

PUBLIC ECONOMICS CONFERENCE

Admin tax data: Importance, research and policy links

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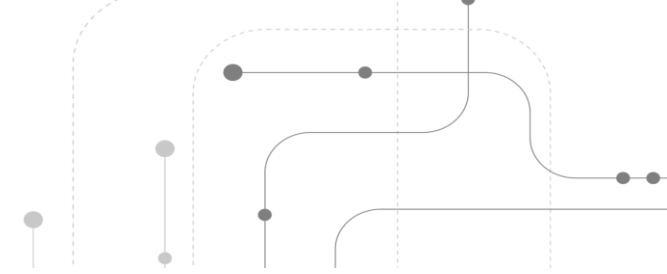
2024

TECHNOLOGY AND DATA
FOR ENHANCED GOVERNMENT SERVICE DELIVERY



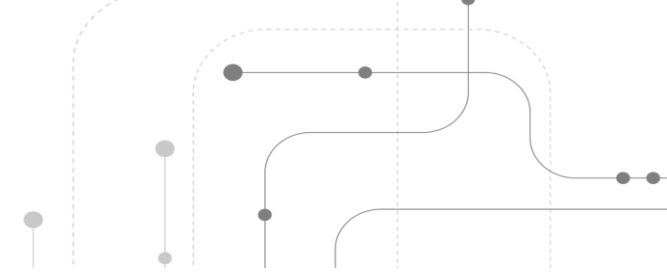
Outline

- Why do we need (good) data?
- Access to publicly available individual and firm micro-level data
- Admin tax data in SA fill the gaps
- Research based on the tax data
- Impact on policymaking

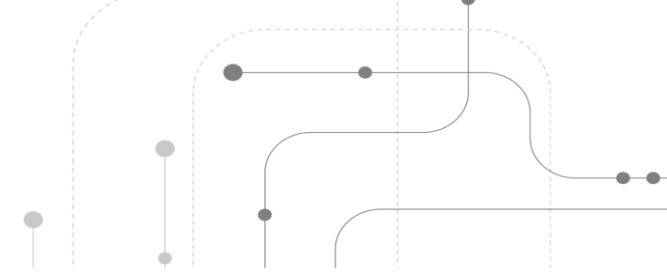


Why do we need (good) data?

- To implement good policies, data and a body of evidence is needed
- Once policies are implemented, their effectiveness should be evaluated
 - Are they meeting their intended goal?
 - If not, how should they be amended to ensure they are effective?



Publicly available individual micro-level data



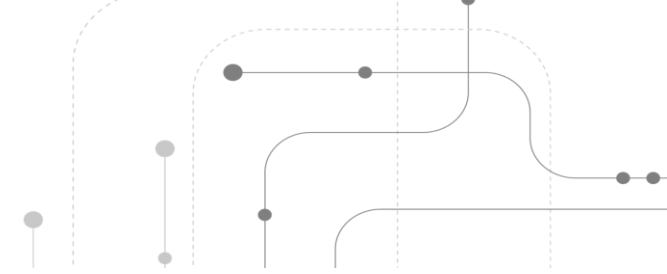
Individuals

- Publicly available micro data available on individuals, challenges globally:
 - Non-response
 - Under-reporting
 - Underreporting (~40%) not only at the top end of the income distribution but across the income distribution (Kerr, 2024)
 - NB policies that were informed by HH survey data
- Many policy questions need to follow individuals over time
 - QLFS rotating panel: observe across waves but very SR
 - NIDS: 5 waves, last released 2018
 - No long-run panels to track individuals in the MT

Publicly available firm data

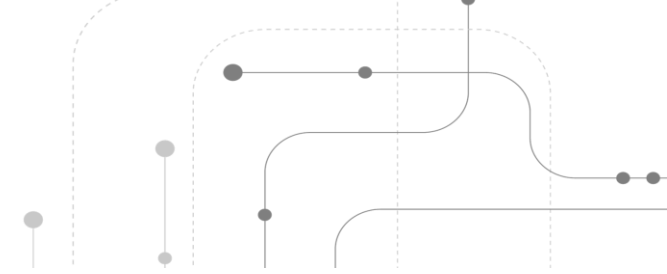
Firms

- Nationally representative data on firms collected, but micro data is rarely released
 - Aggregate information released in reports
 - Cannot track firm behavior and dynamics of firms over time



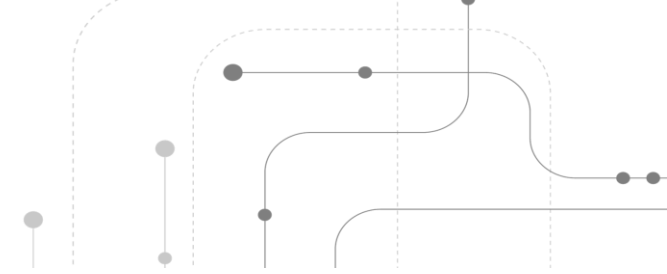
Admin tax data in SA can fill these gaps

- Tax admin data covers data from 2008
 - Can follow individuals and firms over time
- It allows in-depth analysis of **how firms and individuals respond to shocks or policies**; whether **barriers** of entry exist in certain sectors; measuring the extent of **firm births and deaths** in the formal economy
- Research spans across many thematic areas:
 - Firms, productivity and competition
 - Employment, wages and income inequality
 - Taxes
 - Trade
- In some cases, it is the only data source that can evaluate certain policy relevant questions



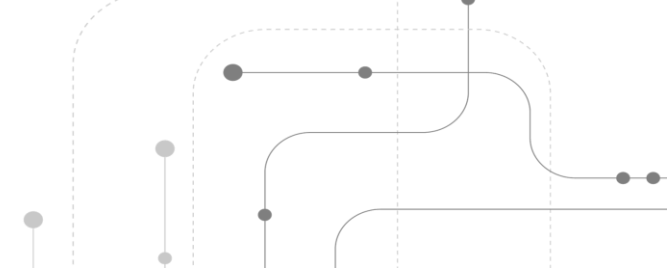
Some examples

- **The Employment Tax Incentive (aka Youth Wage Subsidy)**
 - Most widely studied tax incentive; is it effective at getting the youth into jobs?
 - Isaac Marcelin *et al*, 2019; Ebrahim and Pirttilä, 2019, Budlender and Ebrahim, 2021: mixed results presented at NEDLAC and parliament
- **Impact of the introduction of the 45% marginal tax rate for individuals**
 - Did it raise more tax revenue?
 - Axelson *et al.* (2024) find very big behavioural responses - tax revenue decreased



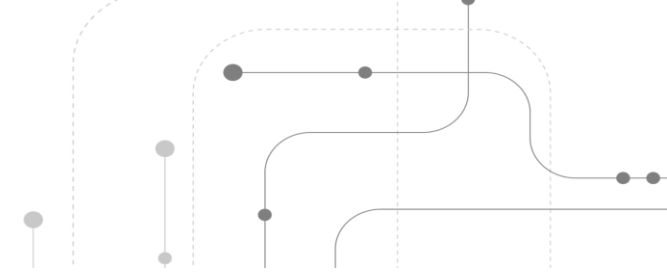
Some examples

- **Impact of the 52% increase in agricultural minimum wages?**
 - Evidence of spillovers via supply chains: Tan (2020) shows that upstream industries decreased assets, sales and employment
 - Employment changes? Piek *et al.* (2023) shows that employment losses driven by a decrease in new entrants (as opposed to laying off workers) among non-seasonal workers
- **Profit shifting by firms**
 - Wier & Reynolds (2018) estimated that firms owned by a parent in a tax haven avoided taxation on as much as 80 per cent of their true income. The top decile of foreign-owned firms accounts for 98 per cent of the total estimated tax loss

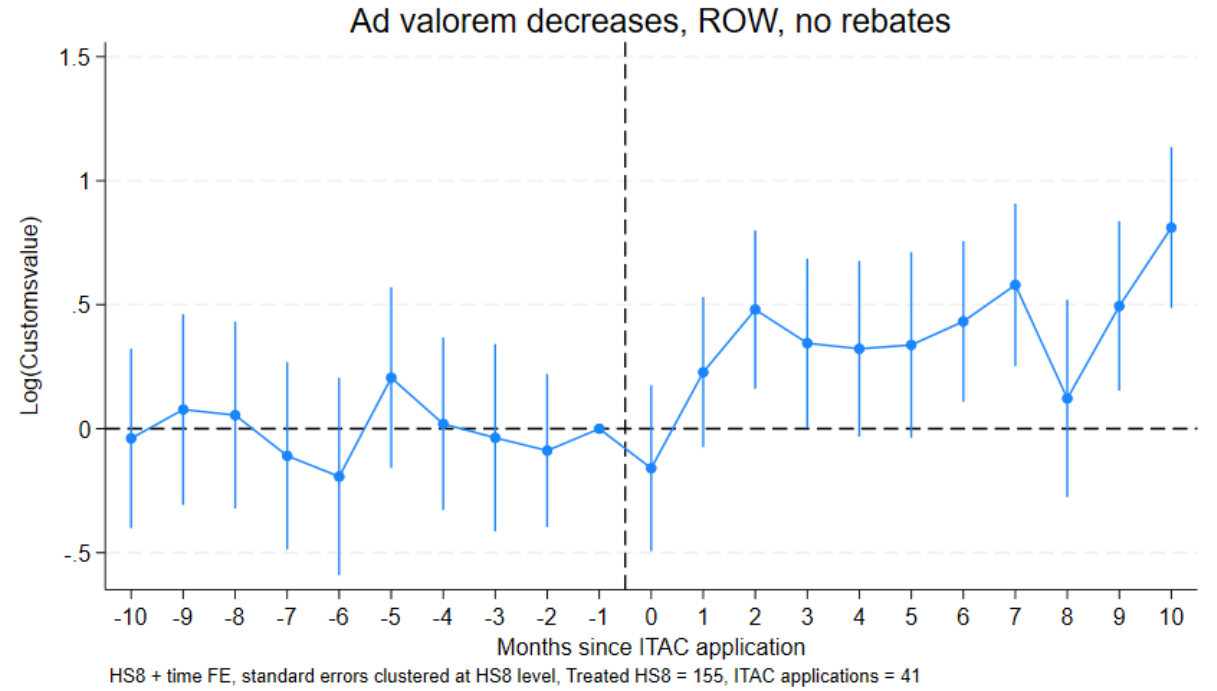
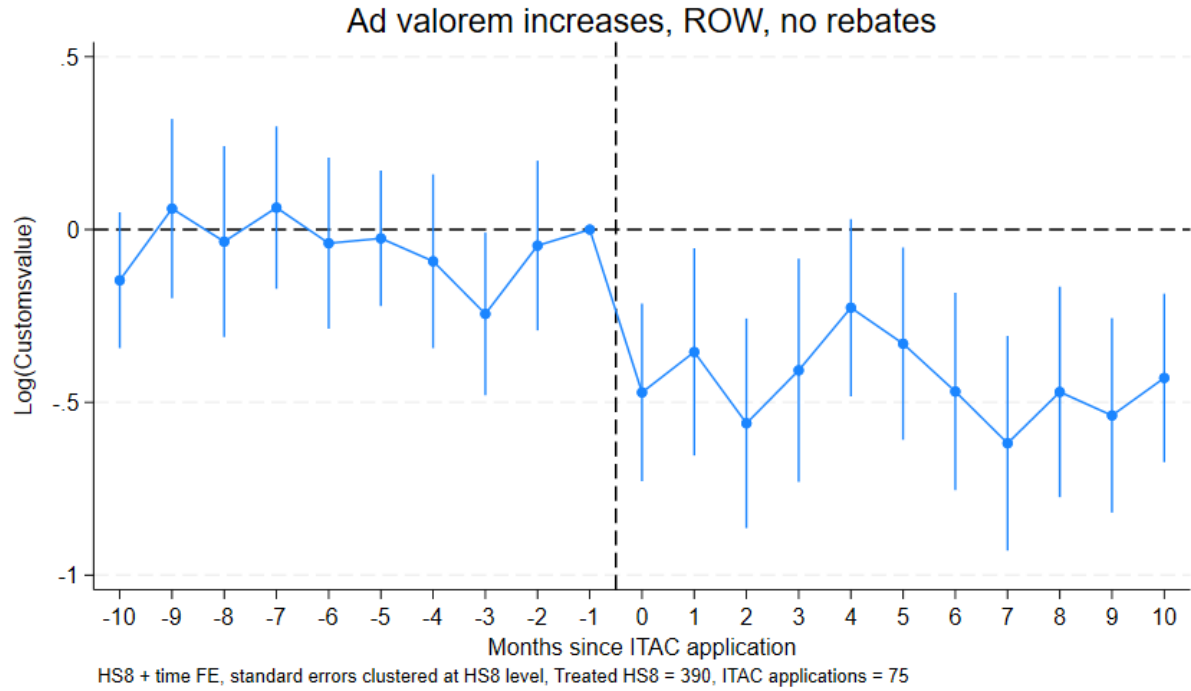
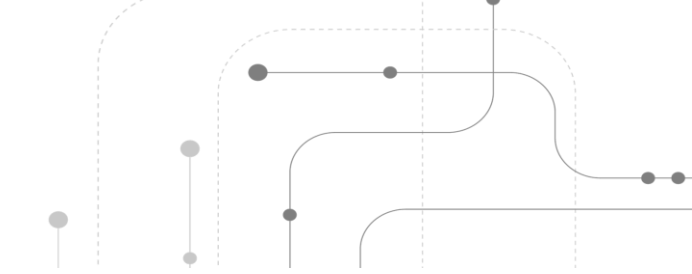


Current research using the tax data

- **Impact of International Trade Administration Commission (ITAC) rulings**
 - Can apply to change the tariffs
 - sometimes SA industry wants protection from competition
 - Shein & Temu examples
 - Sometimes request lower tariffs on imports eg if used as intermediary inputs
- Reinicke *et al* (forthcoming) digitized ITAC rulings:
 - which products are affected and the tariff change
 - assessed impact on imports
 - Tariff increases led to lower imports
 - Tariff decreases led to more imports

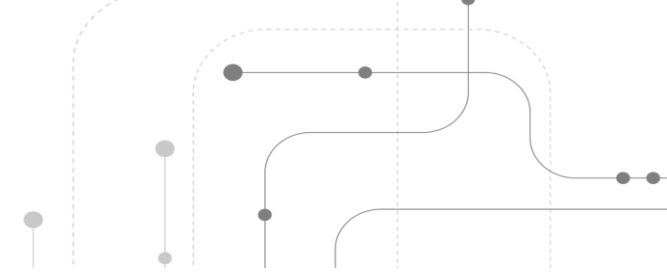


Impact of tariff changes on value of imports



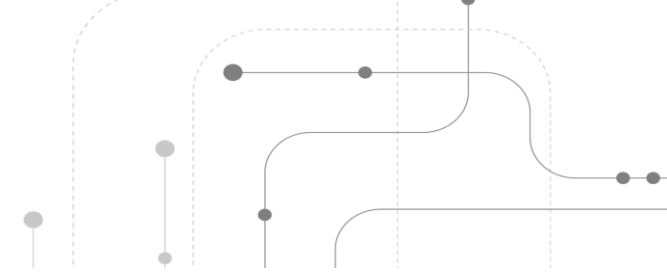
Future research

- Impact of the two-pot retirement savings reform
 - How many taxpayers withdraw from their pension fund?
 - How does the likelihood of withdrawal vary by age, income, total retirement contributions, the size of the savings pot
 - Do taxpayers make larger contributions to their retirement funds?
 - What is the aggregate value of the withdrawals and contributions?
 - Learnings from the tax data to feedback into the policy



Impact on policymaking

- Large body of evidence from which policymakers can draw from
 - Research findings not only in papers but more digestible forms (policy briefs, blogs, seminars, policy dialogues)
- The research produced has fed into policy recommendations and discussions, informed policy reviews and featured in the MTBPS and Budget Review
- Collaboration of data sharing between SARS and Treasury is a good example of how **data can be shared safely** and used for policymaking and broader research
- **Increased data sharing across government departments** to improve service delivery, improve monitoring & evaluation and ultimately **improve lives of our citizens**



THANK YOU

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