

### Financing research theme | South Africa

<b>Title</b>	Increasing general tax revenue and its impact on financing public health care in South Africa
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<b>Start date</b>	2013

### Background

South Africa has recently experienced a dramatic increase in tax revenue, during a period when both personal and company income tax rates were being reduced, through transforming the character and operations of the tax collection organisation (the South Africa Revenue Service or SARS).

However, information about the recent changes to SARS and its impact on tax collection is scattered between different sources and most of the studies on SARS are not formal research studies. What is currently known has not yet been sufficiently developed to have relevance to the policy community in the health sector.

### Purpose of the research

This study aims to document the South African experience of increasing general tax revenue and its impact on financing public services, especially health care. It seeks to derive lessons for other low- and middle-income countries, as well as for other public South African institutions seeking to improve efficiency and legitimacy. It seeks to address two key research questions:

1. How did the South African Revenue Service (SARS) succeed in increasing tax revenue dramatically at a time when income tax rates were being reduced?
2. Did the increase in general tax revenue impact on government funding of health services in South Africa and, if so, how did this occur?

### Study methods

The project will adopt a mixed methods approach.

- Quantitative methods will be used to quantify trends in general tax revenue, government spending on the health sector and on other sectors and to compare growth in these variables relative to growth in Gross Domestic Product.
- Qualitative methods will be used to explore the contextual factors, tax policies, actors and processes accounting for improved tax revenue and remaining challenges for sustainable tax revenue generation, as well as to understand whether, how and why allocations to the health sector were affected by improved tax revenue generation. Specific qualitative methods include a detailed review of existing studies relating to SARS and approximately 10 semi-structured key informant interviews with officials from the SARS, the National Treasury, the National Department of Health and the Fiscal and Financial Commission.

### Related research

RESYST researchers are also conducting studies in Kenya and Nigeria (Lagos State) to look at expanding fiscal space by increasing the effectiveness of tax collection systems.

Lessons from the three studies will be drawn together for other countries struggling to increase their fiscal space for health.

### Publications

Fiscal Space for Health: a review of the literature. *RESYST Working Paper 1* (2012), Timothy Powell-Jackson, Kara Hanson and Di McIntyre.

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