Individuals better than companies at paying tax

The low level of tax compliance by companies is "less than satisfactory" and compares unfavourably with individuals, whose compliance has shown dramatic improvement, says South African Revenue Service (SARS) head Oupa Magashule.

Less than 1% of South African companies pay just more than 60% of corporate taxes, while individuals' compliance rate was 84%.

Mr Magashule yesterday told Parliament's standing committee on finance in a submission on 2011's tax statistics VAT fraud levels were "shocking".

The percentage of assessments completed for companies liable to submit returns was "less than satisfactory", with only 54,6% having done so in 2007, 44,5% in 2008, 37,5% in 2009 and a "disappointing" 28% in 2010, he said.

The statistics included companies that were dormant or not trading, but even after disaggregating these, Mr Magashule said, the percentages were still "very poor" and "very worrying".

"Individuals are far more compliant than companies," he said.

Another reason for the poor corporate compliance was that companies had 12 months to submit their returns after their financial year-end.

Another factor was the "inadequacy" of SARS's information on corporate registrations. Many were listed as active when they were either dormant or nonexistent. The corporate register was being cleaned up.

The heavy reliance on large companies to pay taxes worsened in the 2009 tax year - at the height of the financial crisis - when 202000 of the 580000 companies assessed had a loss, while a further 108 000 had zero taxable income.

Democratic Alliance finance spokesman Tim Harris said this fact, and that a mere 8% of individual taxpayers paid half of personal tax revenue, highlighted "the fragility of SA's revenue base and underlined the importance of growing participation in the formal economy".

"They also sound a warning about the numerous potential taxes coming down the line.

"Carbon tax, local business tax and new taxes to fund the national health insurance all threaten the sustainability of our extremely narrow tax base."

Mr Magashule said the financial crisis had cost the fiscus an estimated R255bn in lost tax revenue.

From 2000 to 2008, tax collections grew at an annual compound rate of 13,2%. This halved to 5,9% during the financial crisis starting in 2008. In 2008-09 collections grew by 9,1%, mostly due to the lag effect of corporate income tax. In 2009-10 the effect of flat consumption and trade taxes, and reduced company profits, led to a 4,2% fall.

The individual tax register grew from 1,7-million in 1994 to 10,3-million in 2010-11. In that period, the number of companies registered rose from 422000 to 2,07-million.

Source: Business Day