

## Total Tax Contribution

How much do large South African companies really pay?\*



# Foreword

PricewaterhouseCoopers believes it is important that the impact of all taxes on business is properly understood.

The amount of corporate tax paid by large companies is coming under increasing scrutiny and public debate. The perception is that large companies are not paying their fair share in taxes and hence there is an increased tax burden on others, including individuals, to fund spending on social investments. Yet companies pay many other business taxes, apart from corporate tax, which also contribute to the public finances. Because of the lack of transparency over these other business taxes, there is generally little understanding of the nature and extent of tax that companies pay.

In our effort to enhance transparency regarding the amount of tax contributed by large companies, PricewaterhouseCoopers designed the PricewaterhouseCoopers Total Tax Contribution Framework.

The PwC Total Tax Contribution Framework entails a survey which enables companies/groups to collect and report total tax information in a consistent manner, while the results of the survey facilitate an informed debate amongst stakeholders and enhance corporate social responsibility reporting.

We trust this report will provide valuable insight regarding 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 valuable contribution.

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# Contents

- 1 Executive Summary . . . . . 5
- 2 Background to research . . . . . 9
- 3 PwC Total Tax Contribution Framework . . . . . 12
- 4 PwC Research Study . . . . . 17
- 5 Survey results . . . . .
  - Number of taxes . . . . . 20
  - Tax burden . . . . . 21
  - Tax mix . . . . . 23
  - Picture for individual participants . . . . . 26
  - Large payers . . . . . 30
  - JSE indices . . . . . 31
  - Compliance cost . . . . . 34
  - International comparisons. . . . . 38
- 6 Implication and future of Total Tax Contribution . . . . . 41
- Appendix A - Participants . . . . . 44
- Appendix B - Classification of taxes as borne and collected . . . . . 45
- Appendix C - Taxes borne by participants. . . . . 46
- Appendix D - Taxes collected by participants . . . . . 47
- Appendix E - Glossary . . . . . 48
- PricewaterhouseCoopers Total Tax Contribution team . . . . . 49

# Executive Summary

1

# Executive Summary

## Changing perceptions

Internationally and locally there is a perception that large companies do not pay as much tax as they should. These perceptions are seldom supported by empirical data, and are frequently hedged with generalisation and innuendo.

The debate as to the acceptable limits of tax avoidance has moved beyond the question whether strategies being adopted in this regard are technically within the bounds of the law. It has also moved beyond the simplistic view that the primary (perhaps the only) duty of a company is to maximise profits for the benefit of its shareholders.

The more mature debate that is now gaining currency and respectability focuses increasingly on the issue of companies' responsibilities as good corporate citizens who derive advantages from operating within a particular country's social, economic and political milieu, and ought to contribute to the communities in which they operate, and not seek selfishly for unacceptable ways of minimising their tax.

The data reported in the Total Tax Contribution framework provides information that may be used for best practice financial reporting, as well as the formulation of tax strategies and policies and the management of tax risk by companies and government alike.

## What is Total Tax Contribution?

The PricewaterhouseCoopers Total Tax Contribution Framework focuses on two areas that represent a company's overall taxation contribution. These are:

- Business taxes borne by the business – taxes that impact the Profit and Loss Account; and

- Business taxes collected – from customers and employees that are then remitted to government.

PricewaterhouseCoopers designed the Total Tax Contribution Framework to enable companies to collect and report total tax

information in a consistent manner, to meet the needs of stakeholders and improve transparency.

## Total Tax Contribution survey

Large Companies, including members of Business Leadership, were invited to participate in the 2007 Total Tax Contribution survey.

The survey used the PricewaterhouseCoopers Total Tax Contribution Framework to provide information on total business taxes borne and taxes collected in South Africa for the last two financial years. There was significant interest with 50 companies participating in the survey.

The participating companies represented a wide range of industries and a very significant representation of large business in South Africa.

## Number of taxes

During the period to 31 March 2007, the total number of taxes in South Africa was 23. This included 21 national taxes and 2 local taxes.

The total number of taxes levied currently is 21 after the abolition of Regional Services Council levies and Retirement Fund tax.

## Taxes borne

The 2007 survey results show that:

- The 50 participants bore R49 622m in taxes, representing 9.9% of total estimated South African government taxation receipts from these sources.

- Thus, a small number of companies make a significant contribution to government revenue.

- Of the total business taxes borne by survey participants, 66%, or R32 787m, was corporate tax.

## Taxes collected

In addition to taxes borne, in respect of the 50 participants, 2007 survey results show that:

Taxes collected from customers and/or employees totalled R52 890m, or 16.4% of total estimated South African government taxation receipts from these sources.

For every R1 of taxes borne, a further R1.07 was collected on behalf of the South African Government.

The companies who consistently bear the largest taxes are also, generally, the largest collectors of tax.

## The picture for individual participants

### Tax mix

The taxes paid can be divided into profit taxes (3), indirect taxes (8), employment taxes (4), property taxes (3), environmental taxes (2) and other taxes (3).

The relative contribution of the different categories of tax reported by participants corresponds broadly with the relative importance of the different categories as sources of government revenue, with indirect taxes being the largest, accounting for 45% of participants' contribution and 38% of government receipts.

Participating companies bore as many as 15 different taxes. On average they were responsible for 8.7 taxes.

For tax collected, the average number of taxes collected was 3.2 different taxes.

### Total Tax Rate

The mean average total tax rate for participants was 34.3% in 2007, up from 31% in 2006.

The total tax rate is calculated as all business taxes borne as a percentage of profits before total business taxes borne. This measure indicates that on average for every R3 of profit made, R1 is paid in tax.

## Taxes borne and collected as a percentage of turnover

The mean average of taxes borne and collected is 16.8% in 2007 and 16.1% in 2006.

### Employment taxes per employee

Participants reported a mean average of R60,415 of employment taxes borne per employee in 2007 and R53,512 in 2006.

Employment taxes borne and collected as a percentage of the net wages and salaries bill for participants was, as a mean average, 26% for 2007 and 23.3% for 2006.

### Large payments

Nine companies each paid more than R2 billion in taxes borne which represents 58% of corporate tax paid by all participants as well as 57% of all taxes borne by participants.

### JSE Indices

The results for the participants included in certain JSE indices were marginally different to the results for all participants.

Taxes collected for the JSE Resource 20 Index was 1.03 times taxes borne and for the JSE Financial 15 Index 0.8 times taxes borne. For all the participants the ratio of taxes collected to taxes borne was 1.07.

For the JSE Resource 20 Index corporate tax represented 79% of all taxes borne compared to 66% for all participants.

## Cost of tax compliance

Participants on average have the equivalent of 4.4 full time employees dealing solely with SA tax compliance.

The total cost of SA tax compliance for participants, including their external spend is R144,8m. 61.1% of the total cost relates to corporate tax, 13% to employment taxes and 8.9% to VAT.

On average the cost of compliance represents 0.81% of their tax payments (taxes borne and collected).

## International comparisons

	South Africa 2007	UK 2007	Australia 2007
<b>Size and shape of the tax system</b>			
Number of taxes	23	22	55
Government tax revenues to GDP*	27.7%	37.4%	30.9%
Corporate tax as % of Government tax revenues**	6.3%	9.1%	27%
<b>Survey</b>			
Number of survey participants	50	74	63
TTC for participants as a % of Government tax receipts	19.7%	13.3%	19.3%
<b>Taxes borne</b>			
Average number of taxes borne	8.7	9.0	N/A
Corporate tax as a percentage of taxes borne	66.1%	56.0%	68.0%
Average TTR	34.3%	36.2%	35.4%
<b>Taxes collected</b>			
Average number of taxes collected	3.2	4.1	2.9
Taxes collected to taxes borne	1.07	1.83	1.19
Average taxes borne and collected to turnover	16.8%	17.9%	17.5%
* Source for UK and Aus: OECD Publication, Revenue Statistics 1965 - 2007			
** Source for UK and Aus: Latest published Government revenue statistics			

## Implication and Future

The use of the Total Tax Contribution Framework is gaining momentum globally, providing insight into the total amount and mix of taxes borne and collected in various countries and industries. The results should be used to support best practice financial reporting and for formulating tax strategy, tax policy and management of tax risk by Governments and taxpayers alike.

This survey is being repeated in South Africa in 2008.

Background to research

2



# Background to PwC's research into the Total Tax Contribution of large South African companies

## Changing perceptions regarding the payment of tax

The issue of whether large companies in South Africa are paying all the tax that is properly due by them is of concern to many stakeholders, amongst them the South African government (including the South African Revenue Service and the National Treasury), the companies themselves, their boards of directors and shareholders, individual and institutional investors, trade unions, and the general body of taxpayers. Increasingly, the payment of tax is coming to be regarded as a corporate social responsibility issue.

Conversely, the aggressive avoidance of tax is increasingly being viewed as antisocial, unethical, reprehensible, and a failure of corporate governance.

Clearly, if companies fail to pay the tax that is due by them, the shortfall has to be recovered from other taxpayers. Tax evasion and improper tax avoidance stratagems thus increase the tax burden on other taxpayers.

In South Africa, as in many other countries, suspicions have from time to time been voiced that large corporations are not paying the amount of tax that is properly due by them. There seems to be a widespread belief that large companies pay high fees to tax consultants who devise ways – lawful, unlawful and borderline – of minimising the amount of tax that the company pays.

The Commissioner for the South African Revenue Service, Pravin Gordhan, has complained of the proliferation of tax schemes that have allegedly siphoned more than R10 billion from SARS's coffers over five years. He has argued that the right to minimise tax is not absolute and must be balanced against other rights and obligations. He is reported as saying that, "The architects of certain tax-aggressive structures will not be permitted to abuse South Africa's tax provisions in ways clearly unintended by the legislature."<sup>1</sup>

During an address in the National Assembly on 25 May 2007, the Minister of Finance, Trevor Manuel, said that South Africa's low tax morality has cost the country an estimated R20 billion

in lost revenue annually. He also said that "within days" SARS would begin an investigation into a major industry suspected of "being awash in customs and VAT-related fraud".<sup>2</sup>

There has, hitherto, been inadequate transparency regarding the amount of tax actually paid by businesses 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, is 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 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. Campaigning groups in the Tax Justice Network in the UK, are calling for companies to make ethical choices in deciding on tax planning and tax is now firmly on the agenda of the burgeoning corporate responsibility lobby groups.

It is important that the debate as to how much tax the corporate sector in South Africa really pays, whether it is paying all the tax that is properly due, and whether there is widespread resort to unacceptable forms of tax avoidance, be an interchange of views, based on facts and not rumour, innuendo or suspicion.

In this regard, it needs to be borne in mind (although it is sometimes not sufficiently appreciated) that companies pay not only corporate tax, but a considerable number of other business-related taxes as well.

An informed debate must thus look further than corporate tax and should take account of a company's total tax contribution to the national fiscus.

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<sup>1</sup> *Business Report*, 11 January 2007

<sup>2</sup> *Independent Wealth Managers*, 2007

Hitherto, the issue of how much tax, in aggregate, the large companies pay and how that aggregate is split between the various different taxes, has been hampered by a lack of factual information.

In particular, there has been a lack of awareness amongst the various corporate stakeholders – the public, the investment community, financial institutions, trade unions, employees and others – of just how many business-related taxes there are in South Africa.

The lack of factual data in regard to the aggregate tax paid by companies, and the lack of transparency in regard to the number of different taxes borne by the corporate sector and their combined impact, has made it difficult to evaluate the arguments pro and contra the reduction of tax rates and other possible tax reforms.

On the one hand, the fiscus is understandably anxious not to see a decline in tax collections, and is concerned at the perceived scale of aggressive tax avoidance, particularly by large companies, including transfer pricing which shifts corporate profits to low tax jurisdictions.

On the other hand, the business sector perceives the overall tax burden on the corporate sector to be constantly increasing, thereby eroding profitability, discouraging investment and the formation of new businesses, and adversely affecting the country's international competitiveness. The business sector has also expressed the view that the ever-increasing complexity of the tax system is adding to the cost of

compliance, which is tantamount to a further, largely invisible tax.

Recent studies by the World Bank have confirmed that a country's tax system is a significant factor affecting the ease of doing business in that country.<sup>3</sup>

The reliable and detailed data produced by PwC Total Tax Contribution studies facilitates a rational and informed debate on these issues.

Such data can motivate boards of directors to give proper attention to the strategic aspects of tax within their companies. Such strategic considerations go beyond the question whether the company is paying more tax than its peers, or whether the company is engaging in dubious tax-reduction measures. The debate as to the acceptable limits of tax avoidance has moved beyond the question whether strategies being adopted in this regard are technically within the bounds of the law. It has also moved beyond the simplistic view that the primary (perhaps the only) duty of a company is to maximise profits for the benefit of its shareholders.

The more mature debate that is now gaining currency and respectability focuses increasingly on the issue of companies' responsibilities as good corporate citizens who derive advantages from operating within a particular country's social, economic and political milieu, and ought to contribute to the communities in which they operate, and not seek selfishly for unacceptable ways of minimising their tax.

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<sup>3</sup> See *Doing Business in 2006* (and subsequent annual reports) published by the World Bank

# PwC Total Tax Contribution Framework

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# The PwC Total Tax Contribution Framework

PricewaterhouseCoopers designed the Total Tax Contribution Framework to enable companies to collect and report total tax information in a consistent manner, to meet the needs of stakeholders and improve transparency. In particular it was recognised that financial accounts rarely include information on business taxes other than corporate tax. Few companies have accurate and comprehensive information on their tax payments. In our view, every company should know the total amount of tax it pays. A proper focus on Total Tax Contribution provides visibility to a company's internal stakeholders of the impact of all taxes on the business and enables management to make more informed investment decisions. It also improves tax risk management, controls and the allocation of tax resources. Total Tax Contribution also provides a way for companies to communicate their tax contribution to external stakeholders. Total Tax Contribution is an economic measure of what companies pay into the public finances and, as such, may meet the needs of some stakeholders better than the tax disclosures in their financial statements. Companies may wish to report their tax contribution as part of their external communications or in their Corporate Social Responsibility report. Total Tax Contribution aligns with the guidelines on tax as part of corporate responsibility reporting.

## What is the PwC Total Tax Contribution Framework?

The PwC Total Tax Contribution Framework takes account, not only of corporate tax, but of all business taxes borne or collected by a company, in determining a company's aggregate contribution to the national fiscus by way of tax. This wide perspective, encompassing more than just income tax, is essential to gain an accurate picture of a company's contributions to the fiscus and the national economy. The Total Tax Contribution 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. Tax collected by a company deserves recognition no less than the taxes borne by the company. The services that the corporate sector performs as unpaid tax collectors are a valuable contribution to the fiscus and to the national economy. The compliance cost to companies of performing this service is a significant aspect of the regulatory burden. Multinational companies operate across several countries and, in principle, the Total Tax Contribution should take account of all their international operations.

However, in this first South African study we confine the inquiry to taxes imposed by South African legislation. PwC's Total Tax Contribution methodology seeks to create a common language which will achieve a transparent and consistent framework for identifying the different types of tax paid by companies, the amount paid in respect of such tax, and the compliance costs of each tax. Once this information has been extracted, it can be conveyed to the company itself and to all stakeholders, including government, the revenue authorities, shareholders and employees, financial analysts, the media and other interested parties. Data generated by the PwC Total Tax Contribution Framework in overseas studies is increasingly being published by the participating companies in their annual reports. For example, 14% of FTSE 100 companies currently provide information in their corporate social responsibility reporting or sustainability reporting on the main business taxes they have paid. Information generated by the PwC Total Tax Contribution is a valuable resource from which a company can refute allegations in the media – which are easy to make and difficult to refute – that it is not paying all the tax that it ought, or that it is engaging in unacceptable forms of tax avoidance.

## The purpose of Total Tax Contribution research studies

PwC's Total Tax Contribution ('TTC') Framework is essentially a sophisticated data-gathering initiative, intended to elicit facts which can form the basis for an informed national debate on tax issues. The framework does not address economic questions such as whether companies or consumers ultimately bear the burden of taxes imposed on the company. The TTC

framework does not plead the case for tax relief, nor is it a lobby to advance the interests of the corporate or any other sector; it simply sets out to establish facts and place them in the public domain.

## TTC studies assist participating companies in making informed decisions on tax planning and risk management

From a micro economic point of view, PwC's Total Tax Contribution 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. It should be borne in mind in this regard that alleviating the tax burden on the corporate sector, inter alia by adjusting tax rates and making compliance easier, can also have macro economic benefits by attracting foreign investment and making the country more competitive internationally.

## What constitutes a "tax"?

Since the Total Tax Contribution survey is concerned with quantifying taxes borne and taxes collected, it is important to be clear as to what kind of payments constitute a "tax". Some payments, such as corporate tax, employees' tax (PAYE) and Value-Added Tax (VAT) clearly constitute a tax. The categorisation of some other payments is less clear-cut. For the purposes of the Total Tax Contribution Framework, a "tax" is taken to mean a compulsory levy, payable to government, (including state or local authorities, or an agency that remits the funds to government) by a business or individual which is used by the government or authority as part of public finance, but excluding payments for which there is a specific return of value, such as a licence fee or rent paid to the government in respect of government property. A road toll will usually not be categorised as a tax because it is directly linked to usage of the road. Payroll taxes and statutory levies, where borne or collected by the employer will usually constitute a tax borne or collected. By contrast, where a mandatory payment by a

company is paid into a separate fund specifically allocated for the benefit of a particular employee, it will not, in terms of the TTC Framework, constitute a tax.

## Distinction between taxes borne and taxes collected

Taxes borne are the company's immediate cost and will impact their results. For example, payroll taxes form part of employment costs. Taxes borne are charged to the company's Profit and Loss account and will ultimately be passed on to customers, employees or shareholders.

The Total Tax Contribution Framework includes any payment that is made to government in respect of the employment of people. Where an employees' tax settlement has been paid, this is treated as a tax borne under the framework.

Taxes collected are not the company's own costs, but taxes collected on behalf of government from others, for example employees's tax (PAYE) in respect of employees. Taxes collected are administered by the company, involve costs of compliance, and indirectly impact on the company's results. Indirect taxes collected will, for example, impact prices to customers and employee taxes the cost of labour.

The collection obligations imposed by government on business are significant and it is important to understand the amount collected by a company as part of any recognition of their wider tax contribution. Taxes collected by a company are essentially generated by its business activities; either in relation to the employment of people or the sale of products and services.

In addition, there is a real cost of administering collection of these taxes that needs to be recognised. Business bears the costs of interpreting the often complex legislative provisions, maintaining the necessary compliance systems and penalties incurred if errors are made in complying with the applicable legislation.

Certain taxes can be considered both borne and collected – borne by a company on their own consumption and collected by companies in the appropriate industry sector. Examples of taxes that can be both borne and collected include unemployment insurance fund, certain excise duties, fuel levy and payments to the road accident fund.

VAT is collected by companies on behalf of the government. However, not all VAT on inputs can be claimed as a tax credit. In these circumstances the “irrecoverable” VAT is treated as a tax borne by the company. The most common example of this is in the financial services sector where companies cannot claim a significant proportion of VAT on expenses incurred. Further details of the classification of taxes as borne or collected is included in Appendix B.

Key measures

The analysis in “Survey results: the picture for individual participants” aggregates the data collected from survey participants and examines their relativity in relation to three key measures:

- 1. Taxes borne as a percentage of profit before all business taxes (Total Tax Rate);
- 2. Taxes borne and taxes collected as a percentage of turnover; and
- 3. Employment taxes borne and taxes collected per employee.

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 (including corporate tax and indirect taxes borne). In the 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 be 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*/120)	41%
Other business taxes	(20)	CT/PBT (29/120)	24%
Profit before tax (PBT)	120	CT/PBBT (29/140)	21%
Adjustments for tax	(20)		
Taxable profits	(100)	<b>Total Tax Rate (49/140)</b>	<b>35%</b>
Corporate tax (CT)	29		

\* Other business taxes (20) plus corporate tax (29)

## Taxes borne and taxes collected as a percentage of turnover

Taxes borne and taxes collected 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 total taxes borne and total taxes collected, as a proportion of South African turnover, which is the denominator.

### Employment taxes borne and taxes collected per employee

The final measure we have considered is employment taxes borne and taxes collected per employee. In this calculation employment taxes borne and taxes collected are the numerator and the number of employees the denominator. Employment taxes borne are PAYE settlements, skills development levy and UIF. Employment taxes collected are principally income tax deducted at source under PAYE.

## Global use of framework

The PricewaterhouseCoopers Total Tax Contribution Framework is being used globally. PricewaterhouseCoopers in the UK has completed its third survey in 2007 of The Hundred Group members and Australia completed their second survey in 2007. Further studies are anticipated in other countries. The framework was also applied by the World Bank in their 2008 report *Paying Taxes: The Global Picture*.

The purpose of the report was a comparison of the taxes imposed on a specified hypothetical business under each of 178 countries' tax systems and looked at their TTR and other measures of tax efficiency. The World Bank Report calculated the South Africa TTR at 37.1%. In regard to the payment of tax, as an aspect of doing business South Africa ranked 62nd out of 178 countries.

PwC Research Study

4



# The PwC Research Study of the Total Tax Contribution of large South African companies

## Introduction

During the second half of 2007, PricewaterhouseCoopers In South Africa embarked on research into the Total Tax Contribution of large South African companies, using the standardised PwC Framework for such studies.

This is, to the best of our knowledge, the first such study done in South Africa. This study broadly parallels the earlier Total Tax Contribution survey of the Hundred Group of companies in the UK and the Australian study and uses the same standardised methodology that is being employed in PwC's Total Tax Contribution studies in numerous countries around the world.

The purpose of the South African survey was to collect data on all business-related taxes borne by large South African companies and all amounts of tax collected by such companies and remitted to the fiscus. The aggregated and anonymised data is to be used as the basis for discussion with the government and all stakeholders on the present and future shape of the South African tax system. Limited data was also collected on the tax compliance costs incurred by the surveyed companies.

## Methodology

Companies participating in the survey were asked to complete a detailed questionnaire in respect of taxes paid and collected by them during their latest financial year which coincided with the twelve month periods ended 31 March 2006 and 2007, and the data provided by the companies was received and collated by PwC. Companies were requested, where possible, to provide data for both 2006 and 2007.

Only those participants who provided data for both 2006 and 2007 are included in the trend analysis. Participants who did not provide data on every tax for both 2006 and 2007 have been excluded from the trend analysis. The trend results shown in this study reflect the position after these adjustments were made.

On receipt by PwC, all completed questionnaires were sense-checked and any apparent anomalies or queries were resolved with the companies in question. The methodology of the study and the need for confidentiality means that the data submitted by participating companies cannot be verified or audited. However, since there is no advantage for a participating company in giving incorrect information, PwC believes that the data is reliable. However PwC makes no representations or warranties in regard to the accuracy of the information provided by the participating companies or the results of the survey.

In accordance with the Total Tax Contribution Framework, the study draws a distinction between taxes borne by a company (in other words, taxes which are a cost to the company, such as employers' UIF contributions, SDL levies, irrecoverable VAT and corporate tax) and taxes collected and remitted to the revenue authorities (such as UIF deductions, PAYE, VAT and excise duties). Where taxes collected are concerned, only the expenses incurred in collection are a cost to the company, and not the tax itself. The data bank produced by the study will be kept strictly confidential by PwC and the results are published in anonymised form. In return for participating in the study, each participating company received a summary of the data provided by it together with some broad benchmarking indicators. Any participating company may arrange with PwC for a more detailed analysis and more detailed benchmarking. The data generated by this survey is intended to provide a factual basis for on-going dialogue between government and stakeholders, not just on narrow matters of tax, but also on how the tax system impacts on the present and future shape of the South African economy and its international competitiveness.

The intention is to repeat this survey annually so that trends can be monitored. Companies that did not participate in the first survey are welcome to participate in subsequent surveys.

## Participation in the survey

Participation in the survey was excellent, as was the quality of the data provided by the participating companies.

For purposes of the survey, companies were selected on the basis of their size, and are engaged in a variety of sectors of the economy. The purpose of the study was to obtain data on large South African companies, irrespective of what sector of the economy they are engaged in.

A list of the companies that participated in the survey is included as Appendix A.

## Survey participants – group of participants

A significant number of the invited companies were keen to participate, and signified their intention to do so, but were unable to meet the final deadline for the submission of data. The first participation in a Total Tax Contribution survey entails a considerable amount of work by the companies concerned, but participation in subsequent surveys becomes considerably easier, as the companies then know where to find the relevant data and how to extract it. This exercise has intrinsic value, since every company ought to be aware of, and should be regularly monitoring the amount of its tax payments. PwC recommends that participating companies use this survey as an opportunity to put in place an internal process to collect this information regularly. Each participating company was provided with a questionnaire in electronic format, containing questions on many aspects of their business and tax affairs. The completed questionnaires were returned to PwC via a process which ensured the maintenance of strict confidentiality. This survey is being repeated in 2008 and we expect an even greater number of participants.

Survey results

5

# Survey results

## Number of taxes

The total number of business taxes identified in South Africa is 23. This includes 21 national taxes and two local taxes.

By contrast similar work in the United Kingdom identified only 22 business taxes while 55 taxes were identified in a study in Australia.

The taxes included in the survey were:

Profits taxes	
Corporate tax	Secondary tax on companies
Mining tax - lease consideration	
Property taxes	
Stamp duty and Uncertificated Securities Tax (UST)	Property rates
Transfer duties	
Employment taxes	
Pay-As-You-Earn (PAYE)	
Skills development levy	Unemployment insurance fund
Occupational injuries and diseases levy	
Indirect taxes	
Value-Added Tax (VAT)	
Withholding tax on royalties	Customs duties
Excise duties	Fuel levy
Road Accident Fund (RAF) levy	Diamond export tax
Betting and gaming duties	
Environmental taxes	
Plastic bags levy	Air passenger levy
Other taxes	
Retirement fund tax (RFT)	Universal service fund
Regional Services Council levies	
Note 1 - RFT was abolished effective 1 March 2007	
Note 2 - No data was requested for Universal service fund payments	
Note 3 - No data was requested for Regional Service Council levies (RSC levies) as the levy was abolished effective 1 July 2006.	

# Tax burden

The importance of large South Africa companies to government finances was reinforced by the survey results. In 2007, the 50 survey participants bore R49 622m in taxes and, in addition, collected R52 890m on behalf of governments (National and Local). Therefore, for every R1 of tax borne, survey participants collected a further R1.07 on behalf of government. A summary of taxes borne and taxes collected by survey participants compared to all South African Government’s taxation receipts is contained in Appendices C and D.

## Total taxes borne

In 2007, survey participants bore R49 622m in taxes, or 9.9% of total estimated Government taxation receipts.

Corporate tax represented the most significant proportion of taxes borne by survey participants (R32 788m). This corresponds to a contribution of 27.3% of total corporate tax receipts of government for 2007.

The other business taxes borne by participants, R16 834m represented approximately 33.9% of their total taxes borne. Therefore, for every R1 of corporate tax paid, companies paid a further 51 cents of other business taxes.

The other major business taxes borne by survey participants were Secondary Tax on Companies ('STC'), customs duties, excise duties and fuel levies. These taxes borne, together with corporate tax, represented 88.5% of total taxes borne by

survey participants. The survey results highlight the South African government's reliance on corporate tax to generate significant taxation revenue. Corporate tax represented 66.1% of total taxes borne by the survey population. This is significantly higher than the proportion of income tax to other business taxes in the UK but similar to Australia. In the PricewaterhouseCoopers UK Total Tax Contribution 2007 survey for The Hundred Group, corporation tax represented 56.9% of total taxes borne by survey participants. The survey population included a diverse range of industries from insurance and property to energy and mining. As discussed in “Survey results: The picture for individual participants”, the key industry groups showed significant differences in their tax contribution.

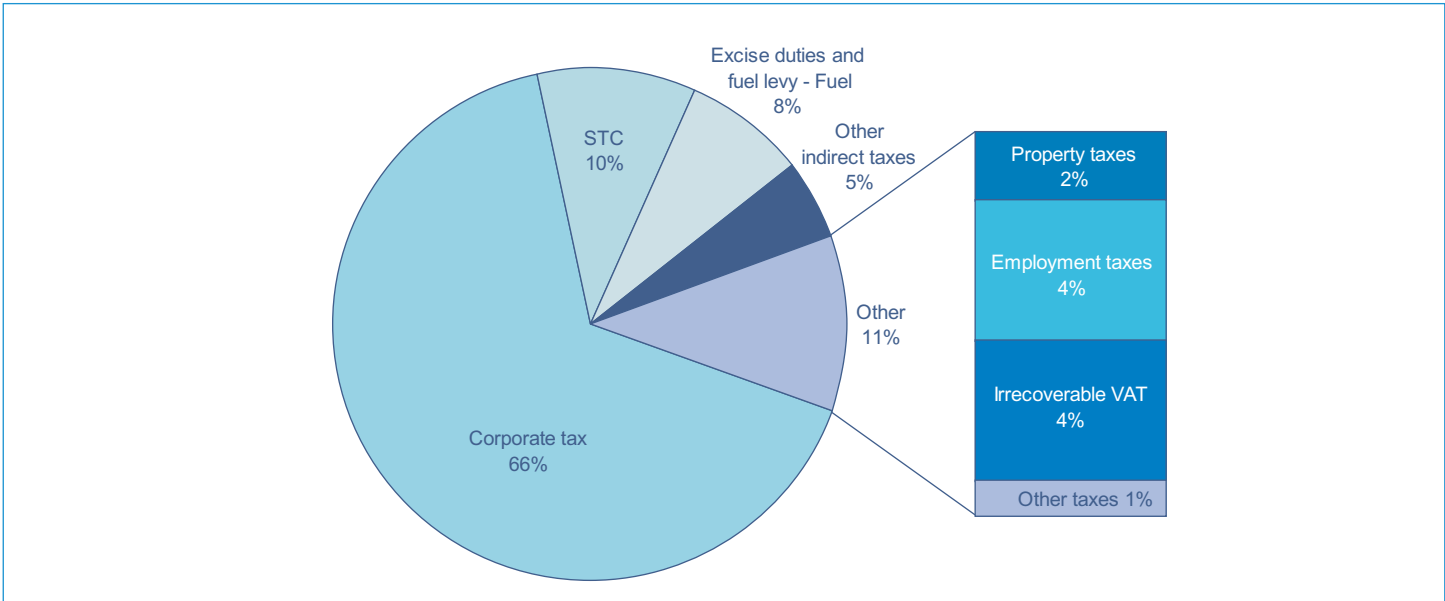


Figure 5.1 Taxes borne

# Survey results

## Total taxes collected

In addition to taxes borne directly, business makes a further significant contribution to government revenue through their obligation to collect a range of taxes from their customers and employees on behalf of the various governments.

Survey participants collected taxes of R52 890m in 2007. This represents 16.4% of the total government taxation receipts. For every R1 of taxes borne by the survey participants, taxes collected were R1.07.

The major taxes collected in South Africa, as identified by survey participants, were PAYE on employees remuneration, fuel levies, excise duties and VAT. Excise duties and the fuel levy collected by survey participants represented 45.7% of taxes collected. Particularly striking was that survey participants collected in excess of 70% of government's total estimated excise receipts.

Not surprisingly, the survey participants who bore the most tax, generally, were also the largest collectors of tax.

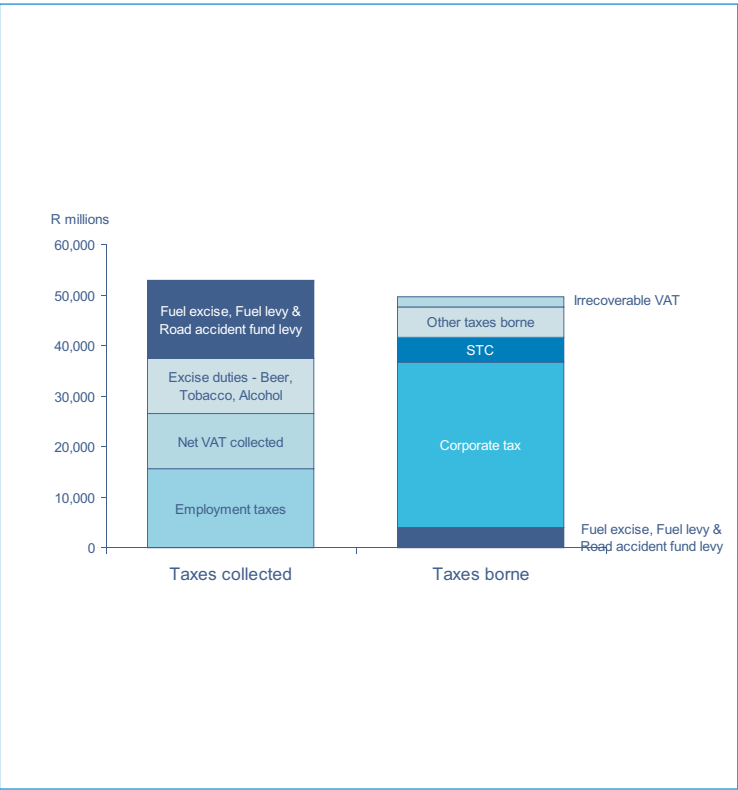


Figure 5.2 Taxes collected

# Survey results

## Tax mix

### Tax mix by category of tax

For the purposes of the survey the 23 taxes borne and/or taxes collected, have been grouped into the following six categories.

#### Profit taxes (3 taxes)

Profit taxes are imposed on profits, for example, corporate tax, secondary tax on companies.

#### Indirect taxes (8 taxes)

Indirect taxes are imposed at different stages within the value chain. They are typically collected and passed on to consumers as part of the cost of goods or services. For example, VAT, customs duties and excise duties.

#### Employment taxes (4 taxes)

Employment taxes are imposed on or collected by the employer in relation to the employment of people. For example, PAYE, skills development levy and unemployment insurance fund.

#### Property taxes (3 taxes)

Property taxes relate to the acquisition, disposal, use and ownership of land and other assets (tangible and intangible). For example, stamp duty, transfer duties and property rates.

#### Environmental taxes (2 taxes)

Environmental taxes relate to the use of natural resources or the environmental impact of doing business. For example, plastics bag levy and air passenger tax.

#### Other taxes (3 taxes)

These taxes include Retirement Fund Tax which was abolished with effect from 1 March 2007, Regional Services Council levies which was abolished with effect from 1 July 2006 and Universal Services Fund for which no data was requested.

These categories and the tax classification closely align with the classification of taxes under the Government receipts.

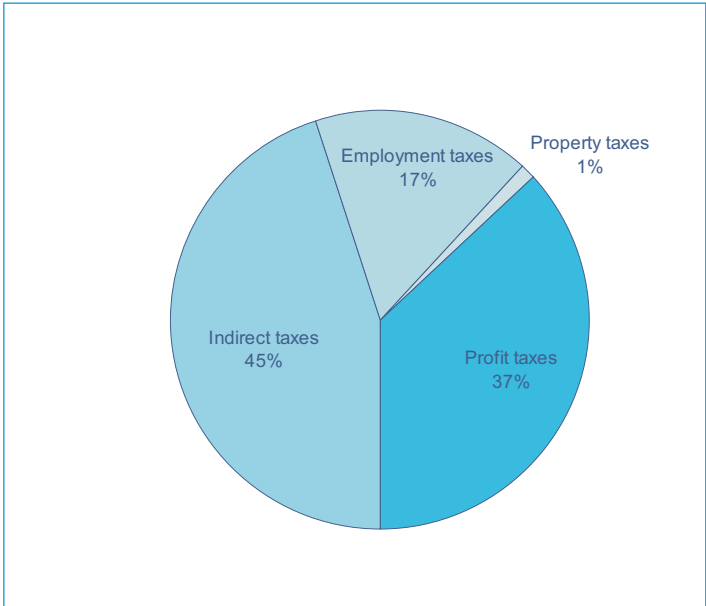


Figure 5.3 Tax mix of participants

While there is a significant reliance on corporate income type taxes in South Africa (as shown in “Survey results: tax burden”) business makes a substantial contribution to government revenue through its role as collector of goods and services taxes, principally VAT and excise duties.

The mix of these taxation categories between the different levels of receipts by Government is set out below:

# Survey results

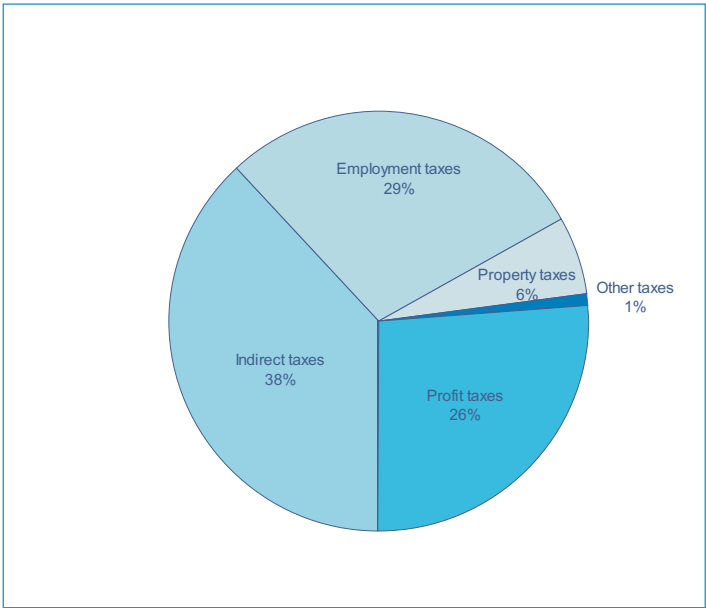


Figure 5.4 Government tax mix

On average, the participating companies collected 3.2 different taxes. This gives an indication of the heavy compliance burden in regard to taxes which the corporate sector is required, at its own expense, to collect and remit to the fiscus.

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, number of taxes borne and taxes collected.

In many cases taxes embedded in the cost of products (e.g. excise), transaction based taxes (e.g. stamp duty) and a range of lower value taxes were difficult for survey participants to separately identify and quantify. Where no amount has been provided by survey participants in relation to a tax, the tax has been treated as not borne or collected by that participant. This is particularly the case for stamp duty which proved difficult for most participants to accurately quantify.

Accordingly, it is likely the data presented in the survey understates the actual amounts of taxes borne and taxes collected by survey participants.

Based on the information provided, participants reported that on average they were responsible for 8.7 taxes borne and 3.2 taxes collected.

Some participating companies bore as many as 15 different taxes. This confirms what overseas Total Tax Contribution surveys have revealed, namely that in determining the impact of tax on the corporate sector – and in considering possible tax reform – account must be taken of the full range of taxes to which companies are exposed, and the debate should not be limited to corporate tax.



# Survey results

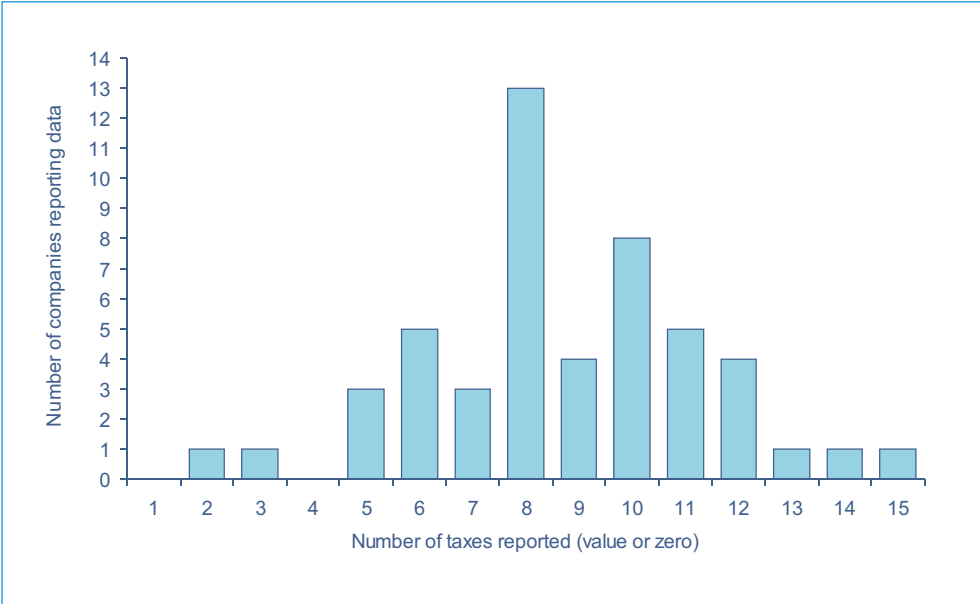


Figure 5.5 Number of taxes borne reported by company

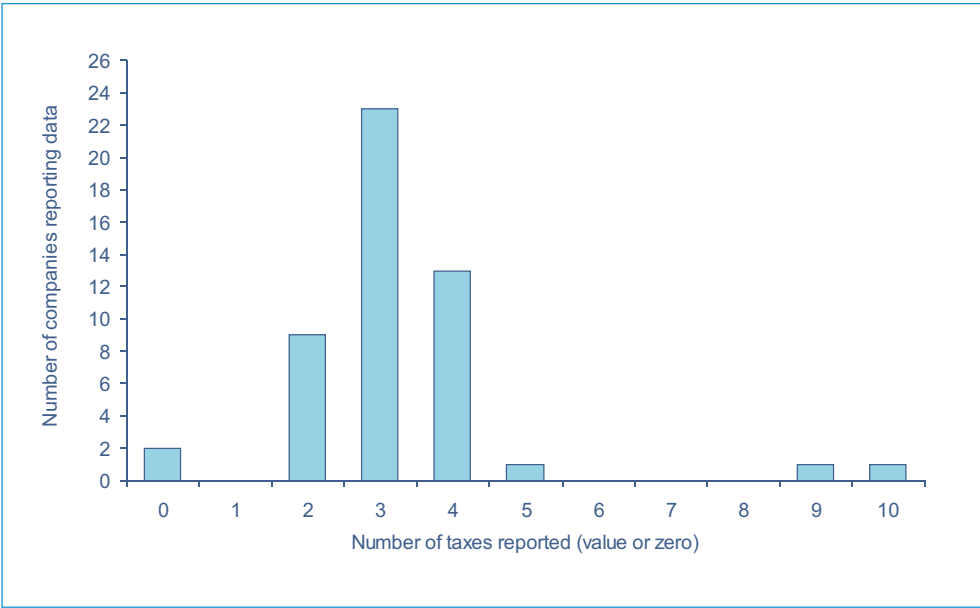


Figure 5.6 Data Quality 2007 - Taxes collected

# The picture for individual participants

The Total Tax Contribution has examined the impact of tax on business. In addition to data on taxes borne and taxes collected, survey participants were asked to provide information to indicate the size of their South African business in order to put their tax payments into context and assist with benchmarking.

We used this information to calculate the following:

- Total Tax Rate (TTR);
- Taxes borne and taxes collected as a percentage of turnover; and
- Employment taxes per employee.

There is no apparent pattern across survey participants and the TTR varies substantially from company to company. The TTR is impacted by two key factors:

- The profitability of the business; and
- The extent to which the business is subject to taxes that are assessed, irrespective of profitability.

## Total tax rate (TTR)

The TTR is all business taxes borne as a percentage of profits before all business taxes borne. The mean TTR for survey participants was 34.3% in 2007 and 31% in 2006. The increase in the TTR between 2006 and 2007 was partly due to a reported increase in corporate profits of 37% with a lower increase in corporate tax of 16.8%.The TTR measure shows that, on average, for every R3 of profit made by the survey participants, R1 was paid in tax. The figure below shows the individual TTR for each of the survey participants.

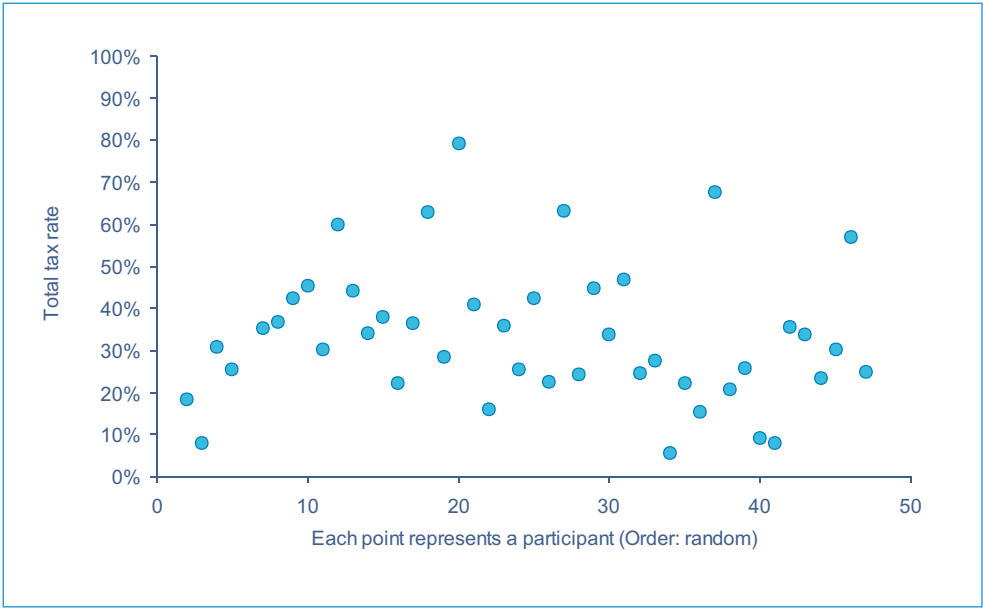


Figure 5.7 Total tax rate

# Survey results

## Taxes borne and taxes collected as a percentage of turnover

Taxes borne and taxes collected as a percentage of turnover is a useful measure of what a company contributes to government tax receipts, having regard to their size as measured by turnover. The mean of total taxes to turnover of the survey participants was 16.8% in 2007 and 16.1% in 2006.

Taxes borne and collected as a percentage of turnover						
On average participants paid an amount equivalent to 16.8% of their turnover in taxes borne and collected						
Total tax contribution as a percentage of turnover	2007			2006		
	Total	Borne	Collected	Total	Borne	Collected
Calculated for all participants as a group TTC as a % of turnover of participants	14.4%	6.9%	7.4%	13.6%	6.9%	6.6%
Calculated for all individual participant companies Mean average of ratio of TTC as a % of turnover for individual companies	16.8%	8.1%	8.7%	16.1%	7.2%	8.7%
Calculated for individual participant companies Median average of ratio of TTC as a % of net turnover for individual companies	10.7%	7.0%	4.4%	10.5%	6.4%	3.9%

Figure 5.8 Taxes borne and collected as a percentage of turnover

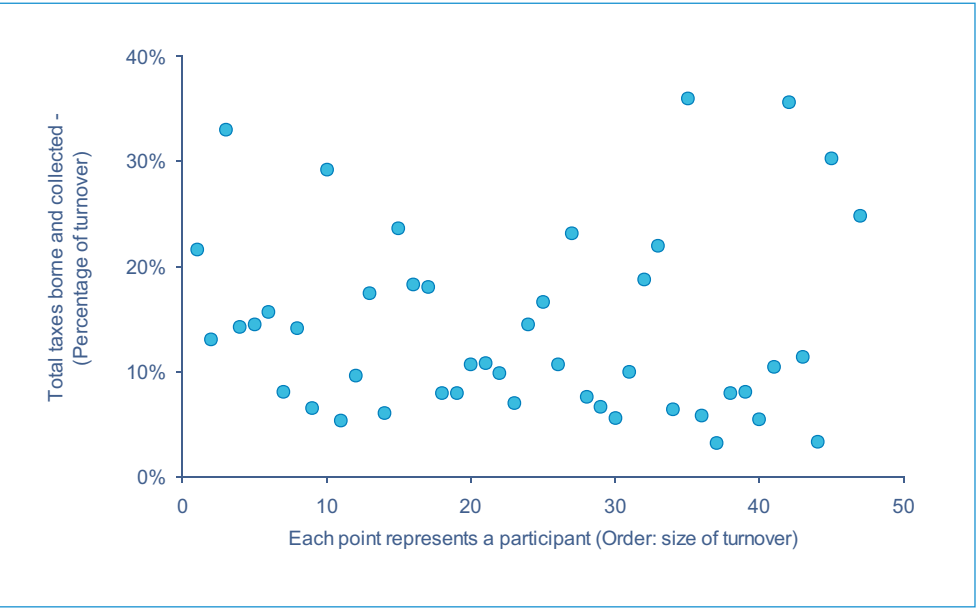


Figure 5.9 Taxes borne and collected as a percentage of turnover (per participant)

# Survey results

## Employment taxes per employee

Another measure is employment taxes borne and taxes collected per employee. Survey participants reported a mean of employment taxes per employee of R60,415 in 2007 and R53,512 in 2006 as shown below.

Employment taxes borne and collected per employee						
On average participants paid R60,415 in employment taxes per employee						
Employment taxes per employee	2007			2006		
	Total	Borne	Collected	Total	Borne	Collected
Calculated for all participants as a group Total employment taxes paid per SA employee	34,925	3,549	31,376	30,644	2,697	27,947
Calculated for all individual participant companies Mean average of employment taxes per employee for individual companies	60,415	6,310	54,105	53,512	4,052	50,252
Calculated for individual participant companies Median average of employment taxes per employee for individual companies	51,773	3,898	45,633	45,381	3,311	44,841

Employment taxes include PAYE, PAYE settlements, SDL, UIF and OID. Six companies did not provide number of employees and therefore could not be included in the calculations.

Figure 5.10 Employment taxes borne and collected per employee

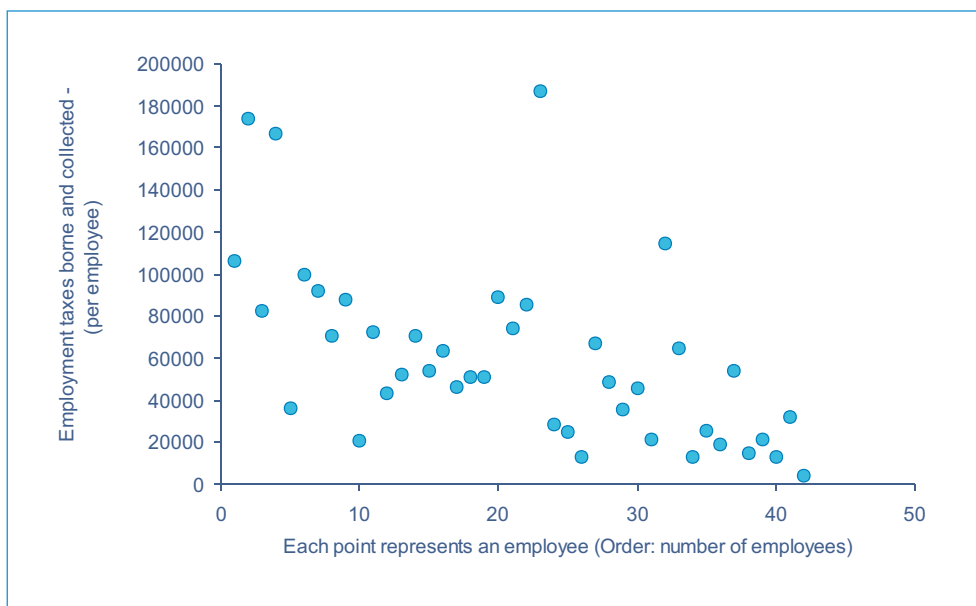


Figure 5.11 Employment taxes borne and collected per employee (per participant)

# Survey results

Using employment taxes borne and taxes collected as a percentage of the net wages and salaries bill, survey participants reported a mean of 26% in 2007 and 23.3% in 2006 as shown below.

Taxes borne and collected to net wages and salaries bill						
Employment taxes to wages and salaries (plus employment taxes borne)	2007			2006		
	Total	Borne	Collected	Total	Borne	Collected
Calculated for all participants as a group Total employment taxes to wages and salaries	22.5%	2.3%	20.2%	22.7%	2.0%	20.7%
Calculated for all individual participant companies Mean average of employment taxes to wage and and salaries for individual companies	26.0%	2.8%	23.1%	23.3%	2.0%	21.8%
Calculated for individual participant companies Median average of employment taxes to wages and salaries for individual companies	21.0%	1.8%	18.6%	21.1%	1.6^	19.7%

Figure 5.12 Taxes borne and collected to net wages and salaries bill

# Survey results

## Large payers

In this survey, nine companies each paid more than R2 billion in total taxes borne. Amongst the participating companies, these nine companies accounted for 58% of the survey totals for corporate tax and 57% of total taxes borne. In addition these nine companies collected 51% of taxes collected as reported by all participants.

This shows the importance to the revenue authorities of tax collections from the major corporate taxpayers, and the high proportion of collections from such taxpayers vis-a-vis total tax collections. In this regard, South Africa is in line with overseas trends. The 2007 PwC survey of The Hundred Group of companies In the UK revealed that, of the companies surveyed, the 35 largest payers of total taxes borne contributed 68% of the total corporation tax payments.

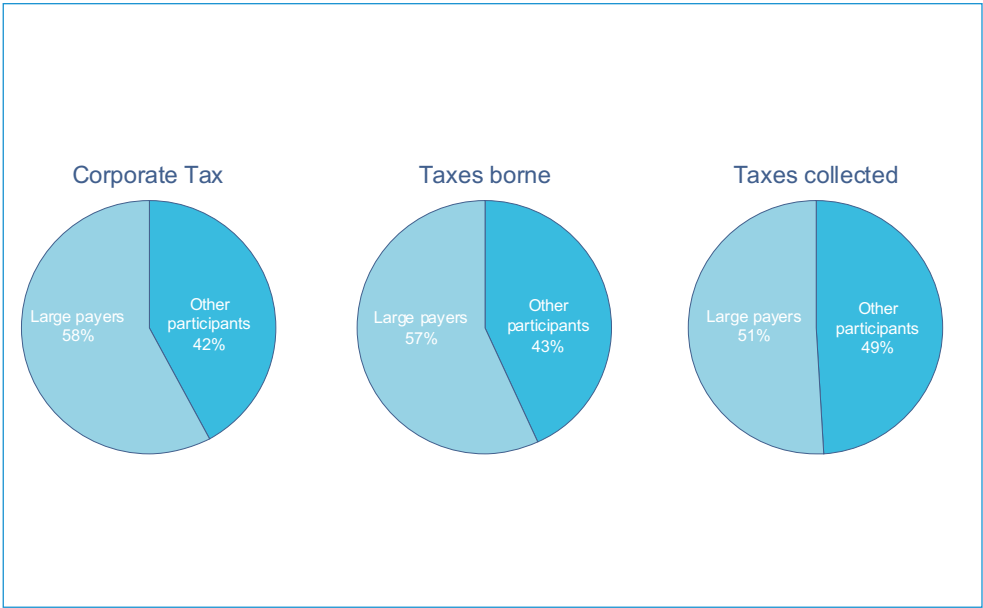


Figure 5.13 Large payers - taxes borne

## Survey results

### JSE Indices

Some participants formed part of certain indices as reported by the JSE. These included:

	Participants	% of total number	% of total market cap
FTSE/JSE Resource 20 Index (23 companies)	8	35	81
FTSE/JSE Financial 15 Index (21 companies)	5	24	24
FTSE/JSE Financial & Industrial 30 Index (42 companies)	15	36	46
FTSE/JSE Industrial 25 Index (40 companies)	15	38	55

The results for participants included in certain JSE Indices were marginally different to the results for all participants. Taxes collected for the JSE Resource 20 Index participants were 1.03 times taxes borne, while for the JSE Financial and Industrial 30 Index and the JSE Industrial 25 Index participants the ratio of taxes collected to taxes borne were 0.9. Participants in the JSE Financial 15 Index had the lowest ratio of taxes collected to taxes borne at 0.8 times.

It is also interesting to note that corporate tax represents 79% of taxes borne for the JSE Resource 20 Index, 76% for the JSE Financial and Industrial 30 Index, 77% for the JSE Industrial 25 Index while it only represents 66% of taxes borne for the Financial 15 Index.

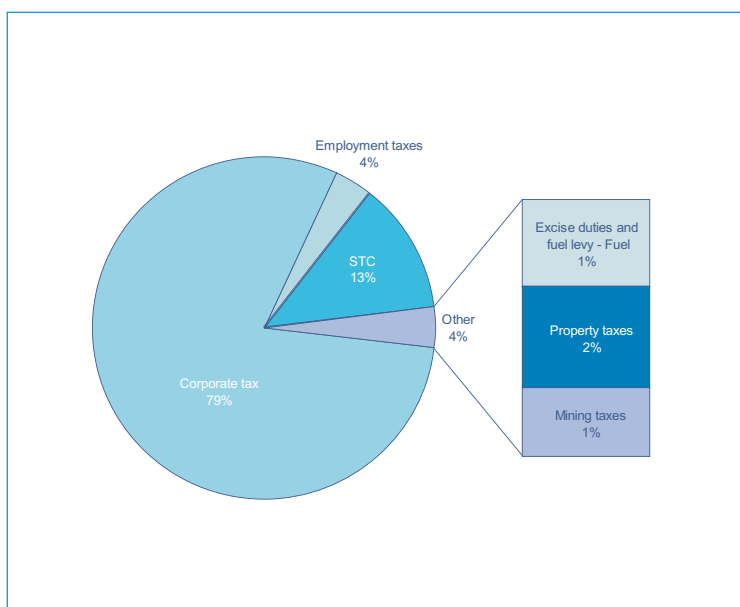


Figure 5.14 Resource 20 - Taxes borne

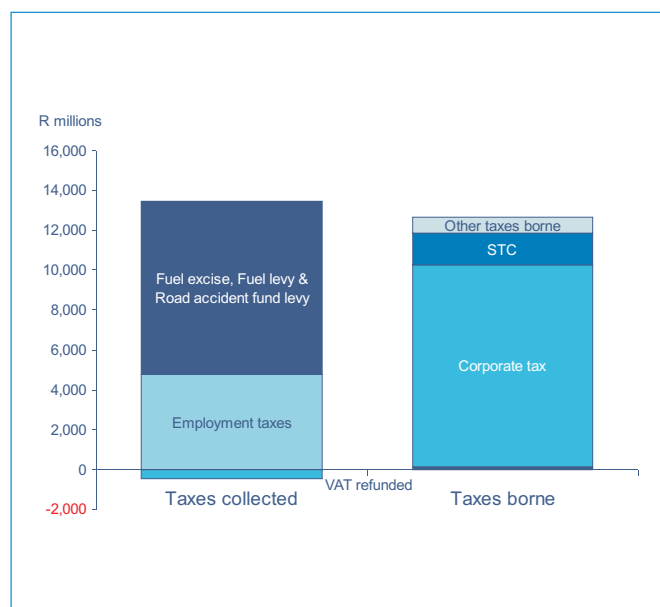


Figure 5.15 Resource 20 - Taxes collected

# Survey results

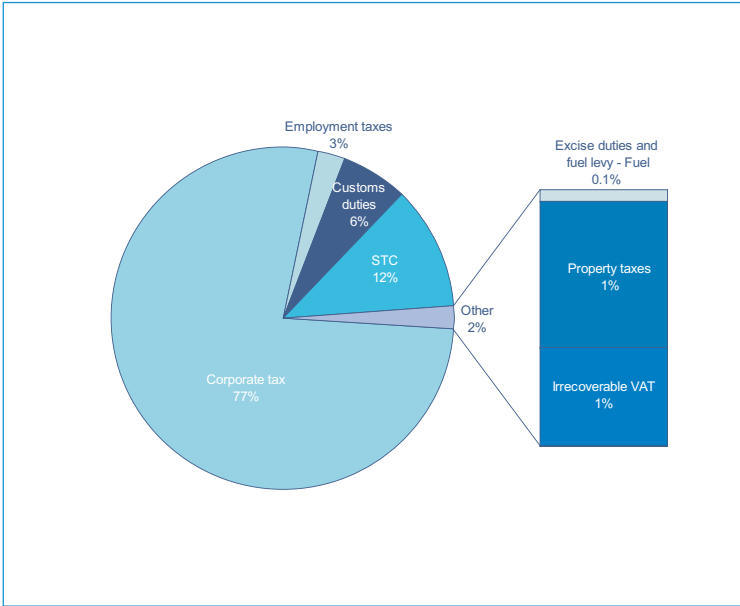


Figure 5.16 Industrial 25 - Taxes borne

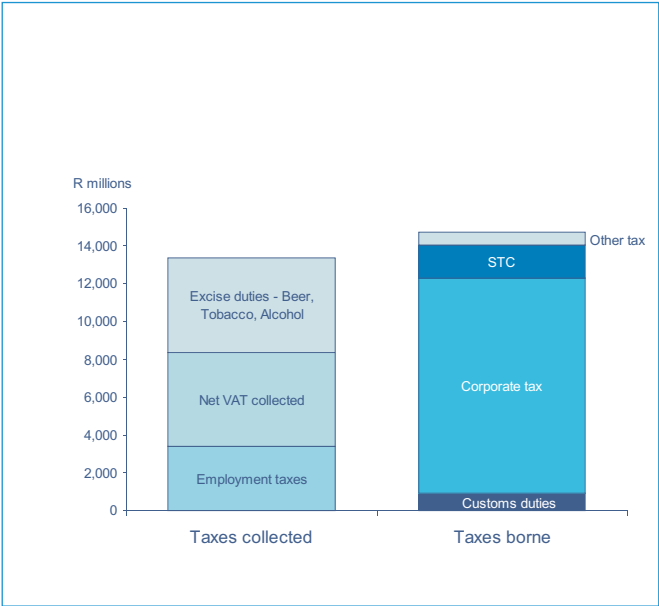


Figure 5.17 Industrial 25 - Taxes collected

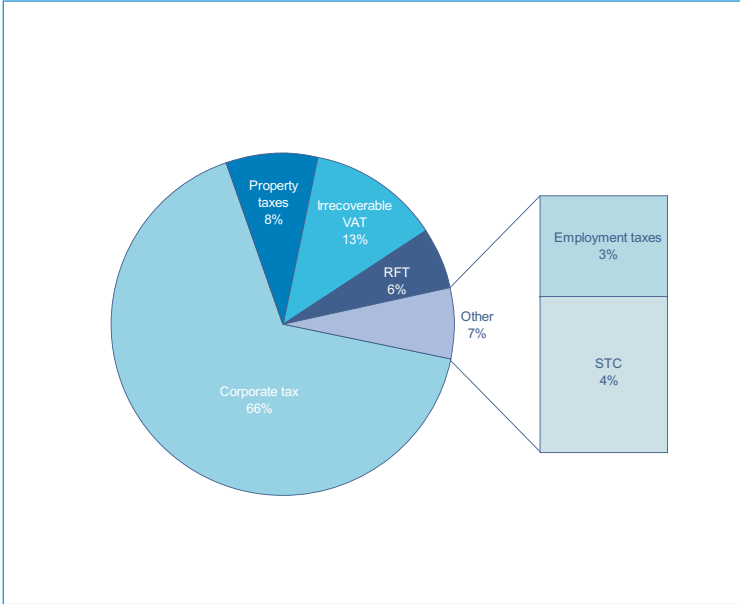


Figure 5.18 Financial 15 - Taxes borne

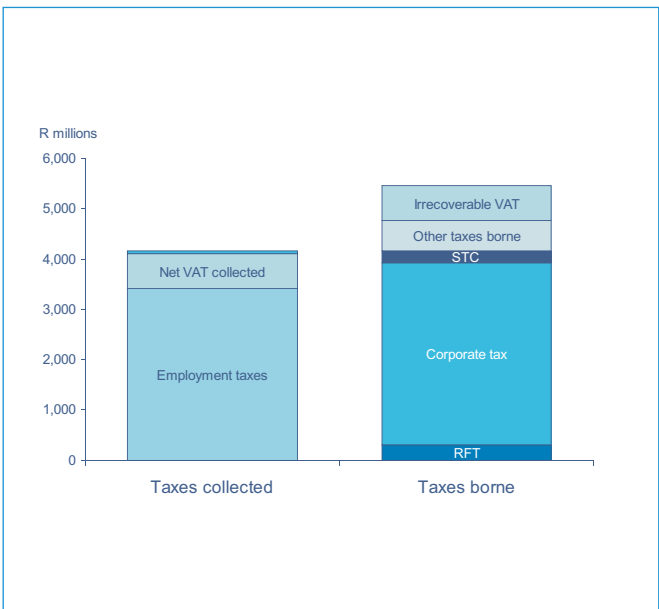


Figure 5.19 Financial 15 - Taxes collected



# Survey results

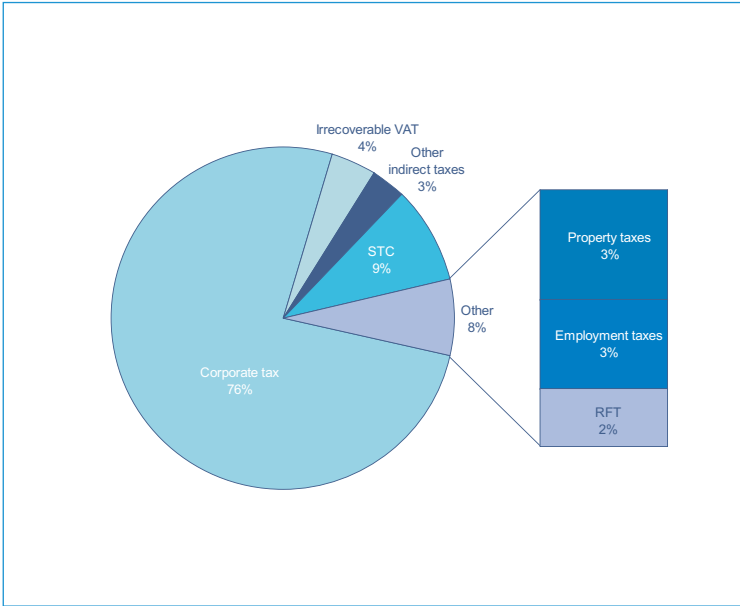


Figure 5.20 Financial & Industrial 30 - Taxes borne

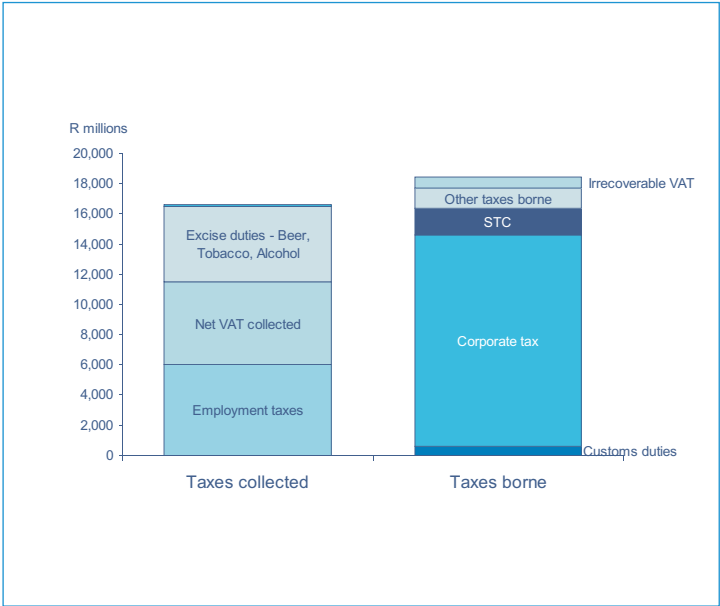


Figure 5.21 Financial & Industrial 30 - Taxes collected

# The cost of tax compliance

Participants were asked to provide an estimate of tax compliance costs relating to income tax and other major business taxes. Tax compliance cost includes more than just the cost of submitting a tax return, and refers to the total cost incurred by a participant to meet all its obligations with regard to tax. The survey also provided participants with the opportunity of providing an estimated breakdown of the cost of using specialist tax resources.

Forty-two of the participants provided data on the time spent on compliance with South African taxes. On average the equivalent of 4.4 full-time employees per participant deal solely with compliance with South African taxes, based on approximately 220 working days per person per annum.

## The central tax department

Just over half of the time spent on tax compliance (50.3%) was on compliance activities relating to corporate tax. 18.9% of the total time was spent on employment taxes and 13.2% on VAT.

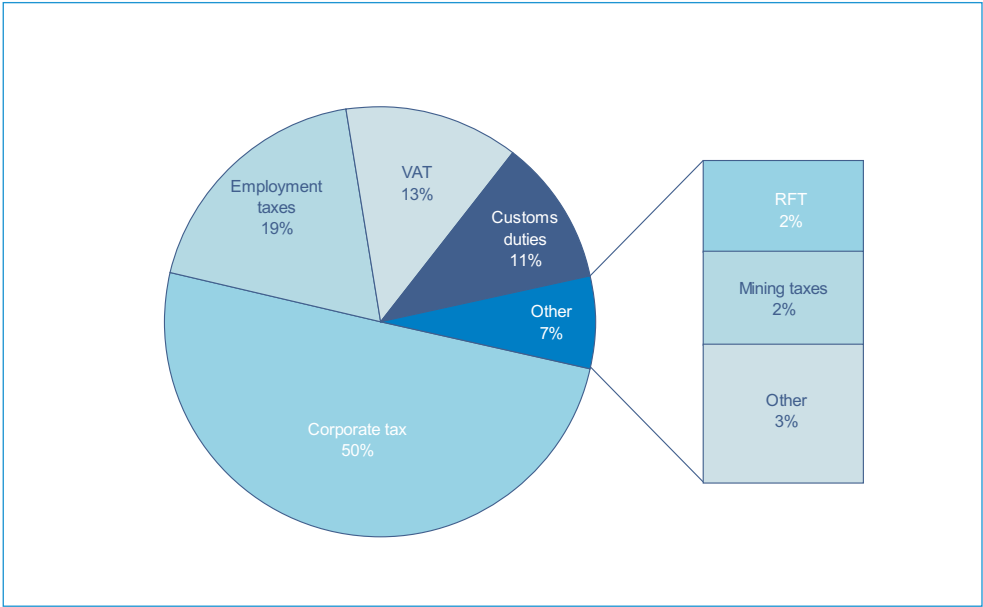


Figure 5.22 Time spent on compliance activities – percentage by tax type

# Survey results

## External service providers

Participants in the survey reported a total spend of R80,6m with external service providers for SA tax compliance services. The average spend for each company reporting data was R1,6m; 66.9% of this external spend related to corporate tax, 10.7% to employment taxes and 6.4% to VAT.

## The cost of tax compliance

The data provided by participants on time spent has been translated into a monetary cost for the purpose of estimating the cost of compliance with the South African tax system. Time has been costed using a standard salary/benefits cost by grade. The standard cost used was: director - R720,000, manager - R360,000 and staff - R180,000 with an addition of 35% for overheads. The results represent a standard cost rather than the real cost for participants.

Based on the calculation, the total cost of South African tax compliance for participants, including their external spend is R144,8m. 61.1% of the total cost relates to corporate tax, 13% to employment taxes and 8.9% to VAT.

On average, the cost of tax compliance for participants represents 0.81% of their tax payments (taxes borne and collected).

Calculated for all participants as a group Total compliance cost as a % of total tax payments	0.19%	
Calculated for all individual participant companies Mean average for individual companies	0.81%	
Calculated for all individual participant companies Median average for individual companies	0.33%	
Ranges of values for individual participant companies	Min 0.02%	Max 8.67%

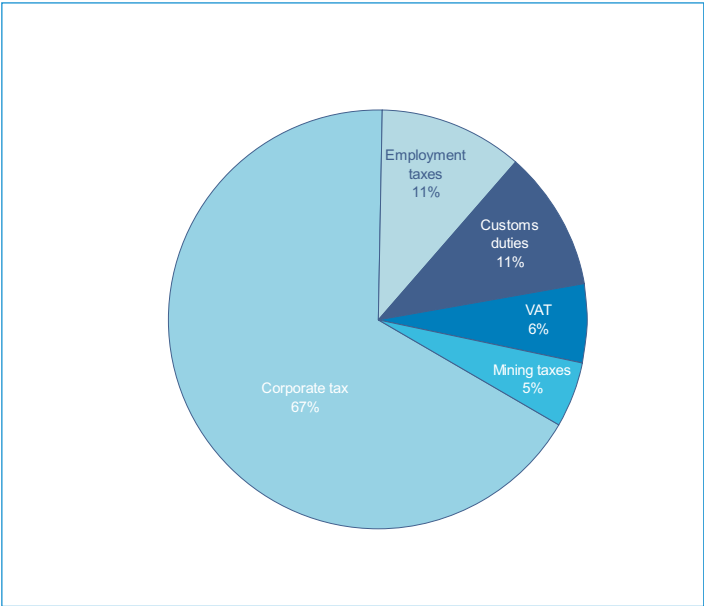


Figure 5.23 External service providers – tax compliance services per tax

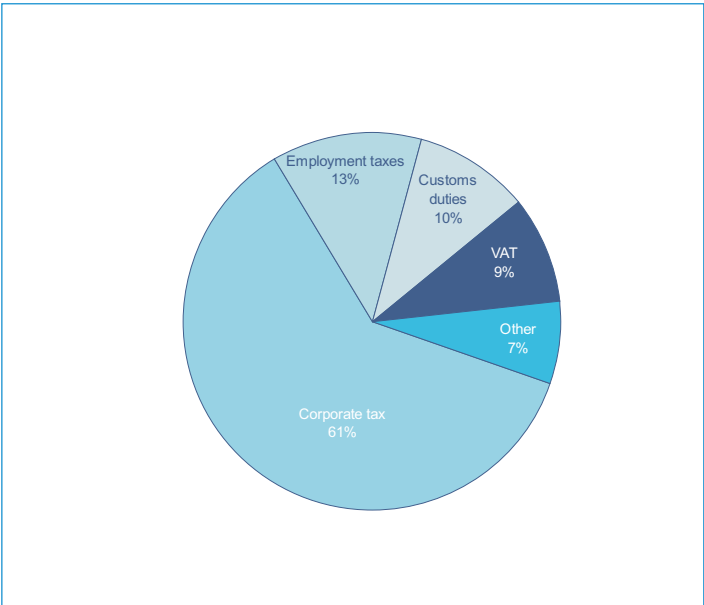


Figure 5.24 Total cost of tax compliance – percentage by tax

# Survey results

## Relationship with the South African Revenue Service (SARS)

The relationship with SARS and the internal company environment could influence tax compliance costs. Participants were therefore asked to rate SARS against certain criteria and assess their own internal tax environment.

The criteria included:

- Complexity of tax legislation;
- Clarity/ certainty of taxing statutes and supporting SARS documentation;
- Quality of SARS website in resolving uncertainties; and
- Quality of services received from SARS including:
  - availability of assessing officials;
  - answering queries timeously and resolve uncertainties;
  - reasonable and fair action on the part of inspection teams;

- transparency on decision-making regarding objections/ penalties; and
- speed/ efficiency of refund process.

### Summary of the results

- 67% of the participants consider SA tax legislation to be highly complex.
- 29% of participants rate the quality of the SARS website as a means to resolve issues as poor.
- 31% of the participants rate the availability of assessing officials as high. One possible reason for this could be the SARS Large Business Centre ('LBC').
- 27% of the participants rated the actions of inspection teams as reasonable and fair.

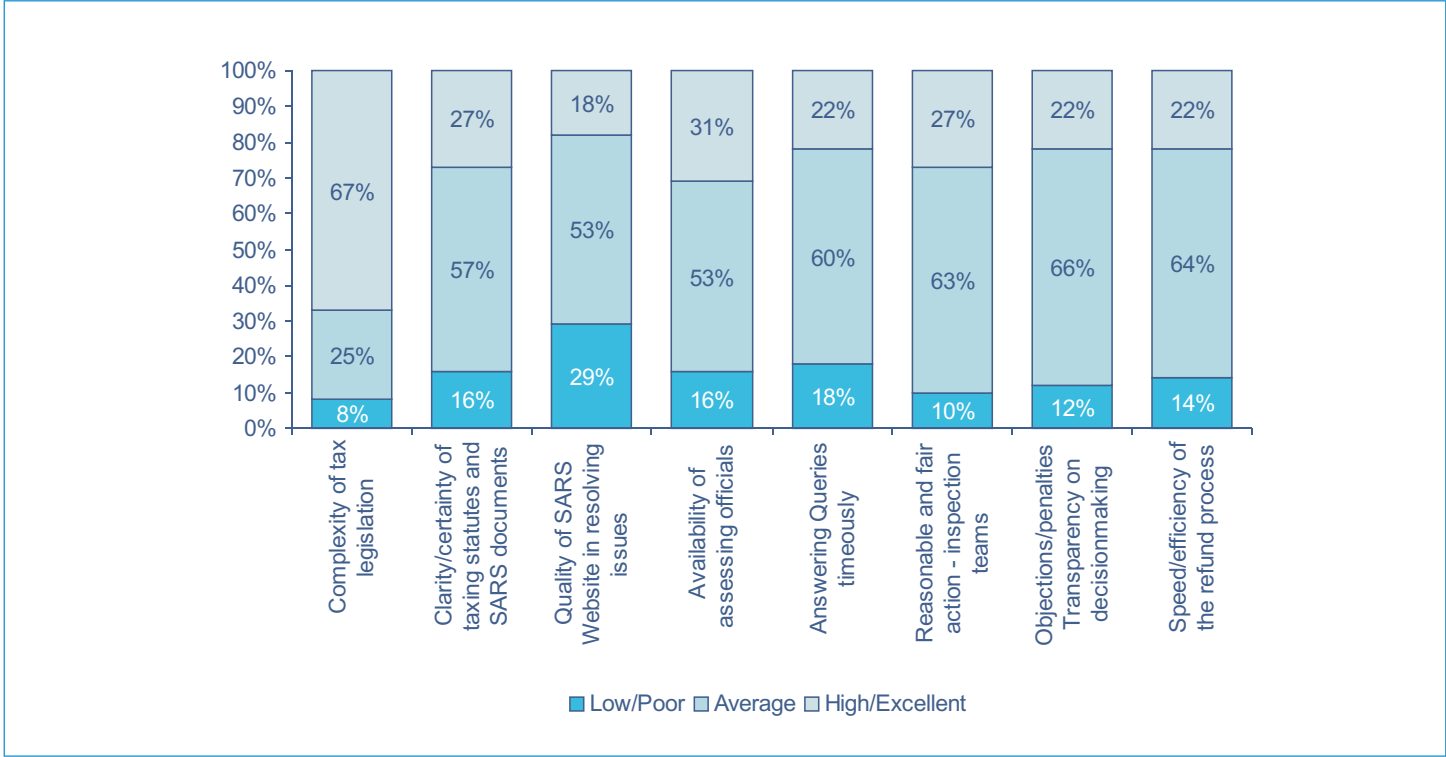


Figure 5.25 Rating SARS and tax legislation

# Survey results

Participants were asked to answer the following questions relating to themselves:

1. Are corporate businesses unduly targeted for cash collections by SARS?
2. Do you have formal risk management
  - Policy?
  - Process?
  - Audit committee level involvement?
  - Board level involvement?
3. Do you have any reservations about the use of the e-Filing system for
  - VAT?
  - PAYE?
  - Corporate tax?
  - Other taxes?
4. Do you have a formal tax reporting structure to
  - Management?
  - Audit Committee?
  - Board?

## Summary of the results

57% of participants believe that corporates are being unduly targeted for cash collections by SARS.

73% of participants have audit committee involvement in the management of tax risk.

66% of participants have no reservation about the use of the e-Filing System for VAT, PAYE, corporate tax and other taxes, while 57% have no reservation about the use of the e-Filing system for corporate tax.

86% of participants have a formal tax reporting structure to management.

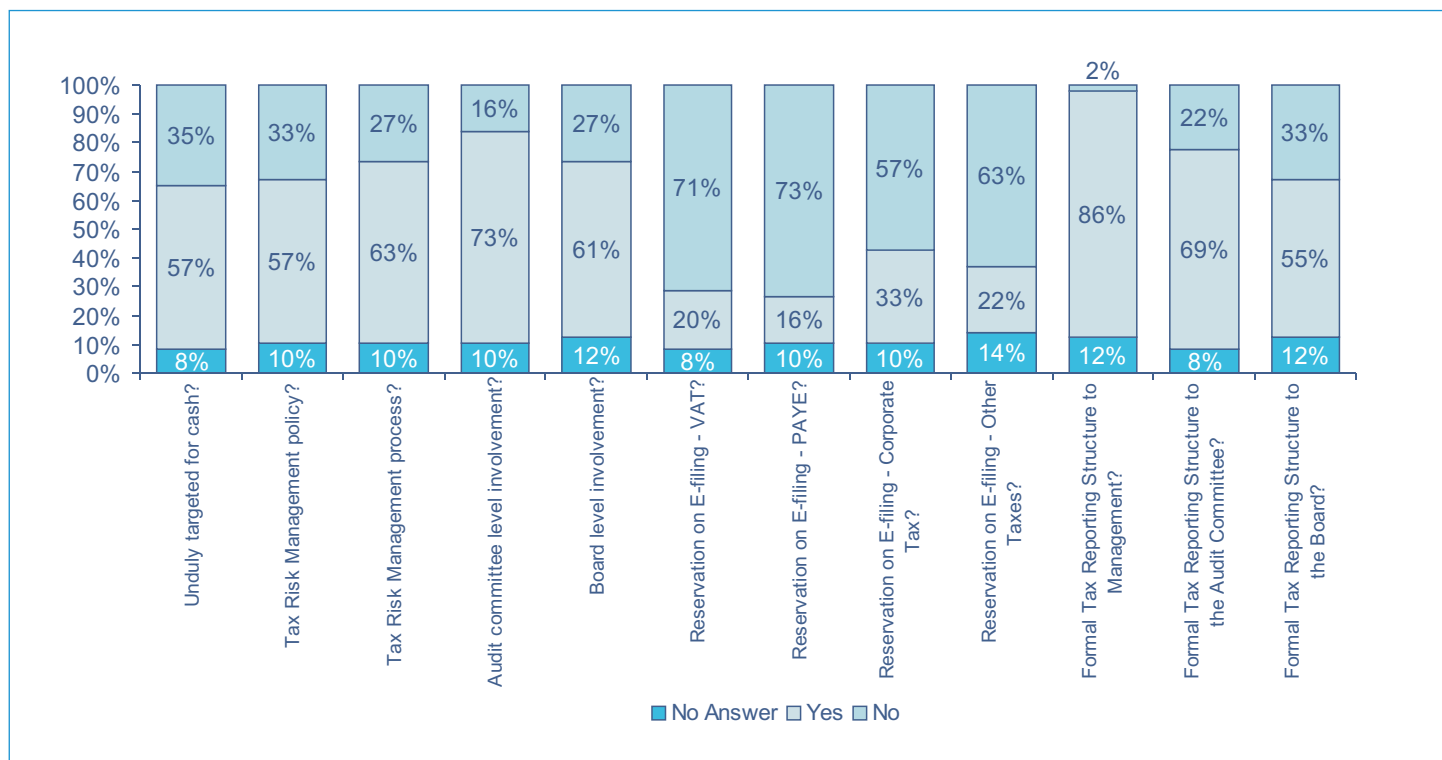


Figure 5.26 Tax risk management results

# International comparisons

## The Total Tax Contribution of UK and Australian companies

PwC UK, on behalf of the Hundred Group, and PwC Australia, on behalf of the Business Council of Australia, have published the results of a recent Total Tax Contribution survey of their respective members. The survey applied the same TTC methodology as this survey; the respective results are thus broadly comparable.

The PwC research into the Total Tax Contribution of companies in the United Kingdom and Australia provide useful benchmarks for the results of the PwC study of large South African companies, bearing in mind of course, the considerable differences between the economies and tax systems of the three countries. The consistent methodology used in all PwC's Total Tax Contribution studies permits international comparisons and benchmarking.

Participants can thus compare their tax data, not only with their peers in the home country, but also with their overseas counterparts.

### United Kingdom

In 2005 PricewaterhouseCoopers' office in London conducted, for the first time, a detailed survey of the business taxes borne and collected by the 112 members of the so-called "Hundred Group" of companies in the United Kingdom, whose members broadly equate to the FTSE 100, which is a cross-industry grouping more or less representing the top 100 companies on the London Stock Exchange FTSE index. The survey set out to determine the total tax contribution of companies in the Hundred Group. The study has been repeated for the third year in 2007.

Similar surveys have been conducted by PwC in a number of countries around the world. All such surveys have used the same methodology to enable participating companies to collect and communicate the information in a consistent manner.

In 2007 the PwC study of the FTSE 100 companies in the UK revealed inter alia that –

there are 22 taxes in the UK that are paid by companies in addition to corporate tax;

for every £1 of corporate tax, another £0.79 of other taxes are paid by these companies;

for every £1 of corporate tax borne by these companies, a further £3.27 in tax is collected by them;

taxes borne plus taxes collected are equivalent to about 17.9% of these companies' turnover;

total taxes borne by these companies increased by 10.8% between 2006 and 2007.

In the United Kingdom, the treasury, the revenue authorities, the Department of Trade and Industry and other interested parties showed great interest in these findings and have received briefings from PwC on the concept and the methodology of the Total Tax Contribution.

### Australia

A survey undertaken by PwC in Australia for the Business Council of Australia revealed that:

In Australia there are 55 taxes potentially payable by companies; some of these taxes have different rules and separate filing obligations in the different states, consisting in total of 169 potential "taxing points".

Thirty four Territory and State taxes accounted for only 9% of the taxes paid by the companies under scrutiny, representing high complexity and compliance costs for a modest amount of tax collected.

These findings shed important light on the degree of complexity of Australia's tax system and the weight of the compliance burden. The study also highlighted the fact that the reduction, abolition or consolidation of the multiplicity of territory and local taxes would have a relatively small impact on the total amount of tax collected.

Similar surveys are presently under way in a number of other countries, including Belgium, Canada, and The Netherlands. Further international comparisons will therefore be possible.

# Survey results

## International comparisons

	South Africa 2007	UK 2007	Australia 2007
<b>Size and shape of the tax system</b>			
Number of taxes	23	22	55
Government tax revenues to GDP*	27.7%	37.4%	30.9%
Corporate tax as % of Government tax revenues**	6.3%	9.1%	27%
<b>Survey</b>			
Number of survey participants	50	74	63
TTC for participants as a % of Government tax receipts	19.7%	13.3%	19.3%
<b>Taxes borne</b>			
Average number of taxes borne	8.7	9.0	N/A
Corporate tax as a percentage of taxes borne	66.1%	56.0%	68.0%
Average TTR	34.3%	36.2%	35.4%
<b>Taxes collected</b>			
Average number of taxes collected	3.2	4.1	2.9
Taxes collected to taxes borne	1.07	1.83	1.19
Average taxes borne and collected to turnover	16.8%	17.9%	17.5%
* Source for UK and Aus: OECD Publication, Revenue Statistics 1965 - 2007			
** Source for UK and Aus: Latest published Government revenue statistics			

# Implication and future of Total Tax Contribution

6



# Implication and the future of Total Tax Contribution

An overall aim of the Total Tax Contribution Framework is to improve the 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.

An important use of the framework is also to inform the debate on business tax reform and the efficiency and effectiveness of the South African taxation system, leading to potential improvements.

The survey was designed to enable companies to collect the required information on taxes borne, taxes collected and tax compliance costs under the framework in a structured way. With extensive participation by a wide range of companies, the survey provided empirical data on actual taxes borne and taxes collected by companies as well as compliance on an aggregate basis that was not previously available. There is strong interest in the results of the survey and in the Total Tax Contribution concept generally. Discussions will continue with a range of interested government departments, business and business/trade chambers. The rate of participation in the survey demonstrates businesses' interest in determining their Total Tax Contribution as well as their acknowledgement of the benefits for individual companies in managing their taxes.

By completing the survey, participants now have potentially

robust data on an individual company basis which also gives them the opportunity to improve their reporting of tax information for internal management purposes, or externally in published financial or corporate social responsibility reports. There is a gap between accounting standards requirements and the needs of various stakeholders. The Total Tax Contribution Framework provides a convenient approach for the generation of data that can be reported on a regular basis and can be used to meet the needs of interested stakeholders.

PricewaterhouseCoopers strongly encourages the use of the framework for best practice financial reporting and as the basis for the design of any future reporting changes. While PricewaterhouseCoopers believes the Total Tax Contribution 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 macro perspective. In the longer term we believe the benefits of a Total Tax Contribution approach lie in the specific outcomes for individual companies. There is also a range of other data that is more useful to individual participants, including for benchmarking purposes. These benefits are summarised below:

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

## Global use of the Total Tax Contribution framework

The use of the Total Tax Contribution Framework is gaining momentum globally. The World Bank will again use the framework for its 2008 report. In addition to the ongoing use of the framework in the UK, a number of other countries are progressing towards surveying large business in their respective countries. In addition, a number of large multi-national organisations are applying the Total Tax Contribution concept to analyse and manage business taxes globally.

# Appendices

## Appendix A

### Participants

Afrox	MTN
Anglo American	Multichoice
Anglo American Platinum	Nampak
Anglogold Ashanti	Netcare
ArcelorMittal	Old Mutual
British American Tobacco	Parmalat
BHP Billiton	Petro SA
BP	PPC
Capitec Bank	Rainbow Farms
De Beers	Remgro
Dimension Data	Reunert
Ericsson	SAB
Ford	Sanlam
Harmony	Sasol
Highveld Steel and Vanadium	Shoprite Checkers
JSE	Siemens
Kumba Iron Ore	Stanlib
Liberty	Supersport
Massmart	Telkom
Media24	Trans Hex
Medi-Clinic	Transnet
Metropolitan	Unilever
MIH	Vodacom
MNet	WBHO
Momentum	Woolworths

# Appendix B

## Classification of taxes as borne and collected

Tax for which data requested	Tax borne	Tax collected
<b>Profits taxes (3)</b>		
Corporate tax	x	
Secondary tax on companies	x	
Mining tax - lease consideration	x	
<b>Property taxes (3)</b>		
Stamp duty and UST	x	
UST collected (Note 1)		x
Transfer duties	x	
Property rates	x	
<b>Employment taxes (4)</b>		
PAYE		x
PAYE settlements (Note 1)	x	
Skills development levy	x	
Unemployment insurance fund	x	x
Occupational injuries and diseases levy	x	
<b>Indirect taxes (8)</b>		
Net VAT		x
Irrecoverable VAT (Note 1)	x	
Withholding tax on royalties		x
Customs duties	x	
Excise duties	x	x
Fuel levy	x	x
Road Accident Fund (RAF) levy	x	x
Diamond export tax	x	
Betting and gaming duties	x	
<b>Environmental taxes (2)</b>		
Plastic bags levy		x
Air passenger duty	x	x
<b>Other taxes (3)</b>		
Retirement fund tax (RFT) (Note 2)	x	
Universal service fund (Note 3)	x	
Regional Services Council (RSC) levies (Note 4)	x	
Note 1: We do not consider these as separate taxes.		
Note 2: RFT was abolished effective 1 March 2007.		
Note 3: No data was requested for Universal service fund payments.		
Note 4: No data was requested for Regional Services Council levies ('RSC levies') as the levy was abolished effective 1 July 2006.		

## Appendix C

### Taxes borne by participants

R million		2007 Taxes Borne	Government receipts <sup>1</sup>	Percentage of tax receipts
Profits taxes	Corporate Tax	32 788	120 111	27.3%
	Secondary Tax on Companies ('STC')	4 877	15 291	31.9%
Property taxes	Stamp duty & UST	284	3 350	8.5%
	Transfer duties	16	6 774	0.2%
	Property rates	924	18 700	4.9%
Employment taxes	SDL	625	5 597	11.2%
	UIF contributions paid	575	7 854	7.3%
	OID contributions borne	353	2 887	12.2%
	PAYE settlements	225	133 760	0.2%
Indirect taxes	Irrecoverable VAT paid	1 961	134 463	1.5%
	Customs Duties	2 277	23 697	9.6%
	Excise Duties and Fuel Levy - Fuel	3 957	22 691	17.4%
	Vehicle Advalorem Excise Duty	222	1 283	17.3%
	Betting & Gaming Duties	0	5	0.0%
Environmental taxes	Air Passenger Tax	4	485	0.8%
Other taxes <sup>2</sup>		535	3 351	16.0%
	TOTAL	49 622	500 299	9.9%

<sup>1</sup> Source: SARS Annual Report 2007, Treasury Budget Review 2007, Treasury Monthly publications, Department of Labour Annual Report 2007

<sup>2</sup> Other taxes include Retirement Fund Tax and Mining taxes.

## Appendix D

### Taxes collected by participants

R million		2007 Taxes Collected	Government receipts <sup>1</sup>	Percentage of tax receipts
Property taxes	UST collected	63	2 764	2.3%
Employment taxes	PAYE	15 420	133 760	11.5%
	UIF	299	7 854	3.8%
Indirect taxes	Net VAT collected	10 774	134 463	8.0%
	Withholding tax on royalties	9	Not available	
	Fuel levies	12 652	1 578	58.6%
	Road Accident Fund	2 160	5 906	36.6%
	Excise duties - Fuel	478	847	56.4%
	Excise Duties - Beer, Tobacco and Alcohol	11 032	15 081	73.2%
Environmental taxes	Enviromental Levy - Plastic Bag Levy	3	75	4.6%
	Air Passenger Tax ('APT')	-	485	0.0%
	TOTAL	52 890	322 813	16.4%

<sup>1</sup> Source: SARS Annual Report 2007, Treasury Budget Review 2007, Treasury Monthly publications, Department of Labour Annual Report 2007

# Appendix E

## Glossary

### Median

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

### Simple Average or Mean

The simple average or “arithmetic mean” is calculated by summing all the individual company observations and dividing 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

For the purpose of the Total Tax Contribution Framework, PricewaterhouseCoopers has defined tax as “something that is paid to government (by businesses or individuals) to fund government expenditure, excluding payments where 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 their 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 will be 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 (PAYE) from employees. Taxes collected are administered by the company and will involve costs of compliance. Taxes collected will also have an indirect impact on the company’s results since, for example, indirect taxes collected will impact prices to customers and employee taxes the cost of labour.

### Total Tax Rate (TTR)

All business taxes borne as a percentage of profits before all business taxes.



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