



SOLIDARITY
RESEARCH INSTITUTE

INCOME TAX FLASH REPORT

IN SA

3,4 MILLION
PEOPLE

PAY **91,8%** OF
ALL
INCOME TAX!



Table of Contents

List of Figures.....	3
List of Tables.....	3
Introduction.....	4
Actual tax burden.....	4
Methodology.....	4
Personal tax burden.....	5
Low income.....	5
Middle income.....	5
High income.....	6
Other taxes.....	7
In comparison.....	8
Unemployment.....	8
Tax structure.....	9
Average tax.....	11
Methodology.....	11
Solidarity.....	12
Solidarity Movement.....	13
Impact of proposed legislation.....	14
Methodology.....	14
NHI.....	14
Social Security Fund.....	16
Combined.....	18
Recommendations.....	20
Conclusion.....	20
Motion.....	21
Bibliography.....	22

List of Figures

Figure 1 – Income tax as % of GDP	8
Figure 2 - Unemployment – ILO definition	9
Figure 3 – Distribution of per capita income from the labour market	10
Figure 4 – Distribution of income per decile	10
Figure 5 – Solidarity members' income and tax per annum	12
Figure 6 – Solidarity Movement members' income and tax per annum.....	13
Figure 7 – Increase in average taxatopm – NHI	15
Figure 8 – Increase in average taxation with Social Security Fund.....	17
Figure 9 – Increase in average taxation with SSF and NHI.....	19

List of Tables

Table 1 – Personal tax burden Decile 3.....	5
Table 2 – Personal tax burden Decile 9.....	6
Table 3 – Personal tax burden Decile 10.....	7
Table 4 – Other taxes.....	8
Table 5 – Taxpayers per tax bracket	11
Table 6 – Cumulative tax contribution of individuals	11
Table 7 – Income distribution of Solidarity members according to tax bracket.....	12
Table 8 – Income distribution of Solidarity Movement members according to tax bracket.....	13

Introduction

South Africa is a country of contradictions. Amid unprecedented poverty, enormous amounts of taxes are being withdrawn from society; amid record levels of unemployment, there is a section that works extremely productively and pays taxes; amid a budget deficit of almost 15%, there are plans for universal income grants and universal health care.

Although South Africa has a population of about 60 million, there are very few taxpayers and very many recipients of social grants.

These inconsistencies are unsustainable and are reflected in tax recipients' as well as taxpayers' increasing frustration. This report focuses on the taxpayers as they form the backbone of any country.

The report seeks to answer the simple question: how much tax do we actually pay? The impact of proposed legislation and green papers on the taxpayer are also discussed.

Actual tax burden

Methodology

For the purpose of this discussion, Stats SA's division of society into ten equal parts called deciles was used. Because the bottom two deciles exist in absolute poverty (United Nations Development Program, 2020) it was decided not to take them into account for our purposes. As representatives of the poor, middle class and rich, it was decided to use Statistics SA's expenditure distribution for deciles 3, 9 and 10. This expenditure breakdown is used to determine the monthly consumer price inflation rate. The real state of poverty and inequality is illustrated by the fact that someone at the top of the eighth decile, richer than 80% of the population, earns only R3 861 per month. Although such a person is wealthy relative to the rest of society, he is still exempt from income tax (South African Revenue Service, 2021). Salary estimates for each decile were obtained from research by the Southern Africa Labour and Development Research Unit (SALDRU).¹ Anyone with an income of more than R49 447 per month is part of the richest 1%, or about 610 000 people, in South Africa.

As far as food is concerned, much of it is exempt from tax. Therefore, we assumed that two thirds of the food consumed in decile 3 will be exempt from tax, and so would one third be of the food consumed in deciles 9 and 10. For alcohol and tobacco, we used the state's target rates of 40% on tobacco, 36% on strong liquor, 23% on beer and 11% on wine. For decile 3 we estimated the effective rate at 20%, or a little tobacco and cheap wine, and for the other two deciles the estimate was 30%, assuming that they would prefer more expensive strong liquor and tobacco products.

For transport, we assumed that decile 3 would use exempt public transport, but for the richer groups, the effective fuel tax of 40% was used. The total tax on vehicles is in the region of 42%, depending on the value and whether the vehicle is mounted here. For housing, it was assumed that deciles 3 and 9 would not pay transfer duty or were exempted from paying it, but that decile 10 would repay transfer duty of R100 000 over a twenty-year term. For all other categories except education and health, which are exempt, the 15% VAT rate was used.

¹ <https://www.saldru.uct.ac.za/income-comparison-tool/>

Personal tax burden

Low income

Decile 3	Net	R640,00		
	Net	R640,00		
Group	%	Amount	Tax rate	Tax amount
Food and non-alcoholic beverages	38,7%	R247,49	0,05	R12,37
Alcohol and tobacco	4,2%	R26,62	0,2	R5,32
Clothes and shoes	7,7%	R49,47	0,15	R7,42
Housing and services	25,3%	R161,73	0	R0,00
Home contents, equipment and maintenance	2,8%	R17,86	0,15	R2,68
Health	0,6%	R3,78	0	R0,00
Transport	2,5%	R16,00	0	R0,00
Communication	4,7%	R29,89	0,15	R4,48
Recreation and culture	2,6%	R16,45	0,15	R2,47
Education	0,6%	R3,84	0	R0,00
Restaurants and hotels	4,0%	R25,34	0,15	R3,80
Other goods and services	6,5%	R41,54	0,15	R6,23
Total				R44,78
<i>Total tax burden</i>				<i>R44,78</i>
Effective tax rate				7,0%

Table 1 – Personal tax burden Decile 3

For all practical purposes, people in income decile 3 with a gross monthly income of R640, exist below the breadline . As expected, it is only possible to meet extremely basic needs with such a low income, therefore most of the income is spent on food (38,67%) and housing (25,27%).

In the end, due to VAT and other taxes, the average person in decile 3 will have an effective tax rate of about 7%.

Middle income

Decile 9	Gross	R8 746,00		
	Net	R8 481,22		
Group	%	Amount	Tax rate	Tax amount
Food and non-alcoholic beverages	16,9%	R1 435,02	10,0%	R143,50
Alcohol and tobacco	6,9%	R584,36	30,0%	R175,31
Clothes and shoes	4,0%	R339,25	15,0%	R50,89
		R2		
Housing and services	27,7%	348,45	0,0%	R0,00

Home contents, equipment and maintenance	3,8%	R320,59	15,0%	R48,09
Health	0,8%	R64,46	0,0%	R0,00
Transport	11,7%	R988,06	40,0%	R395,22
Communication	2,7%	R224,75	15,0%	R33,71
Recreation and culture	4,5%	R384,20	15,0%	R57,63
Education	2,9%	R244,26	0,0%	R0,00
Restaurants and hotels	2,3%	R195,07	15,0%	R29,26
Other goods and services	16,0%	R1 352,75	15,0%	R202,91
Total				R1 136,53
Income tax				R264,78
<i>Total tax burden</i>				<i>R1 401,31</i>
Effective tax rate				16,0%

Table 2 – Personal tax burden Decile 9

With an average monthly income of R8 746, people in decile 9 are already better off than 80% of the country's people. In terms of our tax brackets, this income is still at the absolute bottom-end of the spectrum, with a large part of the income that is exempt from tax.

In the end, people in decile 9 still spend a large percentage of their income on accommodation (27,7%) and food (16,9%), but in addition to that a large tax expense is added in the form of transport. The fact that the petrol levy is now already 40% of the fuel price implies that on average people in this decile pay more tax in the form of petrol levies than they pay in income tax.

Despite a relatively low income in terms of their tax bracket, people in decile 9 still bear an effective tax burden of 16%.

This implies that in a traditional 8-hour workday, people in decile 9 work only 6 hours and 43 minutes for their own income. They actually work the other 1 hour and 17 minutes for the state.

High income

Decile 10	Gross	R70 000,00		
	Net	R50 243,92		
Group	%	Amount	Tax rate	Tax amount
Food and non-alcoholic beverages	10,7%	R5 396	10,0%	R539,62
Alcohol and tobacco	5,6%	R2 804	30,0%	R841,08
Clothes and shoes	2,7%	R1 347	15,0%	R201,98
Housing and services	16,4%	R8 240	0,0%	R0,00
Home contents, equipment and maintenance	5,7%	R2 879	15,0%	R431,85
Health	1,8%	R919	0,0%	R0,00
Transport	21,1%	R10 606	40,0%	R4 242,60

Communication	2,4%	R1 196	15,0%	R179,37
Recreation and culture	6,3%	R3 185	15,0%	R477,82
Education	3,4%	R1 698	0,0%	R0,00
Restaurants and hotels	3,5%	R1 774	15,0%	R266,04
Property tax ²	0,0%	R0	0,0%	R0,00
Other goods and services	20,3%	R10 200	15,0%	R1 529,93
Total				R8 710,29
Income tax				R21 065,65
<i>Total tax burden</i>				R29 775,94
Effective tax burden				42,5%

Table 3 – Personal tax burden Decile 10

Although a person with an average gross income of R70 000 per month falls into the highest decile in terms of income, they will only fall into the second highest tax bracket (South African Revenue Service, 2021).

Due to South Africa's progressive income tax system, a person in this decile already pays substantial amounts of income tax – yet, together with VAT and other taxes, the total amount actually paid to the state is approximately 50% higher than just the income tax amount.

On average, the effective tax burden of person in decile 10 is 42,5%. This implies that people in decile 10 work only 4 hours and 36 minutes for themselves in a normal working day of 8 hours – for the other 3 hours and 24 minutes they actually work for the state. It means that people who are in their office at 08:00 only start working for themselves at 11:24.

Other taxes

Where most other countries limit their income streams to a few categories, the South African government has decided to extract taxes from its citizens in every possible way. (Foresight Publications, 2021) (SABC, 2021) (South African Revenue Service, 2021)

Company tax	28%
Capital gains tax	18%
Dividend tax	20%
Tax on interest earned	15%
Transfer costs on property	3%-13%
Transfer duty	20% tot 25%
Donations tax	20% tot 25%
Transfer duty on shares	0,25%
International flight tax	R190
Tax on flights to neighbouring countries	R100
Skills Development Levy	1% of salary bill
Unemployment Insurance Fund	2% (shared between employer and employee)
TV licence	R265

² <https://www.property24.com/for-sale/moreleta-park/pretoria/gauteng/10622/110348111?plld=850465&plt=3>

Vehicle registration fee	R216 - R26 316 (depending on weight)
Various toll fees	
Various licences and permits	

Table 4 – Other taxes

In comparison

When South Africa's total tax burden in relation to the GDP is compared to that of the rest of the world, it is second only to Sweden's. Before major policy reforms took place in Sweden in 1995, Sweden was fairly in line with the world average. After 1995, the tax system and the public service sector were restructured and the Swedish state became the primary service provider for many of these services. One of these services is a pension system that allows people to retire with a good standard of living with a pension linked to their salaries, as well as grants and training programmes for the unemployed. Although all of this sounds very good, one should bear in mind that Sweden's unemployment rate was only 8,9% in 1995, therefore they could afford it. Since then, unemployment has remained between 4,73% and 8,61%.

A more realistic comparison would be with the rest of sub-Saharan Africa, where the effective tax burden in relation to the GDP is about 18,6% compared to the world average of 15,3%. In the USA, which is comparable to South Africa on many levels because the same economic activities occur there, but on a much larger scale, the total tax burden is only 10% of the GDP. South Africa does still have a lot of infrastructure development to do, therefore an overall average tax burden of 10% may not be feasible any time soon.

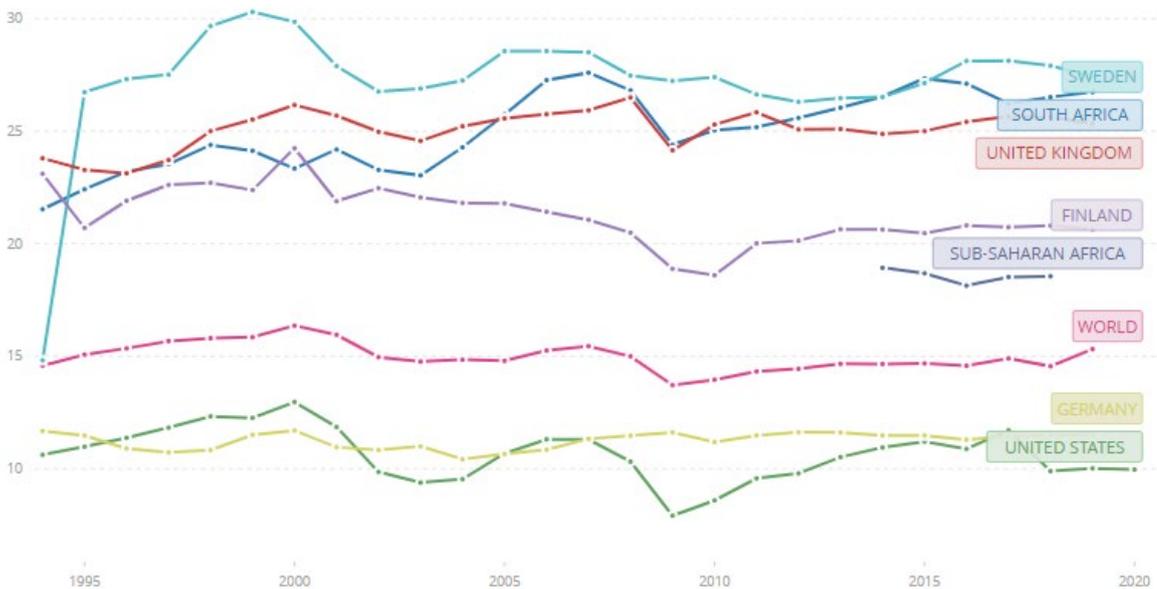


Figure 1 - Income tax as % of GDP

Unemployment

According to the latest unemployment figures released by Statistics SA, the unemployment rate has risen to 44,4% (Statistics South Africa, 2021). According to the International Labour Organization's (ILO's) definition used by the World Bank, South Africa's official rate is 29,2%. In contrast, none of the other countries or regions in the above comparison have an unemployment rate above 8,3%. We must also keep in mind that jobs in the developed world generally pay more, add more value and are

more sustainable. In short, in South Africa the smallest proportional workforce in the world carries the second largest proportional tax burden in the world.

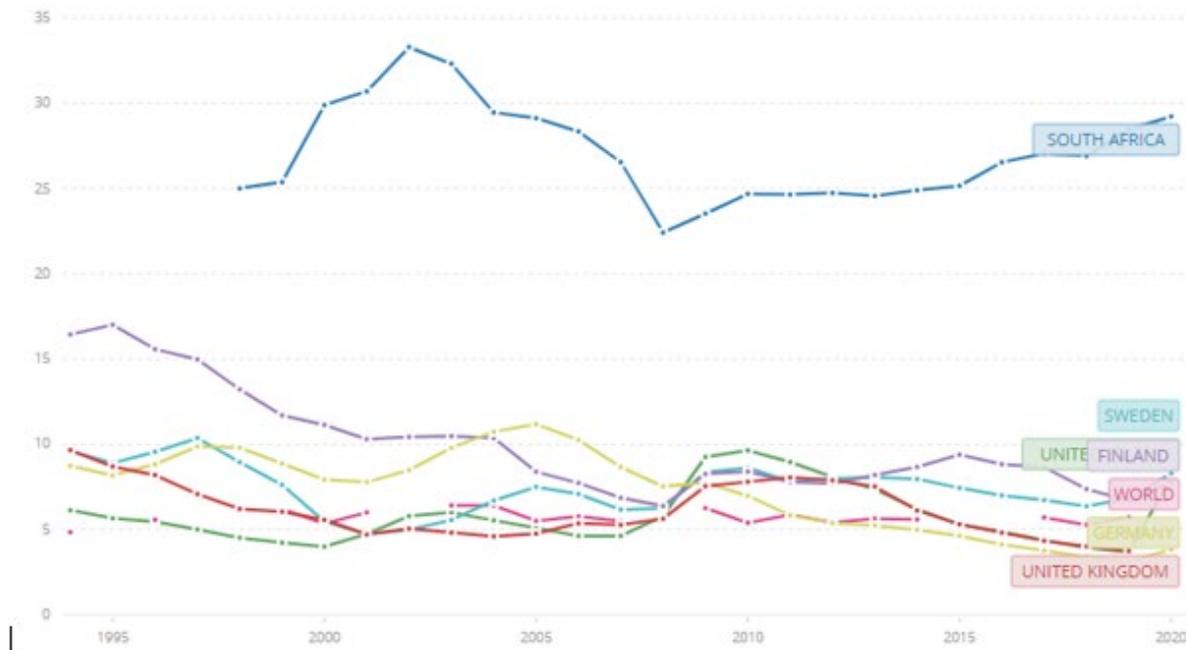
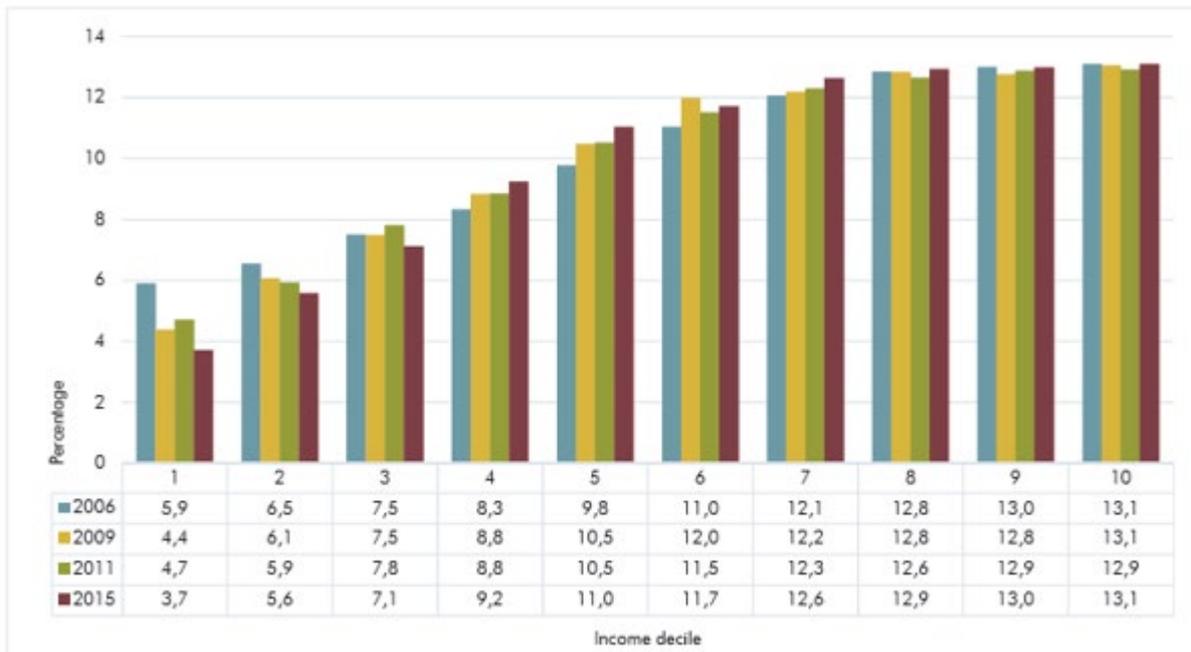


Figure 2 - Unemployment – ILO definition

Tax structure

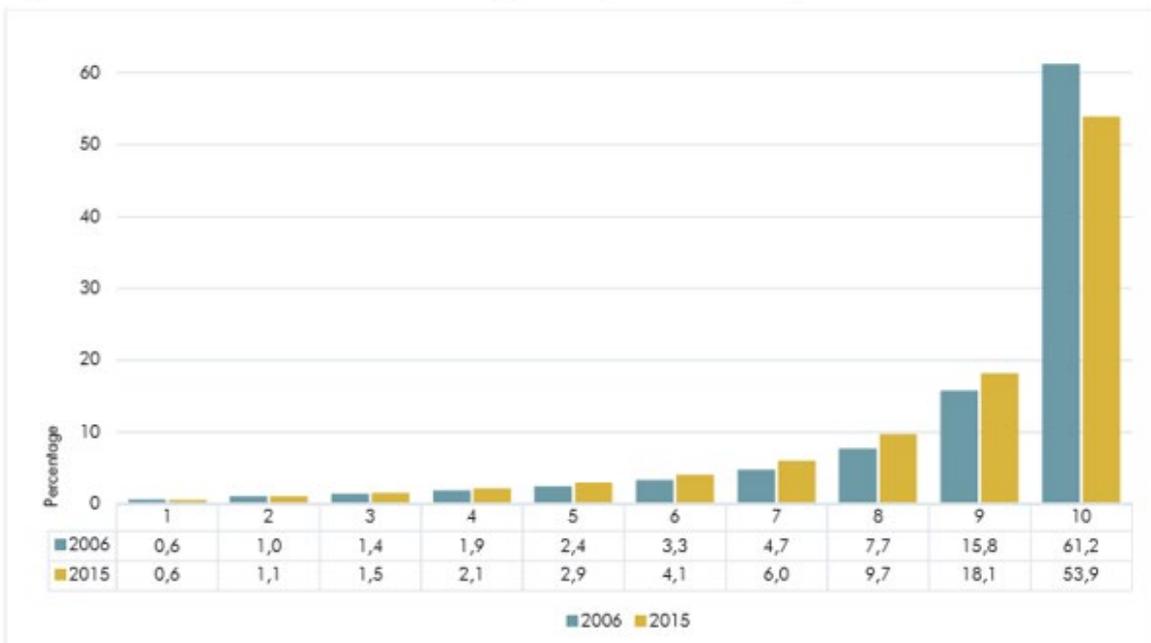
The graphs below firstly show how money is diverted from the labour market to persons in the various deciles, and secondly what the general income distribution looks like. It is noteworthy that the top four groups in the first graph are quite similar, with a sharp decrease to the bottom six. This is probably due to the fact that many people in the higher income groups earn their money from business activities and other methods and are not necessarily dependent on the labour market. Therefore, there is a huge difference between income from the labour market, as in the first graph, versus overall income in the second graph.

Figure 3 – Distribution of per capita income from the labour market



(Statistics South Africa, 2019)

Figure 4 – Distribution of income per decile



(Statistics South Africa, 2019)

Ultimately, this abnormal income distribution creates a tax structure that is totally unsustainable, as the table below shows.

Taxable bracket	Registered individuals		Taxable income		Income tax payable before relief		Income tax relief after proposals		Income tax payable after proposals		
	R thousand	Number	%	R billion	%	R billion	%	R billion	%	R billion	%
R0 - R80 ¹	7 183 913		–	256.2	–	–	–	–	–	–	–
R80 - R150	1 855 292	26.7		211.1	8.6	15.7	3.0	-1.3	9.4	14.5	2.8
R150 - R250	1 691 889	24.3		329.3	13.4	29.5	5.6	-1.8	13.4	27.7	5.4
R250 - R350	1 283 954	18.4		378.4	15.4	54.5	10.3	-2.3	16.8	52.2	10.1
R350 - R500	981 993	14.1		409.1	16.6	76.6	14.5	-2.6	19.5	74.0	14.3
R500 - R750	612 177	8.8		369.1	15.0	88.4	16.7	-2.4	18.1	86.0	16.7
R750 - R1 000	262 643	3.8		226.2	9.2	65.1	12.3	-1.3	10.0	63.8	12.4
R1 000 - R1 500	159 127	2.3		191.1	7.8	61.9	11.7	-0.8	6.1	61.0	11.8
R1 500 +	113 192	1.6		346.3	14.1	137.7	26.0	-0.9	6.6	136.8	26.5
Total	6 960 267	100.0		2 460.7	100.0	529.4	100.0	-13.4	100.0	516.0	100.0
Grand total	14 144 180			2 716.8		529.4		-13.4		516.0	

1. Registered individuals with taxable income below the income-tax threshold
Source: National Treasury

Table 5 – Taxpayers per tax bracket

(National Treasury, 2021)

Tax bracket R'000	Cumulative Individuals	Cumulative Tax Contribution
R1 500 +	113 192	26,5%
R1 000 - R1 500	272 319	38,3%
R750 - R1 000	534 962	50,7%
R500 - R750	1 147 139	67,4%
R350 - R500	2 129 132	81,7%
R250 - R350	3 413 086	91,8%
R150 - R250	5 104 975	97,2%
R80 - R150	6 960 267	100,0%
R0 - R80	14 144 180	100,0%

Table 6 – Cumulative tax contribution of individuals

(National Treasury, 2021)

As can be seen, South Africa is in a position where 3,4 million people pay 91,8% of all income tax. What is more concerning is that only 534 000 people are responsible for half (50,7%) of all income tax, and that 113 192 people are responsible for more than a quarter (26,5%) of all income tax.

With a population of 60 million people, the government has a lot to answer to as it has completely failed to broaden the tax base, which leaves South Africa exceptionally vulnerable.

Average tax

Methodology

Because of South Africa's narrow tax base, with 5,8% of the population paying 91,8% of the tax, the following question can well be asked: How much tax does each taxpayer pay? As Solidarity is an Afrikaner and Afrikaans trade union, this report specifically focuses on the tax contribution of Solidarity members and members of the Solidarity Movement as part of the larger Afrikaner cultural group.

To this end, the General Household Survey 2018, 2017 and 2016 of Statistics South Africa was used to determine the point of intersection of people who report their population group as white and who primarily speak Afrikaans at home.

As part of the General Household Survey, respondents could report their income over the course of a year. This data was then adjusted with inflation in order to obtain 2021 values for the monthly salary.

Finally, this income distribution was then divided according to tax brackets as obtained from the South African Revenue Service in order to obtain an average income per tax bracket, but also an average income tax per tax bracket per individual.

Solidarity

Solidarity has about 200 000 members. These members are overwhelmingly employees and they earn a monthly salary. Solidarity is mainly an Afrikaner and Afrikaans trade union, with the majority of the 200 000 members identifying as Afrikaners. Unfortunately, statistics according to cultural groups such as Afrikaners are not available. Thus, the point of intersection between people who state their population group as white and their home language as Afrikaans was used as an indication for the larger Afrikaner group.

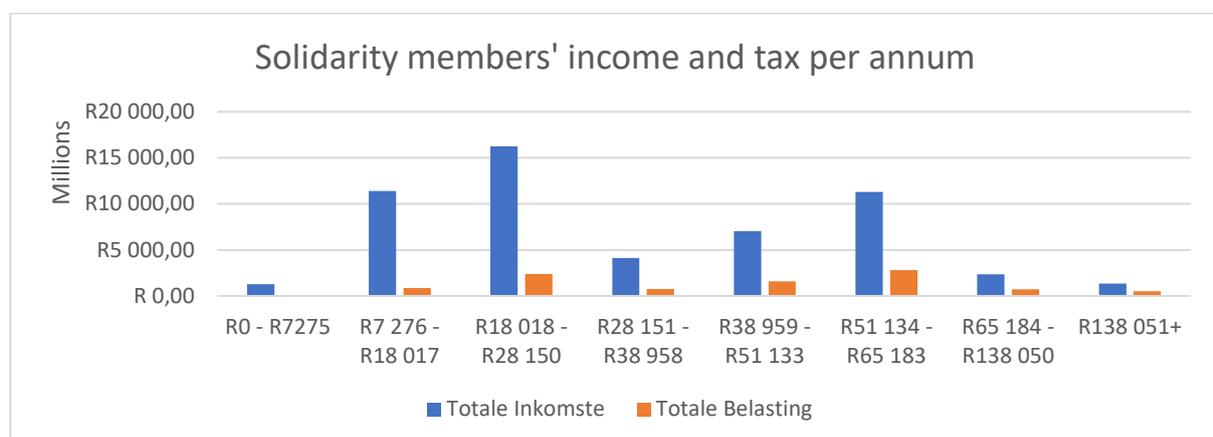
Because Solidarity's members are employees, the normal Afrikaner income distribution was further refined by using only respondents who indicated that they work for a salary, wage or commission.

By using salary data of the General Household Survey in order to obtain an average income per tax bracket, and by using the distribution with the restriction on salary, wage or commission, it appears that Solidarity's members earn approximately R55,1 billion in total per year and pay about R9,6 billion in taxes. The distribution per tax bracket for the members of the Solidarity Movement is as follows:

Report	Taxable income per month							
	R0 - R7275	R7 276 - R18 017	R18 018 - R28 150	R28 151 - R38 958	R38 959 - R51 133	R51 134 - R65 183	R65 184 - R138 050	R138 051+
GHS 2018	10,5%	36,0%	30,2%	5,5%	15,3%	1,6%	0,6%	0,2%
GHS 2017	13,6%	36,6%	29,4%	4,5%	2,4%	11,6%	1,6%	0,3%
GHS 2016	12,1%	41,4%	24,7%	5,7%	1,7%	12,9%	1,1%	0,4%
Average	12,1%	38,0%	28,1%	5,2%	6,5%	8,7%	1,1%	0,3%

Table 7 – Income distribution of Solidarity members according to tax bracket

Figure 5 – Solidarity members' income and tax per annum



Solidarity Movement

Solidarity forms part of the greater Solidarity Movement, which includes AfriForum, Helping Hand and other member institutions. The Solidarity Movement is mainly an Afrikaner movement and the majority of members identify as Afrikaners. Unfortunately, no statistics are available specifically for Afrikaners, therefore the point of intersection of people who stated their population group as white and their home language as Afrikaans was used in order to give an indication of the larger Afrikaner cultural group.

The Movement's total membership is estimated at about 500 000 spread across the institutions, with the overwhelming majority of members earning an income as an employee or an employer. However, a broader spectrum of income is represented, therefore the figure for income per month is used without the restriction of salary as the source of income.

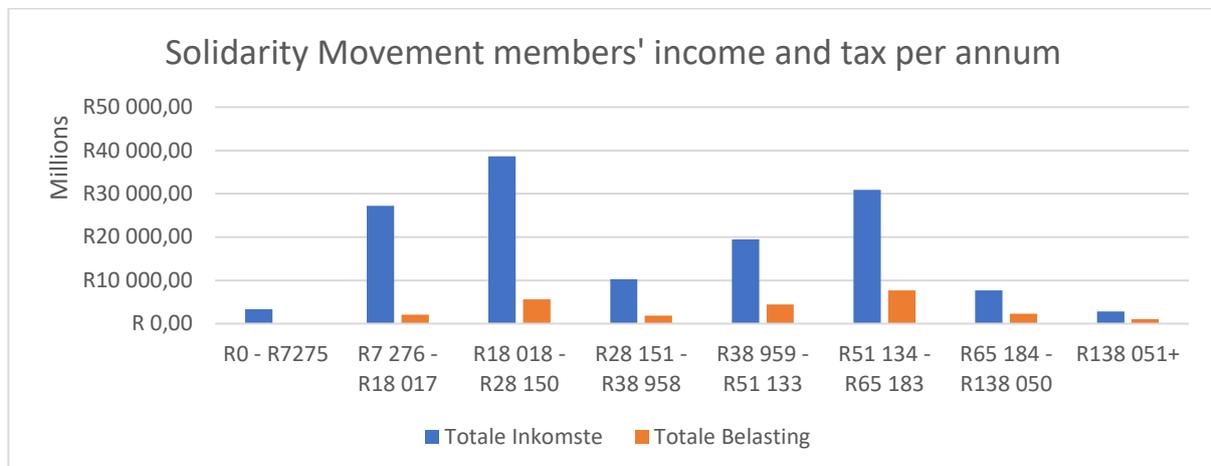
Consequently, the income distribution of members of the Solidarity Movement should fairly closely follow the income distribution of Afrikaners as obtained from the General Household Survey 2016 – 2018 .

By using salary data of the General Household Survey in order to obtain an average income per tax bracket, and by using the distribution as previously processed, it appears that the members of the Solidarity Movement earn about R140,3 billion in total per year and pay about R25 billion in taxes. The distribution per tax bracket for members of the Solidarity Movement is as follows:

Report	Taxable income per month							
	R0 - R7275	R7 276 - R18 017	R18 018 - R28 150	R28 151 - R38 958	R38 959 - R51 133	R51 134 - R65 183	R65 184 - R138 050	R138 051+
GHS 2018	12,9%	33,4%	29,0%	5,2%	16,8%	1,5%	1,1%	0,1%
GHS 2017	14,4%	35,7%	27,4%	4,8%	2,6%	13,3%	1,6%	0,3%
GHS 2016	13,3%	39,7%	23,8%	5,5%	2,0%	13,7%	1,7%	0,3%
Average	13,5%	36,2%	26,7%	5,2%	7,1%	9,5%	1,5%	0,2%

Table 8 - Income distribution of Solidarity Movement members according to tax bracket

Figure 6 – Solidarity Movement members' income and tax per annum



Impact of proposed legislation

Methodology

There are two potential pieces of legislation that may have a direct impact on the tax burden of ordinary citizens. The first one is the National Health Insurance Bill, and the second is the Green Paper on Comprehensive Social Security and Retirement Reform, also known as the Social Security Fund.

The potential impact of both these pieces of proposed legislation on members of the Movement was taken into account per tax bracket. The average income per tax bracket was arrived at by means of calculations made on the basis of the General Household Survey (2016 – 2018).

These values were adjusted for inflation, so everything should be 2021 values, and the 2021 tax brackets were then used to calculate the tax.

In order to determine the possible tax impact of the proposed legislation, the necessary or proposed adjustments were made to the tax brackets and the average tax per tax bracket was calculated with the applicable tax adjustments.

NHI

The National Health Insurance is the ANC government's attempt to establish universal healthcare in South Africa with a single funding model, based on the Canadian healthcare model. Providing universal healthcare with the state as sole purchaser of all medical services is an enormous undertaking that requires vast resources.

The Solidarity Research Institute recently conducted research to draw up a cost estimate for the implementation of the National Health Insurance. Conservatively estimated, this will add approximately R112 billion to the annual budget. (du Buisson, 2021)

To fund this scheme, several proposals have been made – the one used in this impact study is a 5,5% payroll tax (du Buisson, 2021), similar to the Unemployment Insurance Fund. This has been mooted repeatedly as the preferred option to fund the NHI.

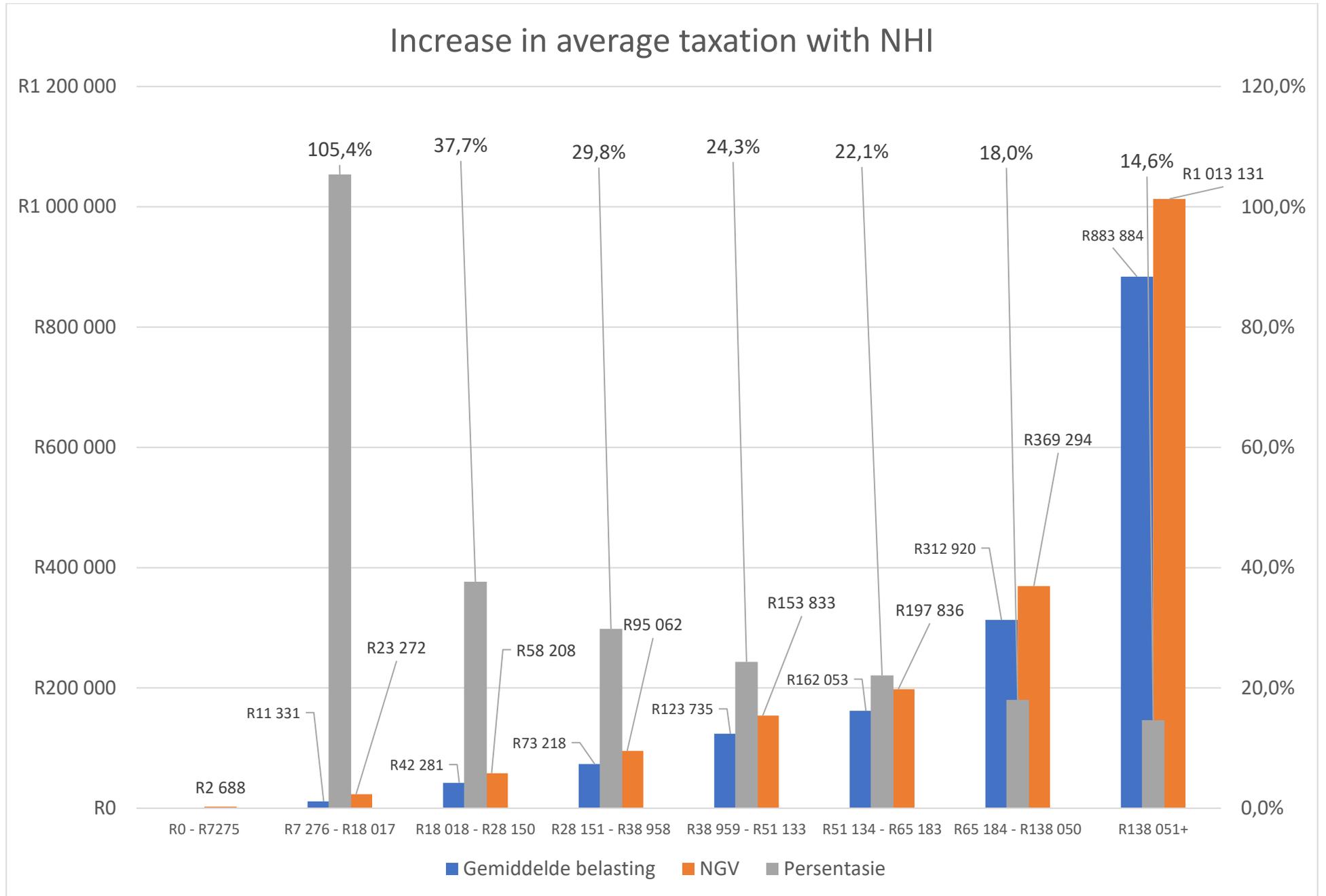
Tax adjustments were made to include a 5,5% payroll tax to indicate the possible impact of the NHI on the average Afrikaner's income and tax per annum per tax bracket.

The impact of the NHI taxation requirements is far-reaching, with an average tax increase of 36%. This, however, conceals the actual situation, with the lower tax brackets being hit considerably harder.

Should the 5,5% payroll tax be implemented to fund the NHI, individuals earning between R7 276 and R18 017 per month are going to suffer a doubling in taxation (105,4%). People earning between R7 276 and R28 150 per month will on average pay 71,5% more tax, while people earning between R7 276 and R51 133 per month will on average pay 49,3% more tax.

This implies that three of every four Afrikaners (75,2%) will, on average, experience a tax hike of almost 50% if the NHI is implemented.

Figure 7 – Increase in average taxation – NHI



Social Security Fund

The Green Paper on the introduction of a National Social Security Fund was published in the *Government Gazette* on Wednesday, 18 August 2021.

The Green Paper was withdrawn by the Department of Social Development on 31 August 2021, but the Minister made it clear that this did not mean it that the plan had been scrapped. The Department of Social Development made it clear in a statement that the Green Paper was simply withdrawn to clarify a few things and that the Green Paper will be resubmitted as soon as certain things have been clarified.³

Thus, until such time as the new Green Paper is published, the initial text published in the *Government Gazette* will be used.

The Green Paper is an ambitious document aimed at introducing a compulsory pension for every citizen, as well as a universal income grant.

South Africa's latest unemployment statistics show that there were approximately 11,1 million people who were unemployed or who had stopped looking for work in the second quarter of 2021, as against 14,9 million people who did have a job. (Statistics South Africa, 2021) Together with the tax structure, this means that funding of a National Social Security Fund will rest squarely on the shoulders of a small number of taxpayers.

To fund the compulsory pension from the Social Security Fund, a payroll tax of between 8% and 12% has been proposed, with a maximum annual contribution per individual of between R22 080 (R1 840 pm) and R33 120 (R2 760 pm). (Department of Social Development, 2021) Individuals earning less than R20 000 per annum will be exempt from this contribution. To arrive at an average increase, a 10% payroll tax was added as tax adjustment for the impact of the Green Paper.

In addition to the compulsory pension, the Green Paper also contains a proposal for a universal income grant of up to R7 500 per person (Department of Social Development, 2021). This applies to every individual in South Africa regardless of income levels. Consequently, about 3 million taxpayers who pay approximately 91,7% (National Treasury, 2021) of all income tax will in addition have to pay a monthly grant of up to R7 500 for the other 55,86 million citizens. To fund the basic income grant, an increase in personal income tax of 10 percentage points has been suggested (Department of Social Development, 2021).

Tax adjustments were made to provide for a 10% payroll tax with an upper limit of R27 600 and an adjustment of 10 percentage points to tax brackets so as to demonstrate the possible impact of the Social Security Fund on the average Afrikaner's income and tax per annum per tax bracket.

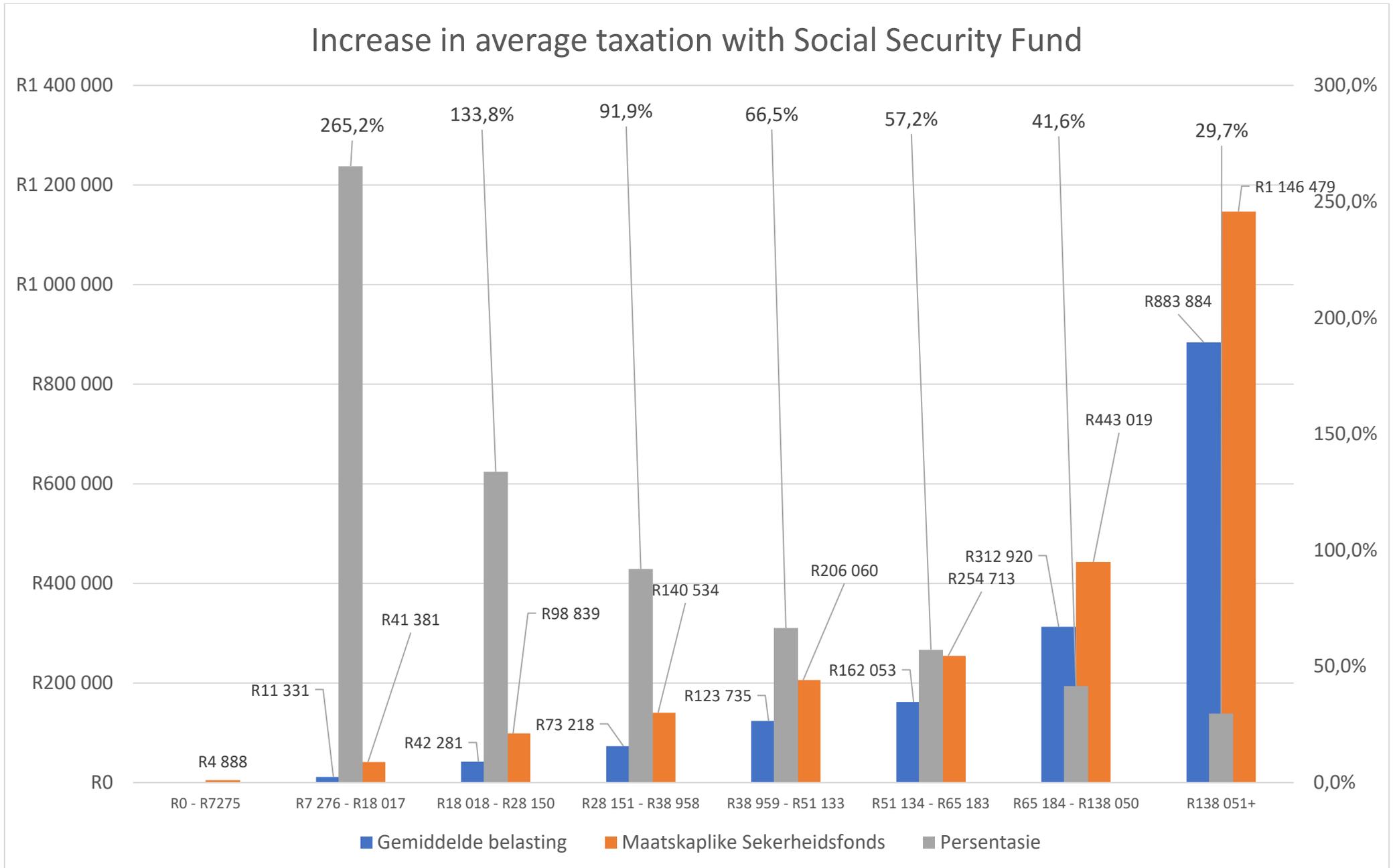
The impact of the Social Security Fund is devastating, with an average increase in taxation of 85,7%. As with the NHI, the tax burden will have a considerably harsher effect on the lower tax brackets.

With these proposed adjustments in taxation, individuals earning between R7 276 and R18 017 per month are going to face an incredible 265,4% increase in taxation. People earning between R7 276 and R28 150 per month will on average pay 133% more tax, while the tax burden for people earning between R7 276 and R51 133 per month will on average 111,5% higher.

This implies that the income tax burden of 3 of every 4 Afrikaners (75,2%) will double if the Social Security Fund as set out in the Green Paper is implemented.

³ <https://www.dsd.gov.za/index.php/latest-news/21-latest-news/392-department-of-social-development-withdraws-the-green-paper-on-comprehensive-social-security-and-retirement-reforms>

Figure 8 – Increase in average taxation with Social Security Fund



Combined

The most worrying development is that these pieces of proposed legislation are at different levels in the policy-making process at the same time. In particular the Green Paper, which contends that the universal grant could be implemented within months with the aid of the SA Revenue Service and existing infrastructure (Department of Social Development, 2021), implies that these two pieces of legislation together are going to have an impact on taxation.

Although the Green Paper has since been withdrawn by the Department of Social Development, the department made it clear that this piece of legislation will be set out a little more clearly and that it will then be republished. Thus, the content of the existing Green Paper is used until the Department of Social Development publishes the amended Green Paper.

Because the Department of Social Development made it clear that the legislation will be republished, it is still important to outline a possible tax scenario where both pieces of legislation would be in force at the same time.

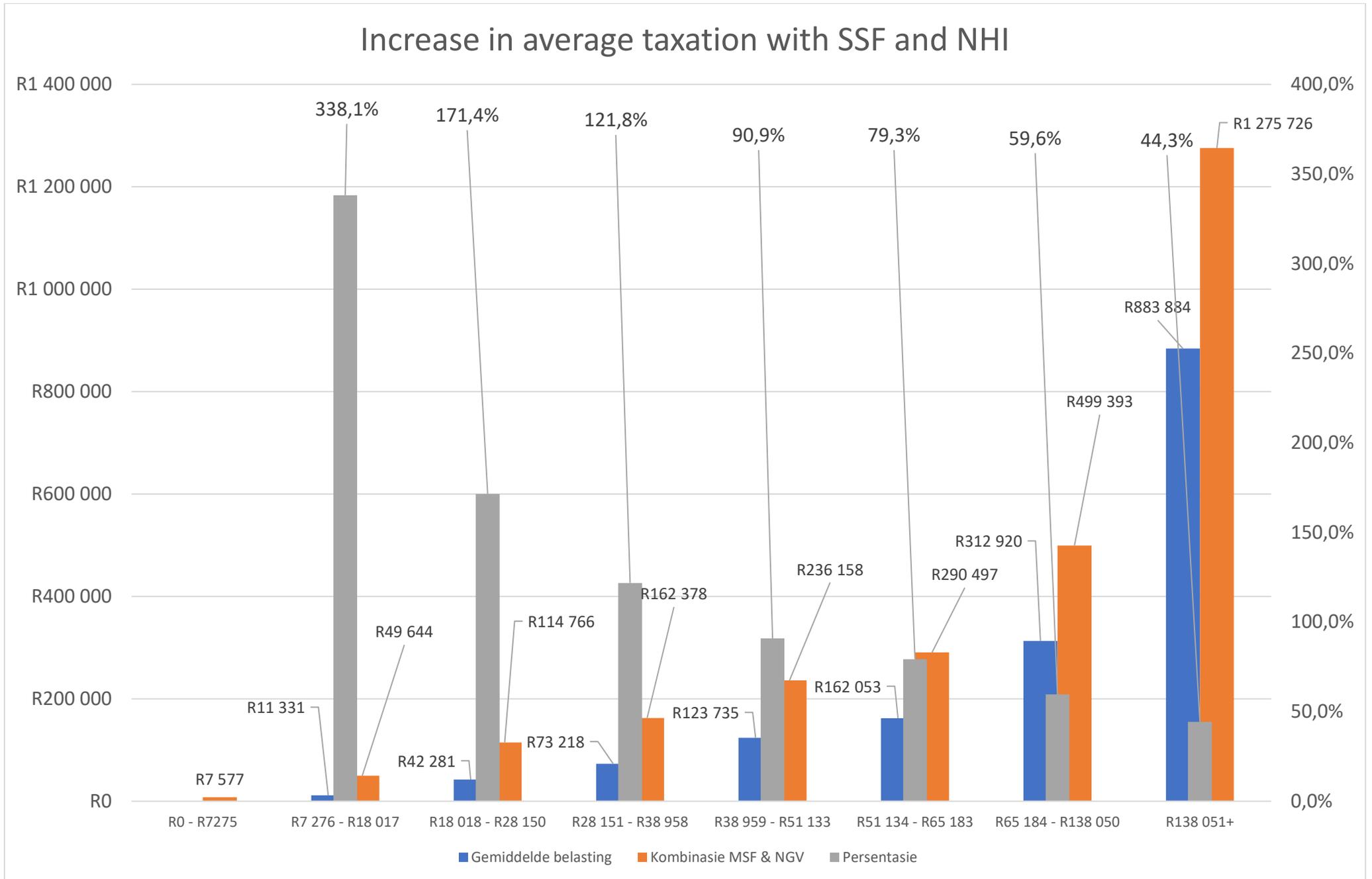
With a view to sketching a taxation scenario where these two pieces of legislation could possibly move into the fiscus at the same time, tax adjustments were made to provide for a 10% payroll tax with an upper limit of R27 600 per annum. An adjustment of 10 percentage points to tax brackets and an additional payroll tax of 5,5% were also included to indicate the impact on the average Afrikaner's annual income and tax.

It is clear that the impact of these policy documents means the end of personal wealth in South Africa. If these two policy documents were to be implemented, citizens could expect to pay on average twice as much tax (113,2%).

With the proposed tax adjustments for both the NHI and the SSF, individuals earning between R7 276 and R18 017 per month will be paying four times more tax than at present (338,1% increase). People earning between R7 276 and R28 150 per month will on average pay 254,8% more tax, while people earning between R7 276 and R51 133 per month will pay an average of almost three times more tax (180,6% increase).

This implies that the income tax burden of three of every four Afrikaners (75,2%) will be three times higher if the Social Security Fund as set out in the Green Paper and the NHI were to be implemented at the same time.

Figure 9 – Increase in average taxation with SSF and NHI



Recommendations

Conclusion

The tax burden of South African citizens is enormous and exceptionally high – the country's ratio of tax to GDP is second highest in the world, exceeded only by Sweden. In exchange for this enormous tax burden, citizens are getting almost nothing – not even law and order, which is a basic function of a state, can be maintained.

Not satisfied with the current state of government spending, the ANC government now is trying to pass two policy documents that could triple income tax payments by the average Afrikaner.

Given the ANC government's track record of corruption and misapplication of funds, it is almost a fact that this increased taxation eventually will end up in the pockets of officials instead of at the projects it is intended for.

Therefore, the time has come to actively look for ways to ease the tax burden on citizens and specifically members of Solidarity in order to pay as little tax to the government as possible. Funds should be made available for taking over the duties of the decaying state by community organisations such as Solidarity.

Motion

Combating tax plundering, fighting tax hikes and reducing tax payments

Solidarity takes note that:

- (a) the tax burden on ordinary citizens of South Africa is incredibly high by world standards;
- (b) the government is not at all performing its part of the traditional social contract;
- (c) it is generally accepted that tax is being plundered under the ANC government;
- (d) new policy has been included in the law-making process by the ANC government that will substantially increase the tax burden of citizens.

Solidarity believes that:

- (a) the tax burden of citizens is unacceptably high, particularly given the way the government is managing state funds;
- (b) the government is failing to deliver even basic state services in spite of the incredibly high tax burden it is placing on citizens;
- (c) tax plunderers are getting away scot-free in spite of proof and evidence in the public domain that indicate the most serious offences;
- (d) any legislation that increases the tax burden of citizens is immoral given the ANC government's record of corruption and misappropriation of funds.

Therefore, Solidarity resolves as follows:

Solidarity should immediately start lawful tax protest, including the following:

- (a) Solidarity's legal section should consider litigation against legislation and policy that will increase the tax burden of ordinary citizens.
- (b) Solidarity's communication section should ensure that the public is made aware of and kept informed about the tax burden that South African citizens have to bear.
- (c) International allies should be contacted in order to ensure that the situation regarding taxation without a functional government currently being experienced in South Africa is publicised at international level.
- (d) Pressure should be exerted on the government by all possible sources to have tax plunderers prosecuted to the full extent of the law.
- (e) A taxation task team should be formed with a view to investigating options to reduce the tax burden of Solidarity members, and the task team should report to the Head Committee.

Bibliography

- Department of Social Development. (2021). *GREEN PAPER ON COMPREHENSIVE SOCIAL SECURITY AND RETIREMENT REFORM*. Pretoria: Government Printing Works.
- du Buisson, T. (2021). *Die Ware Koste van die NGV*. Pretoria: Solidariteit Navorsingsinstituut. Retrieved from https://solidariteit.co.za/wp-content/uploads/2021/08/2021-06-17_AFR_The-True-Cost-of-NHI.pdf
- Foresight Publications. (2021, 08 26). *Gauteng Motor Vehicle License Fees*. Retrieved from Foresight Publications: <http://www.foresightpublications.co.za/MVlicGaut.html>
- National Treasury. (2021). *Budget Review 2021*. Pretoria: National Treasury. Retrieved from <http://www.treasury.gov.za/documents/National%20Budget/2021/review/FullBR.pdf>
- SABC. (2021, 08 26). Retrieved from TV Licences: <https://www.tvlic.co.za/tvlic/>
- South African Revenue Service. (2021, 08 26). *South African Revenue Service*. Retrieved from Rates of Tax for Individuals: <https://www.sars.gov.za/tax-rates/income-tax/rates-of-tax-for-individuals/>
- South African Revenue Service. (2021, 08 26). *South African Revenue Service*. Retrieved from Budget Tax Guide 2021: <https://www.sars.gov.za/wp-content/uploads/Docs/Budget/2021/Budget-Tax-Guide-2021.pdf>
- Statistics South Africa. (2019). *Inequality Trends in South Africa*. Pretoria: Statistics South Africa. Retrieved from <http://www.statssa.gov.za/publications/Report-03-10-19/Report-03-10-192017.pdf>
- Statistics South Africa. (2021). *Quarterly Labour Force Survey Quarter 2:2021*. Pretoria: Statistics South Africa. Retrieved from <http://www.statssa.gov.za/publications/P0211/P02112ndQuarter2021.pdf>
- United Nations Development Programme. (2020). *Human Development Report*. Geneva: United Nations. Retrieved from <http://report.hdr.undp.org/index.html>