BIZCOMMUNITY

SA will not reach lower tax target, say analysts

By Amanda Visser

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The reduced tax revenue target of R895bn for the fiscal year ending March will not be achieved given the expected drop in tax revenue, commentators say.

Pravin Gordhan is likely to provide little or no relief for taxpayers this year. Image: GCIS

Finance Minister Pravin Gordhan, who adjusted the tax revenue target downward by R3bn in the medium-term budget policy statement in October, will deliver his fifth budget speech on 26 February, at a time when South Africans are battling with an interest rate hike, price increases on all levels and a weakening rand.

The slowdown in the economy and consumer spending towards the second and third quarters of last year, combined with the wave of mostly illegal strikes in the mining sector which cost the country R11bn in lost revenue will negatively affect total projected revenue collection for the fiscal year.

Gordhan is expected to keep spending on a tight leash in an effort to bring down the budget deficit - the difference between revenue and spending. Rating agencies could further downgrade South Africa's sovereign credit rating if the government failed to manage its deficit.

Commentators at PwC, BDO, KPMG and the South African Institute of Tax Practitioners (SAIT) said the continuing work of the Davis Tax Committee, the general election on 7 May and economic pressures on individuals and companies call for a conservative budget.

Higher fuel levies?

PwC predicted increases in the general fuel levy of between 20c/l and 25c/l and in the Road Accident Fund levy of between 8c/l and 10c/l. Smokers and drinkers could expect above inflation increases in excise duties on tobacco and alcohol. But an increase in direct taxes (personal income and corporate income tax) was unlikely in an election year, SAIT head of tax policy Sharon Smulders.

SAIT's chief executive Stiaan Klue said the estimated tax revenue for the next fiscal year was set at R985bn, a "modest" R7bn less than the 2013 estimate.

"Considering that South Africa is on the eve of a national election, the R7bn is a significant shortfall for a government faced with enormous socio-economic challenges, labour strikes, and ongoing township service delivery protests," he said.

Higher sin taxes, interest rates and petrol prices will hurt consumers this year. Image: dpavumba Free Digital Photos

BDO tax director David Warneke predicted a rise in the marginal tax rate for higher income earners of between 40% and 45% given pressure on the government to deliver jobs and basic services. This view was not shared by SAIT, KPMG or PwC.

KPMG tax director Deborah Tickle said about 388,000 people earning more than R580,000 paid 49.2% of all the personal income tax in 2012. "Even if one were to collect R10,000 more from each of these taxpayers, it would only provide Gordhan with R3.88bn," she said.

Warneke said more meaningful tax incentives for savings would be welcomed in

Gordhan's budget speech. "As part of this incentive, we (BDO) would like to see a significant reduction in the taxation of retirement lump sum benefits," he said.

PwC head of national tax technical Kyle Mandy made reference to the work of the Davis Tax Committee, which was appointed by Gordhan last year to review South Africa's tax policy framework, and its role in supporting growth, employment, development and fiscal sustainability.

He said no announcements were expected on mining taxes, estate duty and donations tax, or the value-added (VAT) rate, as these were all areas that the committee would be reviewing.

Smulders said the government would be popular with its alliance partners if it increased capital gains tax and introduced a luxury VAT rate.