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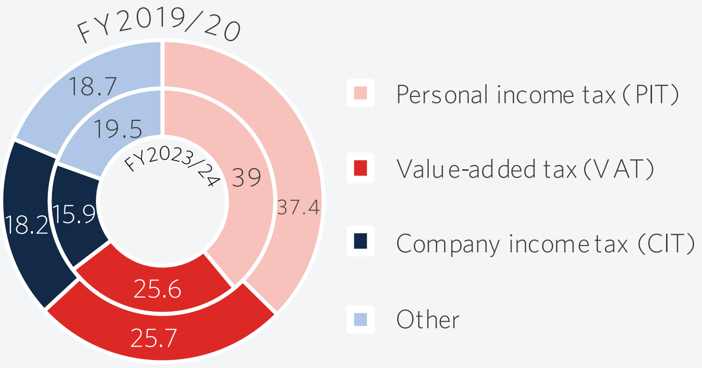
Understanding SA's tax system
Who pays the bill?

Economics at a glance | February 2025

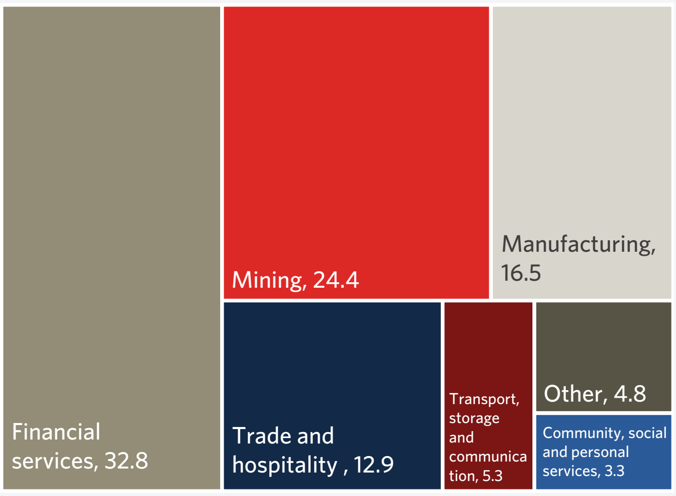
Revenue rundown: SA's tax mix

Composition of main sources of tax revenue (%)



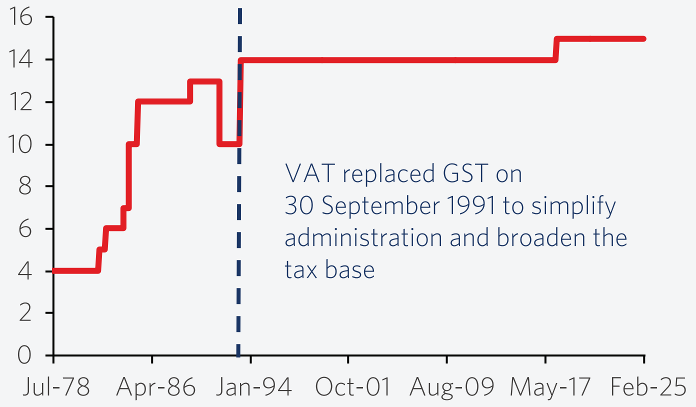
The corporate tax pie

CIT assessed by economic activity (2022, %)



A historical look at taxing consumption

History of general sales tax (GST) and value-added tax (VAT) in SA (%)



A snapshot of CIT

3.6 million companies were registered for CIT in March 2024

968 354 assessed companies

1.2 million companies expected to submit returns

Only **549 companies** with a taxable income **>R200 million** were liable for nearly two-thirds of the CIT assessed

A snapshot of PIT

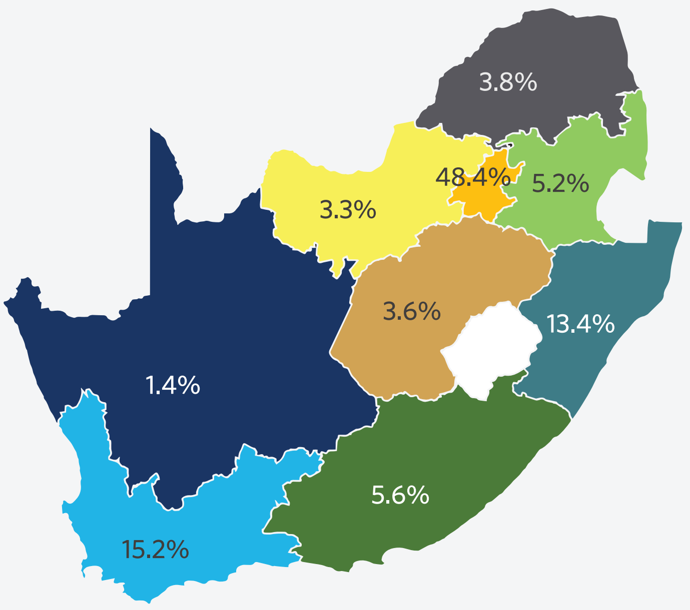
27.1 million individuals on the tax register in March 2024

6.6 million assessed taxpayers

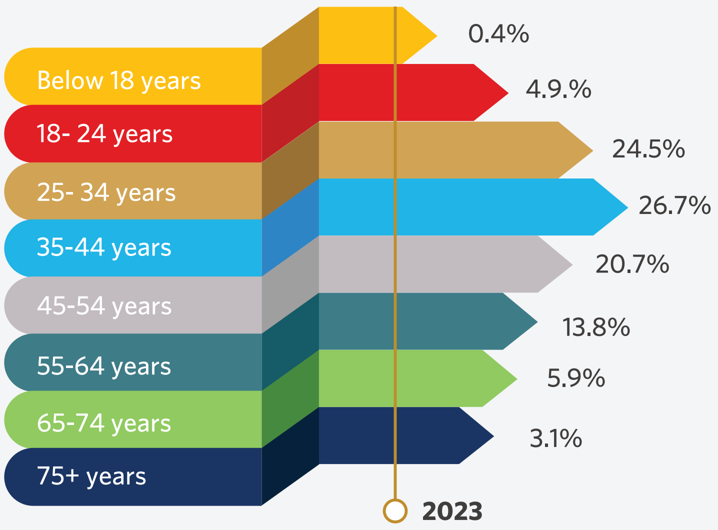
7.6 million individuals expected to submit returns

48.2% of the assessed taxpayers were female in 2023 (**16.8%** for those earning **>R5 million**)

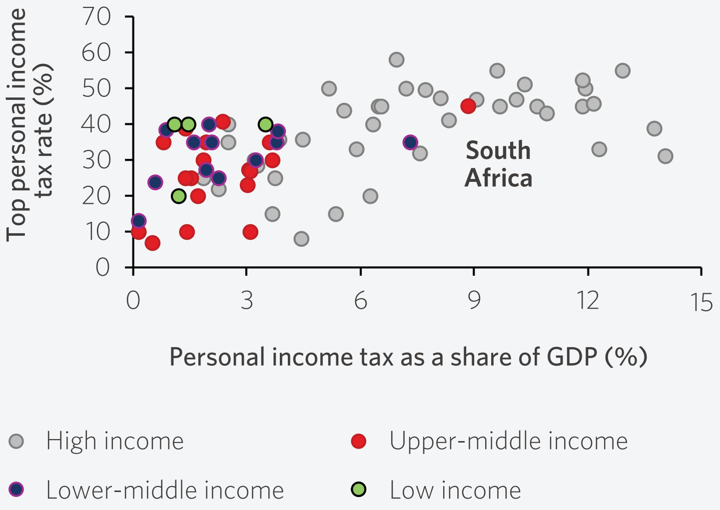
PIT collected by province in 2023 (%)



Assessed individual taxpayers by age group (%)



SA's PIT squeeze



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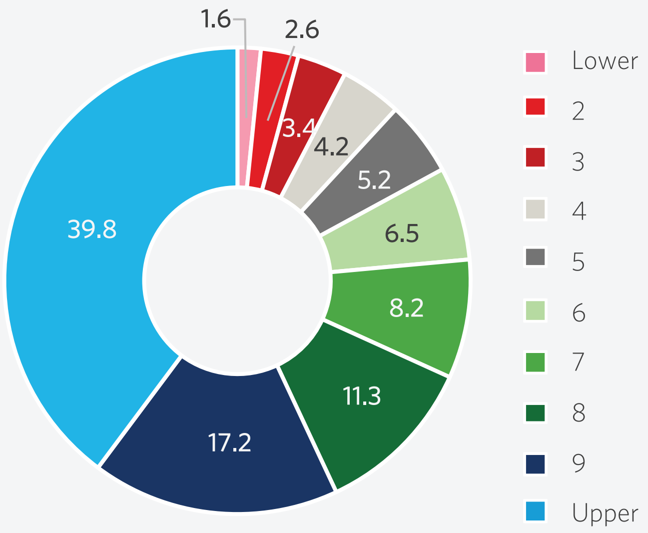
Vat-free zone

- **Zero-rated goods and services in SA:** Exports, 21 food items (see below), illuminating paraffin, petrol and diesel, international transport services, farming inputs, sales of going concerns, some grants from government and sanitary towels.
- **Goods and services exempted from VAT:** Non-fee related financial services, educational services provided by approved institutions, residential rental accommodation and public road and rail transport.

Milk Dairy powder blend Cultured milk Milk powder
Vegetable Fruit **Eggs** Brown wheaten meal
Brown bread White bread Legumes and pulses
Tinned pilchards Lentils Dried beans
Maize meal Dried mealies Cake wheat flour
Rice Mealie rice **Samp** Vegetable oil

The richer slice

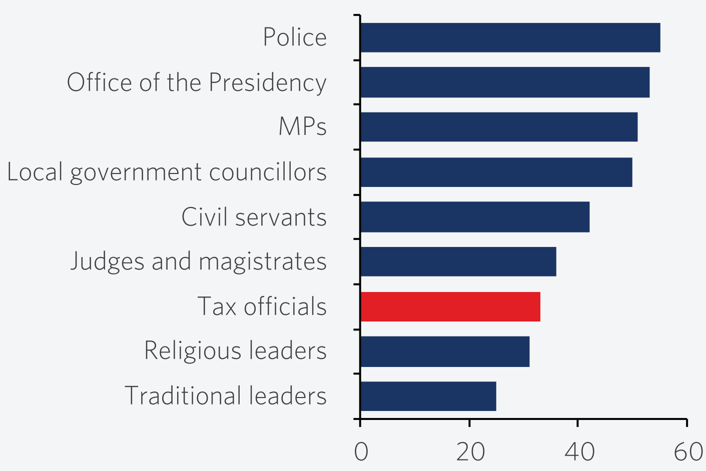
VAT paid per expenditure decile, FY2022/23 %



The citizens' cut: South Africans perceptions around tax

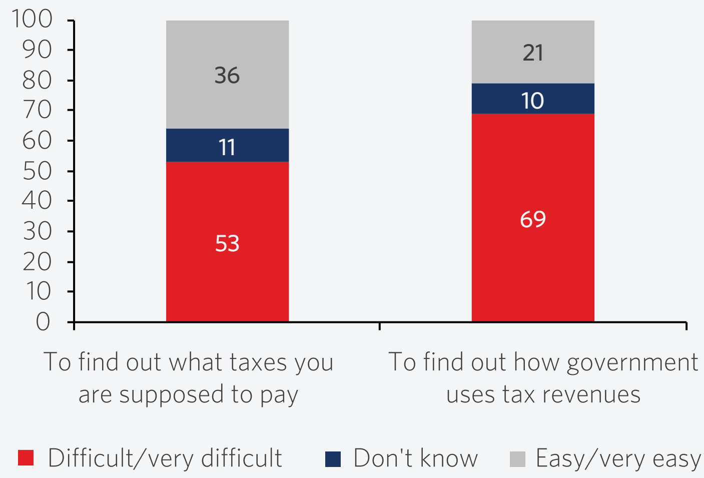
1 in 3 said that "most" or "all" tax officials are involved in corruption

Perceived corruption among public institutions and leaders (%), 2021



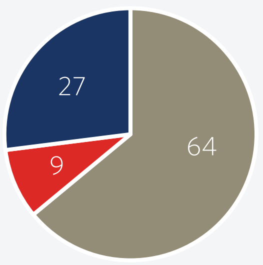
More education is arguably needed to understand the tax system and how taxes are being used

Access to tax information (%)

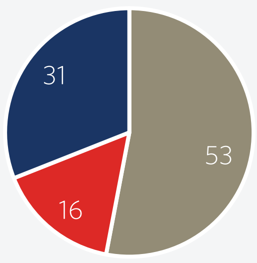


Perceptions on tax fairness

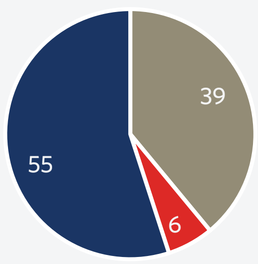
It is fair for the rich to pay higher taxes than ordinary people



Government uses tax revenues for citizens' well-being



Government should ensure that the informal sector pays taxes



Agree/Strongly agree Don't agree Disagree/strongly disgree

Sources: Tax Chronology of South Africa: 1979–2024, SA Revenue Service Tax Statistics 2024, Afrobarometer March 2023, National Treasury and Momentum Investments

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February 2025

UNITED STATES

Uncertainty looms over the United States (US) economy as President Donald Trump's policy agenda takes shape. *NBC News* reported that Trump has signed more executive orders in his first 10 days than any predecessor in their first 100 over the past 40 years, moving swiftly to reshape social norms, politics, and the economy. Growth forecasts for 2025 vary widely, hinging on two scenarios. A slow-growth outlook assumes tariffs will push inflation above December's 3%, prompting Federal Reserve caution and dampening growth. Conversely, deregulation, tax cuts, and investment in artificial intelligence, crypto, and energy could spur corporate profits and productivity, lifting growth higher. Growth projections by economic forecasters generally dip beyond 2026, as long-term sustainability remains in question, particularly given fiscal concerns, with public debt to GDP already at 100% and the budget deficit ratio above 6% of GDP.

Forecast 2025:
GDP: 2.4%
Core PCE Inflation: 2.5%
Forecast 2026:
GDP: 2.0%
Core PCE Inflation: 2.4%

EUROZONE

Germany's political landscape mirrors broader European trends, with mainstream parties losing ground to smaller, more radical ones. Support for the Alternative for Germany (AfD) surged, doubling its vote share to 21%, positioning it as the largest opposition party. Friedrich Merz, leader of the Christian Democrats (CDU/CSU), secured 33% of the vote (up from 26.7%) and will become Chancellor, forming a "Grand Coalition" with the Social Democrats (SPD), which suffered their biggest loss since 1887 according to the *Financial Times*. This coalition holds a narrow majority of just 13 seats, falling short of pre-election expectations. A reform of Germany's strict constitutional fiscal rule now appears less likely but there are ways to create additional fiscal space. The election outcome increases the likelihood of joint European Union (EU) borrowing for defence, while green policies will likely receive less emphasis compared to the outgoing administration as economic and security concerns gain political priority.

Forecast 2025:
GDP: 0.8%
HICP Inflation: 2.2%
Forecast 2026:
GDP: 1.0%
HICP Inflation: 1.9%

UNITED KINGDOM

After a weak second half of 2024, measures announced in the Chancellor's October budget are set to boost GDP growth in 2025. The budget, which takes effect from April, will inject an additional £32 billion annually through increased borrowing and spending. This stimulus is expected to drive household consumption and expand the public sector. Escalating trade tensions could nevertheless hurt growth, particularly given the already weak growth outlook for its largest trading partner, the EU. Meanwhile, inflation is likely to remain above target in 2025, as higher national insurance contributions raise business costs, prompting a passthrough to consumers. Additionally, increases in the national living and minimum wages will sustain strong wage growth, adding to inflationary pressures. The Bank of England cut interest rates to 4.5% in February, and markets expect two further 25-basis-point reductions before rates stabilise in 2026.

Forecast 2025:
GDP: 1.2%
Inflation: 3.0%
Forecast 2026:
GDP: 1.3%
Inflation: 2.1%

JAPAN

Growth is set to accelerate in 2025, driven by strong private consumption as rising wages boost household incomes. Private investment should remain resilient, supported by high corporate profits and favourable financial conditions. However, risks to growth tilt downward, including a global slowdown, volatile food and energy prices, rising global trade barriers and recent tariff hints from Trump should Japan not take steps to reduce its trade surplus with the US. Moreover, domestically, weak consumption remains a concern if real wages stagnate. Inflation risks, on the other hand, are mixed. Persistently low inflation expectations could keep price growth subdued, while rising food and energy costs and stronger wage gains could push inflation higher. Trade disruptions may also impact prices, though the effect depends on the extent of tariffs. Given these risks, the Bank of Japan must maintain a flexible, data-driven approach and clear communication to anchor market expectations.

Forecast 2025:
GDP: 1.2%
Inflation: 2.5%
Forecast 2026:
GDP: 0.9%
Inflation: 1.9%

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CHINA

China's growth in late 2024 was driven by policy support announced in September 2024 and a surge in exports ahead of potential US tariffs. Household consumption grew alongside GDP, while weaker investment was the main drag. Exports, meanwhile, accounted for over 30% of fourth-quarter growth—the highest since the 1990s—as firms rushed shipments before Trump's proposed tariffs of up to 60%. While his tone has softened, sustaining growth in 2025 will require stronger monetary and fiscal stimulus. Nominal GDP rose just 4.2% in 2024, the weakest outside the pandemic years, while deflation persisted for a second year—the longest stretch since the 1960s. Beijing's measures, including lower mortgage rates and eased homebuying restrictions, have improved sentiment but failed to drive a full recovery. To further support growth, China will likely lower interest rates and reserve requirements while adopting a more proactive fiscal approach.

Forecast 2025:
GDP: 4.4%
Inflation: 0.5%
Forecast 2026:
GDP: 4.1%
Inflation: 1.0%

EMERGING MARKETS

The growth outlook for emerging markets (EMs) suggests a cautiously optimistic trajectory amid global uncertainties. Southeast Asia is expected to maintain strong growth momentum fuelled by infrastructure investments and digitalisation, while Latin American growth prospects look dimmer, with Mexico facing headwinds from US tariffs, offsetting a potentially strong rebound in Argentina. Although Emerging Europe could recover from a peace deal between Russia and Ukraine, the macro implications would depend on the details of the agreement and this could lead to higher defence spending which would stretch fiscal positions in the region. Inflation in EMs is anticipated to ease, supported by moderating global commodity prices, though a strong US dollar poses risks of imported inflation. Geopolitical tensions and trade disruptions remain key risks, potentially tightening financial conditions, which could limit the extent of interest rate cuts, particularly in regions that started lowering monetary policy rates ahead of developed market economies.

Forecast 2025:
GDP: 4.2%
Inflation: 3.4%
Forecast 2026:
GDP: 4.1%
Inflation: 3.1%

SOUTH AFRICA

South Africa faced renewed power outages with the return of stage 6 load shedding by late February. This escalation was triggered by multiple unit failures at key power stations, including Camden, Majuba, and Medupi, combined with planned maintenance that took nearly 7 000 megawatts offline. Compounding this hiccup in energy supply, the government's decision to delay the National Budget to 12 March, originally slated for 19 February, has fuelled economic and political unease. The postponement followed public backlash over a proposed VAT increase, raising fears that Treasury did not provide sufficient time for Cabinet to deliberate the proposed VAT increase, undermining the integrity of the budgeting process. Despite criticism for not effectively opposing legislation such as the Basic Education Laws Amendment Act and the Expropriation Act, the Democratic Alliance's resistance to the budget may bolster its standing in the government of national unity and improve its electoral prospects. With fiscal consolidation still a priority, the absence of a two-percentage point VAT hike leaves a revenue shortfall. As such, government may not be able to offer as much relief to taxpayers to offset fiscal drag, while also having to raise fuel taxes, limit social grant increases, and scale back hiring in frontline services. Treasury's plan to tap the Gold and Foreign Exchange Contingency Reserve Account (GFECRA) had aimed to ease borrowing needs, but its one-off nature means it's not a sustainable fix—leaving bond issuance as the fallback.

Forecast 2025:
GDP: 1.7%
Inflation: 4.0%
Forecast 2026:
GDP: 2.1%
Inflation: 4.6%

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