

Update and Extension of South Africa Estimates of Top Shares up to 2011

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Methodological Notes:

We have followed the same procedure as described for the years from 2002 in the original paper (Alvaredo and Atkinson, 2011) and in the previous methodological note (Alvaredo and Atkinson, 2012), with the corrections and caveats mentioned below (which apply to years 2008-2011 unless otherwise noted):

a) The incomes reported in the SARS Tax Statistics publication do not include the local interest and foreign investments exemption, but only the amounts in excess of the exemption threshold. For instance, for the year 2011/2012 (referred to as 2011 in the database, and 2012 in the publication) interest from local bank accounts earned by resident individuals under 65 years old, up to Rand 22,800 per annum, and by resident individuals aged 65 years old and older, up to Rand 33,000 per annum, were exempt from taxation. Foreign interest and foreign dividends accrued by resident individuals benefit from a lower exemption (Rand 3,700 in 2011/2012, out of the total exemption of Rand 22,800 or Rand 33,000, whichever is applicable). As done for 2002-2007, we have assumed that the full personal exemption applied to each individual, weighted by the age distribution of taxpayers (Table A2.1.4 Assessed individual taxpayers: Taxable income and tax assessed by age group, in Tax Statistics 2013).

b) Dividends received by residents and non-residents from South African resident companies are exempt from the personal income tax. They must still be disclosed in the tax return, but are not included in the incomes reported in the statistics. This is unfortunate, as they are an important component of incomes at the top of the distribution.

c) The series for the top 10% income share is now given from 2008 to 2011. For years before 2008, the resulting P90 value is usually very close to (and sometimes below) the filing threshold for employees.

d) We have introduced small adjustments to previous estimates for 2008-2010 due to (i) new income tax information based on an increase in the fraction of completed assessments; and (ii) revised estimates in National Accounts figures to compute the total control for income.

e) Results for 2011 are preliminary due to incomplete assessments at the time of publication.

f) For a comparison of previous and revised series, see Table 1.

g) Since the first issue in 2008, the incomes reported in the SARS Tax Statistics tabulations refer only to taxable income (gross income less exemptions and allowable deductions). Tax Statistics 2013 includes, for the first time, the distribution of taxable

income plus deductions (pension fund contributions, retirement annuity fund contributions, medical expenses, travel expenses, other smaller items). Deductions were 10% of taxable income in 2008 and 2009, and 13% in 2010 and 2011, due to the change in the manner in which employer medical scheme contributions on behalf of employees and medical deductions were accounted for. When we add the interest exemption as described in (1), the figures correspond to a definition closer to gross income (excluding capital gains). The “gross” income shares are shown in Table 2.

References

Alvaredo, Facundo and Atkinson, Anthony B. (2012). Update and extension of South Africa estimates of top shares up to 2009. The World Top Incomes Database, Methodological Notes, 7 Apr 2012.

Alvaredo, Facundo and Atkinson, Anthony B. (2011). Colonial Rule, Apartheid and Natural Resources: Top Incomes in South Africa 1903-2007. CEPR Discussion Paper DP 8155, 65 pp.

Table 1. Comparison between previous and revised series. South Africa (15 December 2013)(a)

	Income control Nominal million Rands		Number of tax units (000)		Top 10% income share												
	previous	revised	previous	revised	Top 10% income share	Top 5% income share	Top 1% income share	Top 0.5% income share % previous	Top 0.1% income share	Top 0.05% income share	Top 0.01% income share	Top 10% income share	Top 5% income share	Top 1% income share	Top 0.5% income share % revised	Top 0.1% income share	Top 0.05% income share
2008	1,574,291	1,574,570	33,258	33,258	39.91	17.89	12.48	5.46	3.83	1.67	54.30	40.01	17.87	12.44	5.39	3.76	1.59
2009	1,684,548	1,685,747	33,820	33,820	38.43	16.76	11.52	4.90	3.41	1.47	53.23	38.63	16.74	11.47	4.82	3.32	1.37
2010	1,840,961	1,839,632	34,487	34,487	38.19	16.58	11.38	4.78	3.28	1.36	53.62	38.86	16.77	11.48	4.80	3.28	1.33
2011(b)		2,023,270		34,774							54.14	38.90	16.68	11.38	4.79	3.27	1.35

Notes:

(a) Differences in series in grey.

(b) Provisional.

Table 2. Top shares based on gross income. South Africa (15 December 2013)

	Top 10% income share										
	Top 10% income share	Top 5% income share	Top 1% income share	Top 0.5% income share % revised	Top 0.1% income share	Top 0.05% income share	Top 0.01% income share				
2008	59.28	43.61	19.33	13.31	5.66	3.90	1.64				
2009	58.25	42.40	18.23	12.36	5.10	3.47	1.42				
2010	59.60	43.41	18.36	12.38	5.07	3.42	1.36				
2011(a)	60.41	43.35	18.23	12.30	5.05	3.42	1.38				

Notes:

(a) Provisional.