, effectively representing a surcharge on participants' tax bills. On average, the cost of compliance with all taxes borne and collected is 0.42% of total taxes borne and total taxes collected and remitted to government.

South African Revenue Service

10.19 Virtually all participants view their relationship with South African Revenue Service (SARS) as completely co-operative (53.85%) or somewhat co-operative (38.46%)[1], while the belief that corporates are being unduly targeted for cash collections by the SARS was supported by 74.29% of participants[2].

10.20 Overall, participants consider South African tax legislation as complex (58.33%), while 72.22% of participants rate as "average" the quality of the SARS website as a means of resolving tax issues. The clarity/certainty of taxing statutes and SARS documents received an overall rating of "average" from 72.22% of participants (see Figure 37)[3].

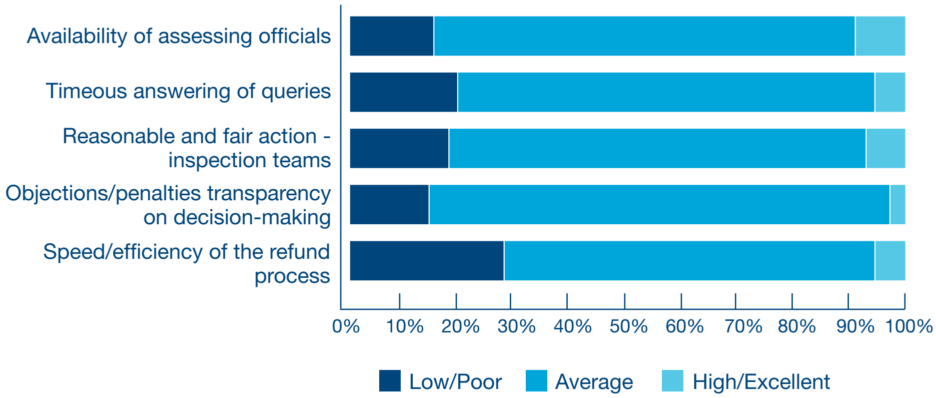
Figure 37: Tax legislation, SARS website, taxing statutes and documents



10.21 The quality of the following services obtained from SARS received overall "average" ratings by participants: availability of assessing officials (75.76%); timeous answering of queries and resolving of uncertainties (75%); reasonable and fair action on the part of inspection teams (75%); transparency in decision-making regarding objections/penalties (82.86%); and speed/efficiency of refund process (66.67%) (see Figure 38)[4].

[1] 26 participants provided data.
[2] 35 participants provided data.
[3] 36 participants provided data.
[4] 36 participants provided data.

Figure 38: Quality of services received from SARS



11. International comparisons

11.1 Total tax contribution surveys of leading business organisations have also been carried out in a number of other countries, using the PwC Total Tax Contribution Framework. We are therefore able to compare the results for large companies in South Africa with the results for large businesses in Australia, Belgium, Canada, India, the United Kingdom (UK) and the United States (US) (see Appendix 5).

11.2 Figures 39 to 40 illustrate the international comparisons in relation to two of the three key measures:

- Total tax rate (TTR) – taxes borne as a percentage of profit before all business taxes (Figure 39); and
- Taxes borne and taxes collected as a percentage of turnover (Figure 40).

Figure 39: Comparison of the average total tax rate

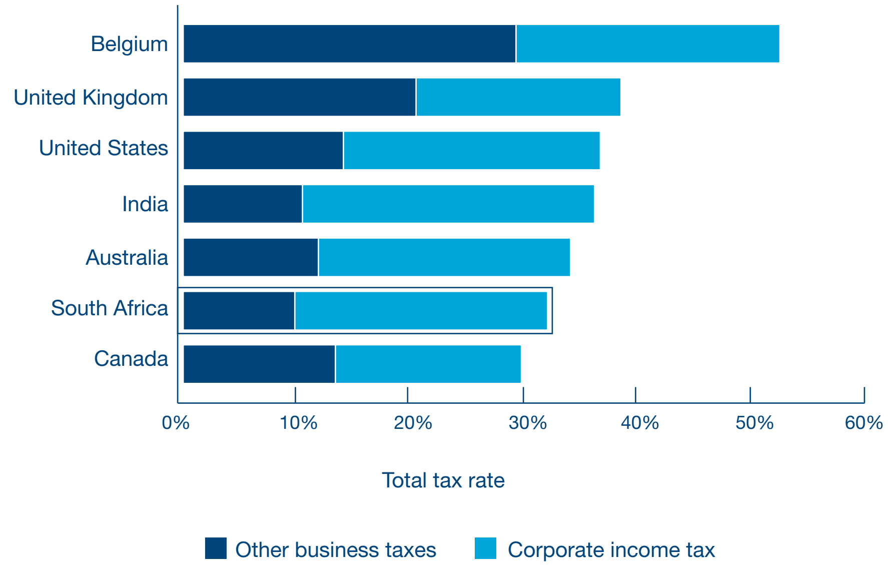
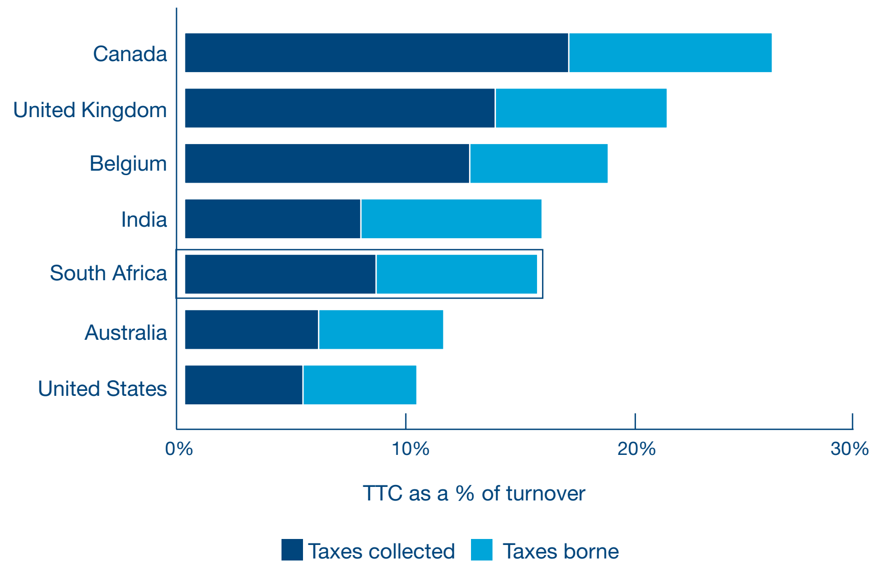


Figure 40: Comparison of the average total tax contribution to turnover



Appendix 1: Total Tax Contribution Framework

There has, hitherto, been inadequate transparency regarding the amount of tax actually paid by business in the corporate sector. For the most part, the only information in this regard in the public domain is that which is disclosed in a company's financial statements in its annual report. This is often an uninformative source, as data on business taxes paid by the company may not be separately reflected, are usually not aggregated, and may be difficult to identify. In particular, there has been a dearth of information in regard to taxes other than corporate income tax, and also in regard to the numerous so-called 'above the line' taxes, in other words, those taxes which are deductible in determining business profits.

Around the world, the tax environment for business is changing. Companies are coming under increasing scrutiny in relation to numerous aspects of their tax affairs. High-profile corporate failures have moved tax up the risk agenda, and there have been calls for the due payment of tax to be regarded as a corporate governance issue.

PricewaterhouseCoopers (PwC) designed the Total Tax Contribution Framework (TTC) in-house, and it is being used globally. The overall aim of the TTC Framework is to improve transparency in relation to the reporting of all business taxes and to provide better, more consistent information for the management of tax through analysis and benchmarking. In particular, it was recognised that financial accounts rarely include information on business taxes other than corporate income tax. The TTC Framework takes account not only of corporate income tax, but of all business taxes borne and collected by a company.

The TTC Framework draws a fundamental distinction between, on the one hand, business taxes borne by a company (in other words, the company's own tax contribution to the fiscus, which constitutes a cost to the company) and, on the other hand, taxes collected by the company and paid over to the fiscus, where only the cost of collection, and not the tax itself, is a cost to the company. The services that members of the corporate sector perform as unpaid tax collectors represent a valuable contribution to the fiscus and to the national economy.

The data analysis within the TTC Framework aggregates the data collected from survey participants and examines it in relation to three key measures:

1. Total tax rate;
2. TTC as a percentage of turnover; and
3. Employment taxes borne and employment taxes collected per employee.

1. Total tax rate (TTR)

The TTR measures the percentage of company profits paid in taxes and provides a useful measure of the total tax burden of a particular business. The TTR is calculated as all business taxes borne as a percentage of profits before all business taxes borne. In this calculation, the numerator is the total of all business taxes borne, and the denominator is the profit before all business taxes borne.

It is important to note that the profit figure used in the calculation is not the traditional figure found in the financial statements of the company, i.e. accounting profit before income tax. As many of the taxes borne are deducted in calculating profit before tax, they must be added back to generate a profit before all business taxes to determine the denominator in the calculation.

Accordingly, the TTR for a company is calculated as set out in the figure below:

	R		%
Profit before business taxes (PBBT)	140	Taxes borne/PBT (49[1]/120)	41%
Other business taxes	(20)	CIT/PBT (29/120)	24%
Profit before tax (PBT)	120	CIT/PBBT (29/140)	21%
Adjustments for tax	(20)		
Taxable profits	100	**Total tax rate (49/140)**	**35%**
Corporate income tax (CIT) 29%	(29)		
[1]Other business taxes (20) plus corporate income tax (29)			

2. TTC as a percentage of turnover

TTC as a percentage of turnover is another useful measure of what a company contributes to government taxation receipts, having regard to their size as measured by turnover. The numerator is TTC (i.e. total taxes borne and total taxes collected), and the denominator is turnover.

3. Employment taxes borne and employment taxes collected per employee

The final measure is employment taxes borne and employment taxes collected per employee. In this calculation, employment taxes borne and taxes collected are the numerator, and the number of employees, the denominator.

In 2008, PwC in the United Kingdom completed its fourth survey of The Hundred Group members, and Australia completed its third survey. Other countries involved in such surveys include Belgium, Canada, India, the Netherlands and the United States of America, while studies in more countries are anticipated. The TTC Framework was also applied by the World Bank in their 2008 report, Paying Taxes 2009: The global picture. The PwC TTC methodology seeks to create a common language for international comparisons. From a microeconomic point of view, PwC's TTC studies in numerous countries around the world have increased awareness in the corporate sector of the need for tax strategy and the risk management aspects of a company's tax affairs.

Alleviating the tax burden on the corporate sector, inter alia by adjusting tax rates and making compliance easier, can also have macroeconomic benefits by attracting foreign investment and making the country more competitive internationally.

While PwC believes that the TTC Framework can form the basis for any reporting of business tax information, we are not advocating any mandatory use of this or any other framework for external reporting purposes. The data analysed and presented in this report focused on the measures that are most relevant from a macroperspective. In the longer term, we believe the benefits of a TTC approach lie in the specific outcome for individual companies. There is also a range of other data that are more useful to individual participants, inter alia for benchmarking purposes. These benefits may be summarised as follows:

Quantification	• Identify all taxes borne and taxes collected on behalf of government. • Analyse individual company data, using a standardised methodology. • Monitor the cost of compliance.
Management	• Benchmark company performance against competitors, industry and other groups. • Facilitate an open dialogue with senior management and Boards to ensure alignment with corporate strategy. • Manage tax costs, and focus on the allocation of tax resources.
Transparency	• Provide transparent reporting of taxes borne and taxes collected, and communicate economic contribution in taxes with key stakeholders. • Broaden corporate social responsibility reporting to include tax contribution. • Facilitate discussions with government and other stakeholders.

For the purpose of the TTC Framework, PwC has defined the following terms:

Maximum

The maximum is the result in the individual company observations with the highest value.

Median

The median is the middle value of data ordered from lowest to highest, i.e. the middle observation.

Minimum

The minimum is the result in the individual company observations with the lowest value.

Simple average or mean

The simple average or 'arithmetical mean' is calculated by aggregating all the individual company observations and dividing the result by the number of those observations.

Weighted average

The weighted average for a particular ratio is calculated as the sum of the numerator for all observations divided by the sum of the denominator for all observations. The weighted average scales each observation according to the value of the denominator.

Tax

Tax is an impost that is paid to government (by business or individuals) to fund government expenditure, excluding payments for which there is a specific return of value (for example, rents and licence fees).

Taxes borne

Taxes borne are the company's immediate cost and will impact its results. For example, payroll taxes form part of employment costs. These taxes borne will ultimately be passed to customers, employees or shareholders with all the company's other costs. However, in the immediate term, the taxes are paid and borne by the company and are charged to the profit and loss account.

Taxes collected

Taxes collected are not the company's own costs. A company collects taxes on behalf of government from others, for example, income tax under pay-as-you-earn from employees. Taxes collected are administered by the company and involve costs of compliance. Taxes collected also have an indirect impact on the company's results since, for example, indirect taxes collected will impact prices to customers, and employment taxes impact the cost of labour. Certain taxes can be considered to be both borne and collected – borne by a company on its own consumption, and collected by companies in the appropriate industry sector. Where taxes collected are concerned, only the expenses incurred in collection are a cost to the company, and not the tax itself.

Appendix 2:
List of taxes borne and collected

List of South African taxes borne and collected by companies

Taxes	Tax borne	Tax collected
Profit taxes (5)		
Corporate income tax	✓	
Betting and gaming duties[1]	✓	
Mining taxes[1]	✓	
Retirement Fund tax[2]	✓	
Secondary tax on companies	✓	
Property taxes (3)		
Property rates	✓	
Stamp duty and uncertificated securities tax[3]	✓	✓
Transfer duties	✓	
Product taxes (7)		
Customs duties	✓	
Excise duties	✓[4]	✓[5]
Fuel levies	✓	✓
Value-added tax	✓	✓
Withholding tax on royalties		✓
Road Accident Fund	✓	✓
Universal Service Fund[6]	✓	
Planet taxes (2)		
Air passenger tax	✓	✓
Plastic bag levy		✓
People taxes (4)		
Occupational injuries and disease levy	✓	
Pay-as-you-earn	✓	✓
Skills development levy	✓	
Unemployment Insurance Fund	✓	✓

[1] Also referred to as "other profit taxes".
[2] Retirement Fund tax was abolished effective 1 March 2007.
[3] Only uncertificated securities tax is borne and collected.
[4] Excise duties borne include fuel excise duties and ad valorem excise duties.
[5] Excise duties collected include excise duties on fuel; alcohol, beer, wine and fermented beverages; and tobacco.
[6] No data was requested for Universal Service Fund.

Appendix 3: Taxes borne

Taxes borne by large South African companies

Taxes borne	Taxes borne (R million)	Government tax receipts[1] (R million)	% of tax receipts
Profit taxes			
Corporate income tax	45 756	141 636	32.3%
Secondary tax on companies	6 975	20 585	33.9%
Other profit taxes	510	1 384	36.9%
Retirement Fund tax[2]	127	285	44.5%
Property taxes			
Property rates	1 105	21 486	5.1%
Stamp duty and uncertificated securities tax	138	4 288[3]	3.2%
Transfer duties	29	7 408	0.4%
Product taxes			
Irrecoverable value-added tax	4 196	150 443[3]	2.8%
Customs duties	2 210	26 470	8.3%
Fuel levies	1 951	23 741[3]	8.2%
Road Accident Fund	714	8 150[3]	8.8%
Excise duties	246	2 371[3]	10.4%
Planet taxes			
Air passenger tax	7	541[3]	1.4%
People taxes			
Skills development levy	973	6 331	15.4%
Unemployment Insurance Fund	666	8 954[3]	7.4%
Occupational injuries and disease levy	333	3 890	8.6%
Pay-as-you-earn settlements	24	158 106[3]	0.02%
	65 959	**577 919**	**11.4%**

[1] Sources: Estimate of National Revenue 2008; Compensation Fund Annual Report 2008; SARS Annual Report 2008; and SARS Tax Statistics 2008.
[2] Retirement Fund tax was abolished effective 1 March 2007.
[3] Note that the following taxes are borne and collected, and the government tax receipts from these sources will agree with Appendix 4:
- Uncertificated securities tax (R3 757 million);
- Value-added tax;
- Fuel-related taxes (fuel levies, fuel excise duties (R890 million) and Road Accident Fund);
- Air passenger tax;
- Pay-as-you-earn; and
- Unemployment Insurance Fund.

Excise duties also include ad valorem excise duties (R1 481 million).

Appendix 4: Taxes collected

Taxes collected by large South African companies

Taxes collected	Taxes collected (R million)	Government tax receipts[1] (R million)	% of tax receipts
Property taxes			
Uncertificated securities tax	559	3 757[2]	14.8%
Product taxes			
Fuel levies	21 408	23 741[2]	89.8%
Excise duties	13 587	17 700[2]	76.8%
Value-added tax	10 712	150 443[2]	7.1%
Road Accident Fund	5 943	8 150[2]	72.9%
Withholding tax on royalties	9	204	4.5%
Planet taxes			
Plastic bag levy	3	86	4%
Air passenger tax	0	541[2]	0%
People taxes			
Pay-as-you-earn	25 262	158 106[2]	16%
Unemployment Insurance Fund	646	8 954[2]	7.2%
	78 126	**371 682**	**21%**

[1] Sources: Estimate of National Revenue 2008; Compensation Fund Annual Report 2008; SARS Annual Report 2008; and SARS Tax Statistics 2008.
[2] Note that the following taxes are borne and collected, and the government tax receipts from these sources will agree with Appendix 3:
- Uncertificated securities tax;
- Fuel-related taxes (fuel levies, fuel excise duties (R890 million) and Road Accident Fund);
- Value-added tax;
- Air passenger tax;
- Unemployment Insurance Fund; and
- Pay-as-you-earn.

Excise duties also include excise duties on alcohol (R2 360 million); beer, wine and fermented beverages (R6 340 million); and tobacco (R8 110).

Appendix 5: International comparisons

	South Africa	Australia[1]	Belgium[1]	Canada[1]	India[1]	The United Kingdom[1]	The United States of America[1]
Survey calendar year	2008	2008	2007	2007	2008	2008	2008
Number of survey participants	50	79	61	39	41	83	40
Size and shape of the tax system							
Number of taxes	21	56	78	49	23	22	56
Taxes borne							
Total taxes borne (billion)	ZAR 66	AUD 31.4	EUR 3.4	CAD 10.5	INR 430.5	GBP 20.6	USD 46.2
Corporate [income] tax as a % of total taxes borne	69.37%	65.1%	44.22%	55%	71%	46.8%	61.6%
Other business taxes as a % of taxes borne	30.63%	34.9%	55.78%	45%	29%	53.2%	38.4%
Taxes collected							
Total taxes collected (billion)	ZAR 78.1	AUD 33.6	EUR 7	CAD 19.8	INR 418.5	GBP 37.2	USD 48
Taxes collected to taxes borne	1.18	1.07	2.08	1.89	1.8	1.81	1.04
Total Tax Contribution (TTC) (billion)	ZAR 144.1	AUD 65	EUR 10.4	CAD 30.3	INR 849	GBP 57.8	USD 94.2
Average total tax rate	31.8%	33.8%	52.07%	29.5%	35.9%	38.2%	36.4%
TTC as a % of turnover	15.8%	11.6%	18.96%	26.3%	16%	21.6%	10.4%
Employee-related							
Employment taxes borne and collected per employee	ZAR 69 640	AUD 31 290	EUR 36 756	CAD 37 309	-	GBP 19 729	USD 25 889
Tax compliance							
Average number of full-time equivalent employees working on tax compliance	8.6	7	-	11	-	12.7	43.9

[1] See Appendix 8 for sources.

Appendix 6: List of survey participants

Absa	Metropolitan
Anglo American	MIH
Anglo Platinum	Mondi
Anglogold Ashanti	MTN
ArcelorMittal	Multichoice
BHP Billiton	Nampak
BP	Nedbank
British American Tobacco	Old Mutual
Capitec Bank	Parmalat
Chevron	Pepkor
Control Instruments	Pick n Pay
De Beers	Pioneer Foods
Dimension Data	PPC
Discovery	Reunert
Engen	SABMiller
Ericsson	Sanlam
FirstRand	Sasol
Ford Motor Company	Shoprite Checkers
Investec	Standard Bank
JSE	PetroSA
Kumba Iron Ore	Trans Hex
Liberty	Transnet
Massmart	Tsogo Sun
Media24	Vodacom
Medi-Clinic	Woolworths

Appendix 7: Total Tax Contribution team

Paul de Chalain, Director

Paul de Chalain is the tax leader of the Southern African firm.

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Charles de Wet, Director

Charles de Wet is a tax director and leads the South African total tax contribution initiative. He is also the leader for indirect taxes of the Southern African firm.

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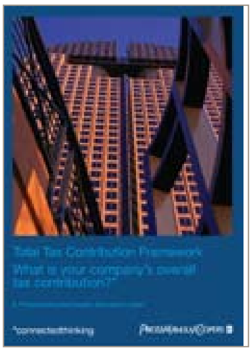
Appendix 8: Total Tax Contribution publications



Total Tax Contribution Framework

What is your company's overall tax contribution?

A PricewaterhouseCoopers discussion paper

Published April 2005

What is your company's Total Tax Contribution?

2008 survey results PricewaterhouseCoopers survey in Australia

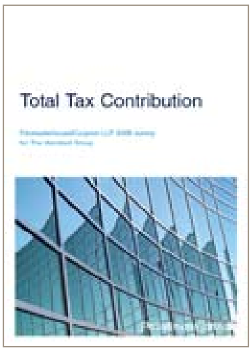
Published May 2009

Total Tax Contribution

How much in taxes do Indian companies really pay?

PricewaterhouseCoopers 2008 survey results

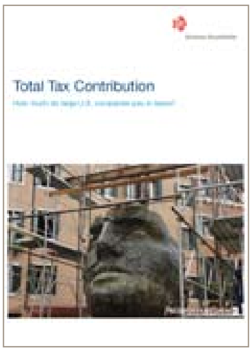
Published May 2009



Total Tax Contribution

PricewaterhouseCoopers LLP 2008 survey for The Hundred Group

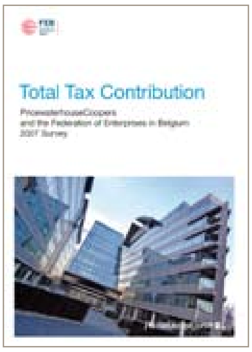
Published February 2009



Total Tax Contribution

How much do large U.S. companies pay in taxes?

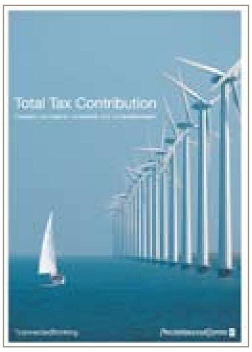
Published February 2009



Total Tax Contribution

PricewaterhouseCoopers survey for the Federation of Belgium Enterprises 2007 survey

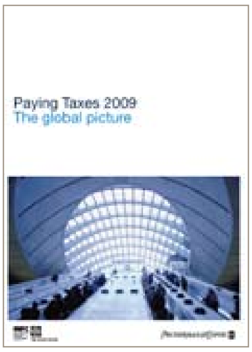
Published March 2008



Total Tax Contribution

PricewaterhouseCoopers survey for the Canadian Council of CEOs

Published May 2008



Paying Taxes 2009

The global picture

Published jointly with the World Bank November 2008

Notes

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