SARS Preliminary Outcomes of Revenue Collection for the 2014-2015 Fiscal Year

We are today releasing SARS' preliminary revenue collection outcome, twelve hours after the close of the 2014/15 fiscal year.

Despite challenging economic conditions, SARS collected R986.4 billion which is a 9.6 % growth in total revenue from 2013/14. This is R7.4 billion above the revised estimate announced in the February 2015 Budget. This revenue performance was made possible by an extraordinary drive by SARS on compliance improvement, which in aggregate, added about R22bn. This closing of the compliance gap compensated for revenue collection shortfall caused by a slowing economy.

The successful outcome of the 2014/15 Revenue drive lifted the estimated Tax to GDP ratio from the 25.2% anticipated in the 2015 Budget to 25.4%.

The three main revenue contributors for 2014/15 were –

- Personal Income Tax (PIT): total collections were R353.8 billion which were R3.0 billion (0.9%) above the Revised Estimate in the 2015 Budget of R350.7 billion. This is R42.9 billion (13.8%) higher than the R310.9 billion outcome of the previous financial year.
- Corporate Income Tax (CIT): total collections were R186.9 billion. This is R2.3 billion (1.2%) above the Revised Estimate in the 2015 Budget of R184.6 billion.

This is R7.3 billion (4.1%) higher than the R179.5 billion outcome of the previous financial year.

- Value Added Tax (VAT): total VAT collections were R261.1 billion. This is R0.5 billion (0.2%) higher than the Revised Estimate in the 2015 Budget of R260.6 billion. This is R23.4 billion (9.9%) higher than the R237.7 billion outcome of the previous financial year.

The robust collections performance from SARS is expected to have a positive impact on the fiscal framework.

The 2014/15 collections target, based on a 2.9% GDP growth outlook, was set at R993.6 billion in the February 2014 Budget announcement.

Subsequent to this announcement the real GDP growth was revised down to 1.4% in the February 2015 Budget. This was as a result of tentative global economic performance and domestic supply side constraints. The latter included the impact of strikes in the mining and manufacturing sectors as well as prospects of significant load shedding. Furthermore the slump of the oil price in the second half of the year reduced the profit outlook for fuel companies, while imports overall were in a downward spiral.

As a result, in the February 2015 Budget, the 2014/15 Revenue estimate was revised downwards by R14.6bn to R979bn.

Cognisant of the challenging economic environment, the Commissioner established a comprehensive Revenue Plan to coordinate all activities pertaining to overall Revenue management. The Revenue Plan includes the establishment of national and regional coordinating committees and provides strategic guidance to SARS.

This Revenue Plan addresses:

- Managing the overall performance of the special initiatives program. These programmes were designed to curtail tax leakages, identify opportunities to close tax gaps and to ensure that all revenues were collected in the correct reporting period.

- The development of extensive business continuity plans and disaster recovery measures.
- Deployment of senior executives to champion regional steering committees in order to facilitate cross divisional cooperation and optimise workforce planning.

This successful execution of the Revenue Plan culminated in SARS exceeding its revenue target by R7.4 billion. The lessons learnt will be embedded into the SARS Operating Model.

The success of this Revenue Plan is reflected in the realisation of R22bn from the Compliance Improvement Initiatives:

- Compliance improvement
    - The broadening of the SMME tax base that saw more than 18 000 companies submitting returns for the first time ever in the 2014/15 financial year.
    - The SARS media campaign against irregular refund claims, coupled with a tightening up of the risk rules.
    - The increased focus of the SARS Contact Centre and branch initiatives.
    - A focussed debt management program.
    - The SARS focus on Base Erosion and Profit Shifting (BEPS).
    - The SARS Voluntary Disclosure Programme added to the revenue collection.
- Policy reform
    - Legislation introduced in 2010 in the treatment of share incentives schemes contributed significantly to PIT collections in the 2014/15 financial year. The gains realised by taxpayers is determined at the time when they take delivery of the proceeds, as opposed to when they exercise the option.

    - The amendment of the VAT Act implemented in 2014 brought e-Commerce transactions into the revenue collection realm.
- The recovery of Customs Duties in the final quarter, driven by significant increases in the import of electronic equipment and machinery, realised additional revenue, more than was anticipated at the time of the 2015 Budget.

The combination of compliance enhancements by SARS, policy reform and to an extent the recovery of customs taxes provided for the successful revenue collection outcome.

This great achievement by SARS despite the economic challenges as well as the perceptions by some media of ‘instability’ within SARS is a clear demonstration of a committed and highly skilled cadre of over 14000 SARS staff members.

On behalf of all South Africans, I want to congratulate Commissioner Moyane for providing leadership and strategic guidance during difficult times. My appreciation goes to all the SARS staff who, despite a difficult economic climate, continue to raise the bar and ensure that Government has financial resources to deliver a better life for all in South Africa. Their dedication and application inspire all of us and makes me a proud Minister.

And finally – but most importantly – I want to thank every taxpayer and trader who paid their fair share of tax during this tax year and who did so on time.

ENDS.