South African Revenue Service

SA-TIED SEMINAR

Tax Revenue Mobilization in SA

Depreciation Allowances in South Africa

Observations

- Reviews on effectiveness to tax incentives for investment is mixed, and the need to subject these to CBA and monitoring is widely advocated. Benefit accrue to sectors are skewed – is this ideal in the long term?
- In an SA context actual measurement and monitoring is problematic and the need for framework is recommended as these incentives are costly and the consequence for labour is worth considering.
- Comparative to be explored against a lower tax rate and considered argument by policy makers generally, especially in view of how much revenue is lost w.r.t loss making or low profit companies?. T
- “Tax depreciation rules should be more aligned with accounting depreciation, and tax incentive schemes should contain a sunset clause with regular monitoring so that the continuation of tax-driven businesses can be curtailed earlier rather than later.” Unpack this further….recent developments else where.

LOOKING AHEAD

POLICY IMPLICATIONS

AGREE

- Need for tracing and monitoring framework.
- Cost benefits Analysis required.
- Are we achieving what has been set out to achieve or has the context changed with depreciation allowances.
- SARS data to be aligned with SIC is critical for decision making and credibility.

CONSIDERATIONS

- What are the options available? Targeting of historic sectors is it still relevant today (Table 1)
- Does the reduction in tax burden increase FDI for developing/emerging economies? Does the employment objective hold?
- Alignment towards a more simplified tax system application and universal/uniform capital allowance, such as Australia?
- What policy recommendations would you make, especially around duration of application and in view of Treasury's recent response to the matter?

The Corporate Income tax Gap in SA

Observations

- Insightful and relevant issue to digest – especially in view of SARS' compliance programme.

Interpretations

- Rigorous technical frame provided – what nuanced issues are specific for SA to consider?
- SA – CIT tax gap quantified, but how do we compare and what could be ascribed to narrowing of the gap in 2016 – what are the key observations.
- What should we be aiming towards?

LOOKING AHEAD

IMPLICATIONS

AGREE

- Excellent first effort – places a peg in the ground from which to move from;
- Finance sector is the largest contributor to revenue and the gap hereto be monitored on an ongoing basis
- SARS data to be aligned with SIC is critical for decision making and credibility, challenges with data to be addressed.
- Bottoms up approach – currently underway.

LOOKING AHEAD…

CONSIDERATIONS

- Latest update on CIT Gap?
- National accounts data is also based on surveys and thus errors / non responsiveness are issues – what should it be balanced against/options?
- Other country benchmarks – closer for an SA comparative?
- What recommendations would you make to SARS w.r.t. revenue mobilisation with regards to CIT Losses carried forward or efficient tax collections.
- What is the expectation on the CIT gap in the current economic context given COVID pandemic.


THANK
YOU

Thank you

Re a leboha

Re a leboga

Ndza Khensa

Dankie

Ndi a livhuwa

Ngiyabonga

Enkosi

Ngiyathokoza

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